**ELLIPSIZ LTD**
Company Registration No. 199408329R
(Incorporated in the Republic of Singapore)

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**RESTRUCTURING OF VENDING SOLUTIONS BUSINESS**

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## 1. INTRODUCTION

The board of directors of Ellipsiz Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, EIR Investments Pte Ltd ("**EIR**") has today entered into 2 agreements in connection with the restructuring of its vending solutions business. The 2 agreements are (a) a restructuring agreement entered into among EIR, Kalms International Limited ("**KIL**"), Kalms Investment Pte Ltd ("**KIPL**") and Lim Wee Beng Eddie ("**EL**") (the "**Restructuring Agreement**"); and (b) a subscription agreement entered into between EIR and Indovend Pte Ltd ("**Indovend**") (the "**Subscription Agreement**").

## 2. RESTRUCTURING AGREEMENT

2.1 The purpose of the Restructuring Agreement is to allow EIR to operate the vending solutions business currently carried out through KIPL (the "**Business**"), independently of KIL, KIPL and EL, including through an investment in Indovend.

2.2 The Restructuring Agreement provides, *inter alia*, that each of KIL, KIPL and EL shall waive all of its rights under the non-competition restrictions in the shareholders' agreement entered into with EIR on 25 May 2018 (the "**Shareholders' Agreement**"), and EIR and any of its affiliates (collectively, the "**EIR Group**") shall be permitted to carry out the Business currently carried out by KIPL and its subsidiaries (collectively, the "**KIPL Group**") in 9 Southeast Asian countries, namely, Indonesia, Malaysia, Thailand, Philippines, Vietnam, Myanmar, Cambodia, Brunei, and Laos (the "**Territory**"). The EIR Group shall not carry out the Business in any jurisdiction other than in the Territory from the date of the Restructuring Agreement (the "**Restructuring**").

2.3 In consideration of the above, EIR has agreed with the terms presented by each of KIL, KIPL and EL pursuant to which it shall:

2.3.1 transfer all of its 15,000,000 ordinary shares in KIPL (comprising 50% of the issued share capital of KIPL as at the date hereof) (the "**Restructuring Shares**") to KIL for an aggregate consideration of $1.00; and

2.3.2 assign to KIL all of EIR's rights under the loans aggregating $5,267,000 extended by EIR to Kalms (Singapore) Pte Ltd ("**KSPL**"), a subsidiary of KIPL, as at and with effect from the date of the Restructuring Agreement (the "**Assignment**").

2.4 Pursuant to the Restructuring Agreement, the Shareholders' Agreement shall be terminated with effect from the date of the Restructuring Agreement.

2.5 Completion of the Restructuring Agreement, the transfer of the Restructuring Shares from EIR to KIL and the Assignment took place immediately upon the entry into of the Restructuring Agreement. Following such completion, EIR has ceased to hold any shares in KIPL and hence, KIPL is no longer a joint venture company of the Company.

2.6 The settlement consideration for the Restructuring aggregating $5,267,001 was satisfied by way of the agreement as disclosed in paragraph 2.3 above. The net asset value of the KIPL Group as at 30 June 2019 was $2.1 million. No independent valuation was conducted on the KIPL Group.

**3. SUBSCRIPTION AGREEMENT**

3.1 Pursuant to the terms of the Subscription Agreement, EIR has agreed to subscribe for 180 new ordinary shares in the share capital of Indovend (the "**Indovend Subscription Shares**") for an aggregate consideration of $500,000 payable in cash (the "**Subscription**"). The Indovend Subscription Shares comprise 60% of the resultant enlarged issued and paid up share capital of Indovend immediately upon their issue.

3.2 Completion of the Subscription took place today. Accordingly, EIR now holds 180 ordinary shares in the capital of Indovend comprising 60% of its issued and paid up share capital, making Indovend its subsidiary. EIR's subscription for the Indovend Subscription Shares was funded by the Group's internal resources.

3.3 The Subscription Agreement provides, *inter alia*, that:

3.3.1 EIR shall be entitled to nominate 2 directors to the board of Indovend; and

3.3.2 Tengku Azan Shah bin Tengku Sri Indra ("**Tengku Azan**") who was the chief executive officer of KSPL shall sign a service agreement with Indovend under which he shall be appointed as the chief executive officer of Indovend. He has since resigned from his position with KSPL.

