ABR HOLDINGS LIMITED

Company Registration No. 197803023H
(Incorporated in the Republic of Singapore)

SIGNING AND COMPLETION OF THE SALE AND PURCHASE AGREEMENT IN RELATION TO THE PROPOSED ACQUISITION OF THE CHILLI PADI GROUP

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1. INTRODUCTION

The Board of Directors ("**Board**") of ABR Holdings Limited ("**Company**", and together with its subsidiaries, "**Group**") refers to:

(a) the announcement dated 18 January 2017 made by the Company in respect of the memorandum of understanding dated 18 January 2017 ("**MOU**") entered into by the Company and the shareholders of Chilli Api Catering Pte. Ltd., Chilli Padi Nonya Catering Pte. Ltd. and Chilli Padi Nonya Restaurant Pte. Ltd. (collectively, the "**Target Subsidiaries**"), being Ms. Patricia Lee Siang Choo ("**LSC**"), Mr. Lee Boon Hwa and Mr. Lee Cheng Watt (collectively, the "**Vendors**") in relation to the proposed acquisition of the entire shares in the capital of the holding company of the Target Subsidiaries (namely, Chilli Padi Holding Pte. Ltd. (the "**Target Company**" and together with the Target Subsidiaries, the "**Target Group**"), which was incorporated after the date of the MOU); and

(b) the announcement dated 5 June 2017 made by the Company in respect of the extension of the Exclusive Period under the MOU to 31 July 2017, or such longer period as may be mutually agreed amongst the parties.

Further to the above-mentioned announcements, the Board wishes to announce that the Company had, on 13 July 2017, entered into a sale and purchase agreement ("**SPA**") with the Vendors in relation to the acquisition of the entire shares in the capital of the Target Company, further details of which are set out in paragraph 4 below (the "**Proposed Acquisition**"), and completion for acquisition of the First Tranche (as defined below) has taken place on the date of the SPA.

2. INFORMATION ON THE TARGET GROUP AND THE VENDORS

2.1 Information on the Target Group

The Target Company is a private company incorporated in Singapore on 3 May 2017. Its principal business activity is investment holding, and it is the holding company of the Target Subsidiaries. As at the date of the SPA, the Target Company has an issued and paid-up share capital of S$3,461,060 divided into 3,461,060 ordinary shares.

The Target Subsidiaries were incorporated in Singapore and their principal business activities are providing both Halal certified and non-Halal catering services for various events (including tea receptions, weddings, seminars, high-end functions, large scale corporate events, family gatherings or birthday celebrations), operating restaurants serving Peranakan food, operating cafeterias, as well as providing confinement products (the "**Target Group Businesses**").

2.2 Net Tangible Assets and Net Profits After Tax of the Target Group

Based on the proforma consolidated accounts prepared by the Vendors, the net tangible asset value of the Target Group as at 31 December 2016, after taking into account the dividends to be distributed to the Vendors prior to the Completion, is approximately S$2.4 million. The net profits after tax ("**NPAT**") of the Target Group for the financial year ended 31 December 2016 ("**FY2016**") is approximately S$2.7 million.

2.3 Further Information on the Target Group

None of the Vendors is related to any of the Company's directors, controlling shareholders or their respective associates.

3. RATIONALE FOR THE PROPOSED ACQUISITION

With the Proposed Acquisition, the Group will be able to expand into the food catering business, broaden the spectrum of its existing food and beverage selections to include Peranakan food and bring in an established brand into the Group's business. The Group will also have the opportunity tap into the customer base of the Target Subsidiaries and expand its demographic of customers.

The business of the Target Subsidiaries is profitable and the Board believes that the Proposed Acquisition will offer new business opportunities and provide the Company with additional and recurrent revenue streams, so as to enhance shareholders' value in the Company.

4. THE PROPOSED ACQUISITION

4.1 The Proposed Acquisition

The Proposed Acquisition will be completed in two tranches as follows:

(a) the first tranche ("**First Tranche**") of 2,768,848 ordinary shares, representing 80% of the entire issued and paid-up share capital of the Target Company (in the proportion of 692,212 ordinary shares from LSC, 1,038,318 ordinary shares from Mr. Lee Boon Hwa and 1,038,318 ordinary shares from Mr. Lee Cheng Watt, respectively) will be acquired at the aggregate consideration of S$14.8 million ("**First Tranche Consideration**"); and

(b) the second tranche of 692,212 ordinary shares in the Target Company ("**Remaining Shares**"), representing the remaining 20% of the entire issued and paid-up share capital of the Target Company, may be acquired from LSC at the Option Consideration (as defined below) subject to the terms of the Put Option and Call Option (each as defined below), further details of which are set out in paragraph 4.4 below.

The First Tranche Consideration and the Option Consideration were arrived at after negotiations on a willing-buyer, willing-seller basis. In arriving at the First Tranche Consideration and the Option Consideration, the Company has taken into account, *inter alia*, the past performance of the Target Subsidiaries as further set out in paragraphs 4.3 and 4.4 below.

4.2 Completion for the First Tranche

The acquisition of the First Tranche has been completed on the date of the SPA ("**First Tranche Completion**") and the Target Company has on such date become a subsidiary of the Company.

Pursuant to the First Tranche Completion, the Company holds 80% and LSC holds 20%, respectively, of the shares in the capital of the Target Company. The Company has on the date of the SPA entered into a shareholders' agreement ("**SHA**") with LSC in relation to the Target Company.

4.3 First Tranche Consideration

Pursuant to the SPA, in respect of the First Tranche Consideration:

(a) the Company has at the First Tranche Completion, paid 90% of the First Tranche Consideration, namely S$13.32 million, in cash to the Vendors; and

(b) the Company has retained 10% of the First Tranche Consideration, namely S$1.48 million ("**Balance Consideration**") as security for the obligations of the Vendors set forth in the SPA, including for payment of the Shortfall (as defined below). The Balance Consideration shall be payable, free from any interest, to the Vendors in accordance with the terms and conditions of the SPA.

The First Tranche Consideration has been derived based on a multiple factor of 6.5 times of the Target Group's NPAT for FY2016 after taking into account normalisation adjustments agreed with the Vendors.

The First Tranche Consideration will be funded by the Group's internal resources.

4.4 Acquisition of the Remaining Shares

Under the SPA, the Remaining Shares may be acquired by the Company pursuant to the exercise of the Call Option or Put Option, details of which are set out below:

(a) Call Option: The Company has a call option ("**Call Option**") to require LSC to sell to the Company, at any time from (and inclusive of) the 2nd anniversary of the date of the SPA, the Remaining Shares at the Option Consideration (as defined below), on the terms and subject to the conditions in the SPA;

(b) Put Option: LSC has a put option ("**Put Option**") to require the Company to purchase, at any time during the period commencing from the 4th anniversary of the date of the SPA and ending 5 business days thereafter, the Remaining Shares at the Option Consideration, on the terms and subject to the conditions in the SPA;

(c) Option Consideration: The consideration for the Remaining Shares ("**Option Consideration**") shall be an amount computed using the following formula:

*Option Consideration = 20% * 6.5 * (Y/2)*

*Where Y = the NPAT of the Target Group for the period of 2 years commencing from 1 July 2017 to 30 June 2019 ("**Relevant Period**") determined in accordance with the provisions of the SPA ("**Relevant Period Statement**"); and*

(d) Early Sale of the Remaining Shares: If mutually agreed between the Company and LSC in writing, the Remaining Shares may be acquired by the Company at any time during the period of 90 days immediately after 31 December 2018 at the consideration amount equivalent to 6.5 times the Target Group's audited NPAT for the financial year ended 31 December 2018 determined in accordance with the provisions of the SPA.

4.5 Board of Directors of the Target Company

Under the SHA, the board of directors of the Target Company shall consist of a maximum of 5 directors, of which the Company shall be entitled to appoint 3 directors and LSC shall be entitled to appoint 2 directors.

4.6 Undertaking by LSC

LSC has undertaken to the Company that, *inter alia*, she shall remain as a director of each Target Group company for the period of 2 years from the date of the SPA or, for so long as she holds any Remaining Share (whichever is later).

4.7 Non-Competition and Confidential Obligations of the Vendors

Under the SPA, each of the Vendors has undertaken to the Company, *inter alia*, that:

(a) he/she will not, and shall procure that no other of his/her affiliate shall, directly or indirectly, during the period commencing following the date of the SPA and ending on the 2nd anniversary of the date on which the respective Vendor ceases to be a shareholder of the Target Company or ceases to be an employee, consultant and/or director of the Target Group, whichever is later, (i) reveal to any person any trade secrets, confidential operations or any confidential information of the Target Group; (ii) carry on, be engaged or interested in any business or activity which is the same or similar to the Target Group Businesses or competes with the Target Group Businesses in Singapore; (iii) canvass, solicit or entice away, in competition with the Target Group, the custom of any person who has within 3 years prior to the date of the SPA been a customer, supplier or partner of any Target Group company; and (iv) induce any employee of the Target Group to become employed by him/her or his/her affiliate; and

(b) he/she shall keep the recipes and formulae in relation to the dishes and sauces which are crucial to the Target Group Businesses confidential at all times.

4.8 Profit Guarantee

Under the SPA, each of the Vendors has guaranteed that the aggregate NPAT of the Target Group for the Relevant Period determined in accordance with the provisions of the SPA shall be not less than S$6.0 million ("**Profit Guarantee**").

If the aggregate NPAT for the Target Group as set out in the Relevant Period Statement is less than the Profit Guarantee in respect of the Relevant Period ("**Shortfall**"), within 10 business days after the delivery of the Relevant Period Statement, the Vendors shall pay to the Company an amount equivalent to the aggregate Shortfall amount. The Company shall have the right but not the obligation to set off the Shortfall (if any) against the Balance Consideration.

If the aggregate NPAT for the Target Group as set out in the Relevant Period Statement exceeds the Profit Guarantee in respect of the Relevant Period ("**Excess NPAT**"), the Company shall procure that each of LSC and Mr. Lee Boon Hwa shall be entitled to receive 25% of the aggregate Excess NPAT, as an incentive under the terms of their Service Agreements (as defined below).

Please refer to paragraph 5 below for further details on the Profit Guarantee.

4.9 SHA

In addition to the matters relating to the board of directors of the Target Company as set out in paragraph 4.5 above, the SHA also sets out other customary provisions, including but not limited to, provisions on future funding, restrictions on transfer of shares, dividend policy and provisions on shareholders reserved matters that require unanimous approvals of the Company and LSC.

4.10 Service Agreements

In connection with the SPA, each of LSC and Mr. Lee Boon Hwa has entered into a 2-year service agreement ("**Service Agreements**") with Chilli Api Catering Pte. Ltd., pursuant to which LSC shall be employed as the executive director and chief executive officer and Mr. Lee Boon Hwa shall be employed as the executive director, of Chilli Api Catering Pte. Ltd., respectively. Under the Service Agreements, LSC's and Mr. Lee Boon Hwa's duties include, *inter alia*, overseeing the day to day operations and well as the overall performance of the Target Group.

4.11 Management Services Agreement

In connection with the SPA, the Company has entered into a management services agreement ("**Management Services Agreement**") with all of the Target Group companies in relation to the provision of management services by the Company to the Target Group for a period of 2 years from the date of the Management Services Agreement, which may be extended in accordance with the terms and conditions of the Management Services Agreement.

5. PROFIT GUARANTEE

In relation to the Profit Guarantee (as described in paragraph 4.8 above), the Company provides the following information in accordance with Rule 1013(1) of the Listing Manual.

5.1 Factors in Accepting the Profit Guarantee

The Board is of the view that the Profit Guarantee helps to safeguard the interests of the Group, and the Company will have legal recourse against the Vendors in the event that the Vendors fail to pay the Shortfall (if any). In accepting the Profit Guarantee, the Board took into account the following factors:

(a) the track record and past financial performance of the Target Subsidiaries;

(b) the Target Subsidiaries' audited financial statements for FY2016; and

(c) the intrinsic potential of the business to grow.

5.2 Commercial Bases and Principal Assumptions in respect of the Quantum of the Profit Guarantee

The quantum of the Profit Guarantee was derived after reviewing the track record and financial performance of the Target Subsidiaries, and the Target Subsidiaries' audited financial statements for FY2016.

5.3 Compensation in the event the Profit Guarantee is not met

In the event of a Shortfall, within 10 business days after the delivery of the Relevant Period Statement, the Vendors shall pay to the Company an amount equivalent to the aggregate Shortfall amount. The Company shall have the right but not the obligation to set off the Shortfall (if any) against the Balance Consideration.

In determining the basis for the compensation, the Company notes that the First Tranche Consideration was determined based on historical and not forward earnings of the Target Subsidiaries and the Profit Guarantee is intended to ensure continual accretive operational performance.

5.4 Safeguards to Ensure the Company's Right of Recourse

Concurrent with the signing of the SPA, LSC has also executed a share charge ("**Share Charge**"), pursuant to which LSC has charged the Remaining Shares and assigned all her rights, title and interests in and to the Remaining Shares in favour of the Company for the payment and discharge of all monies as may be owing by any Vendors to the Company pursuant to the SPA (including, but not limited, the Shortfall).

6. FINANCIAL EFFECTS

6.1. Assumptions

The proforma financial effects of the Group after the acquisition of the First Tranche set out below are for illustrative purposes only and should not be taken as an indication of the actual future financial performance or position of the Group following the First Tranche Completion or the Proposed Acquisition, nor a projection of the future financial performance or position of the Group after the First Tranche Completion or completion of the Proposed Acquisition. The Option Consideration may be determined only after the NPAT of the Target Group for the Relevant Period is available, and therefore, is excluded for the purposes of this paragraph 6 and paragraph 7 below.

The proforma financial effects of the acquisition of the First Tranche are based on the Group's audited financial statements for FY2016 and the following assumptions:

(a) that completion of the acquisition of the First Tranche had taken place on 31 December 2016 for purposes of the financial effect on the net tangible asset ("**NTA**") per share;

(b) that First Tranche Completion had taken place on 1 January 2016 for purposes of the financial effect on the earnings per share ("**EPS**"); and

(c) the expenses in connection with the Proposed Acquisition have been disregarded.

6.2. NTA per Share

	Before the acquisition of the First Tranche	After the acquisition of the First Tranche
NTA (S$'000)	99,266	86,420
Number of issued shares ('000)	200,996	200,996
NTA per share (Singapore cents)	49.4	43.0

The Proposed Acquisition will result in the recognition of a significant amount of goodwill and intangibles as the Consideration of S$14.8 million is significantly above the aggregate NTA of the Target companies. Accordingly, the Proposed Acquisition will result in a decrease in the NTA of the Group and the NTA per share.

6.3. EPS

	Before the acquisition of the First Tranche	After the acquisition of the First Tranche
Net profit after tax (S$'000)	5,410	7,567
Weighted average number of issued shares ('000)	200,996	200,996
EPS (Singapore cents)	2.69	3.76

7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures for the acquisition of the First Tranche computed on the bases set out in Rule 1006 of the Listing Manual and based on the latest announced unaudited consolidated of the Group for the three months ended 31 March 2017 are as follows:

Rule 1006	Bases	Relative Figure
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profit	53.6%(1)
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	10.7%(2)

(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such asset	Not applicable

Notes:

(1) "Net profits" means profit or loss before income tax, minority interests and extraordinary items. Based on 80% of the unaudited combined net profits attributable to the Target Group companies for the three months ended 31 March 2017 of S$776,000 and the net profits attributable to the Group for the three months ended 31 March 2017 of S$1,447,000.

(2) Based on (A) the First Tranche Consideration of S$14.8 million and (B) the market capitalisation of the Company of approximately S$138.0 million (determined by multiplying the existing number of shares in issue (i.e. 200,995,734 shares by S$0.6866, being the weighted average price of the Company's shares transacted on 28 June 2017, being the last full market day preceding the date of the SPA on which the Company's shares were traded).

As one of the relative figures set out above exceeds 20%, the acquisition of the First Tranche would constitute a major transaction under Rule 1014 of the Listing Manual. However, pursuant to Rule 1014(2) of the Listing Manual, as the acquisition of the First Tranche is an acquisition of a profitable asset and the only limit breached is Rule 1006(b) of the Listing Manual, shareholders' approval is not required for the acquisition of the First Tranche.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

9. NO SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Group and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading, and where this announcement contains a profit forecast or guarantee, the Directors are satisfied that the profit forecast or guarantee has been stated after due and careful enquiry. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPA, SHA, Share Charge, Service Agreements and the Management Services Agreement will be made available for inspection during normal business hours at the registered office of the Company for a period of 3 months commencing from the date of this announcement.

BY ORDER OF THE BOARD

Ang Lian Seng
Executive Director

13 July 2017