**4. INFORMATION ON INDOVEND**

4.1 Indovend is a company incorporated in Singapore on 15 November 2019. Its principal activity is investment holding. The sole director of Indovend prior to the subscription of the Indovend Subscription Shares by EIR was Tengku Azan.

4.2 Indovend has a subsidiary, PT Surya Indovend Jaya ("**PT Indovend**"), which was incorporated in Indonesia on 21 November 2019 (Indovend and PT Indovend collectively, the "**Indovend Group**"). PT Indovend is in the business of trading of vending machines.

4.3 The net tangible asset value of the newly incorporated Indovend Group is $100. No independent valuation was conducted on the Indovend Group.

4.4 The consideration for the Indovend Subscription Shares of $500,000 was arrived at on a willing-buyer willing-seller basis, taking into account, *inter alia*, the requirements for working capital including the initial set-up and operational related costs to kickstart the business of the Indovend Group, the potential business opportunities in the distribution of vending machines in Indonesia to be carried out by PT Indovend which is currently in talks on certain distribution agreements and the experience of Tengku Azan in the Business as well as his network in Indonesia to drive the business of the Indovend Group.

**5. RATIONALE FOR THE RESTRUCTURING AND THE SUBSCRIPTION**

The Board is of the view that it is in the interest of the Company and the Group to enter into the Restructuring Agreement and the Subscription Agreement for the following reasons:

(a) the KIPL Group has been loss-making and its net asset value had decreased from $9.2 million as at 30 June 2018 to $2.1 million as at 30 June 2019. Substantial funding is required by the KIPL Group for its operations to cover capital expenditures, research and development, overheads and other ongoing operational related costs to launch new concepts. EIR has considered and decided that it is in its best interest to operate the Business independently of the KIPL Group. As the KIPL Group is expected to remain unprofitable in the near to mid-term, EIR does not foresee that KSPL will be able to repay the loans aggregating $5,267,000 that were extended to it;

(b) the Restructuring not only allows the Group to exit a loss-making venture but also enables the Group to immediately pursue the Business independently of its joint venture partner. Through its majority stake in Indovend, the Group will have control over the management and operations of the Indovend Group and in driving and directing its strategies;

(c) EIR's target market is the larger Southeast Asia region beginning with Indonesia. Singapore is Indonesia's largest foreign investor and the economies of both countries complement each other. The rising middle-class earners, increasing consumer spending power and the recent fintech boom in Indonesia, present vast opportunities for businesses. The intelligent vending concept is still at an early stage of growth in Indonesia and with a population size of over 260 million, the largest in ASEAN, and the country seeing an exponential growth in cashless payments spurred by the rise of the fintech industry, the Board believes the opportunities for vending solutions business are extensive and scalable in Indonesia; and

(e) the Indovend Group plans to penetrate Indonesia vending market through distribution of intelligent vending machines to businesses in various industries such as food and beverage, leisure and hospitality. The business model of distribution of vending machines requires lower capital commitment compared to the operation of vending machines which is the primary focus of the KIPL Group.

## 6. FINANCIAL EFFECTS OF THE RESTRUCTURING AND THE SUBSCRIPTION

Pro forma financial effects

**FOR ILLUSTRATIVE PURPOSES ONLY**: The *pro forma* financial effects of the Restructuring and the Subscription on the Group set out below are purely for illustrative purposes only and are neither indicative of the actual financial effects of the Restructuring and the Subscription on the Group net tangible assets ("**NTA**") per ordinary share in the issued share capital of the Company ("**Share**") and the Group earnings per Share ("**EPS**"), nor do they reflect the future financial performance and/or position of the Company and/or the Group.

The following *pro forma* financial effects of the Restructuring and the Subscription have been prepared based on the audited financial statements of the Group for the financial year ended 30 June 2019 with the following assumptions:

(a) for the purpose of computing the financial effects of the Restructuring and the Subscription on the Group NTA per Share, the Restructuring and the Subscription are assumed to have been completed on 30 June 2019;

(b) for the purpose of computing the financial effects of the Restructuring and the Subscription on the Group EPS, the Restructuring and the Subscription are assumed to have been completed on 1 July 2018, and the business of the Indovend Group is assumed as yet to have commenced; and

(c) the transaction costs in relation to the Restructuring and the Subscription are disregarded for the purposes of computing the financial effects.

NTA per Share

| | Before Restructuring and Subscription | After Restructuring and Subscription |
|---|---|---|
| NTA ($'000) | 100,956 | 91,343 |
| Number of Shares ('000) | 167,128 | 167,128 |
| NTA per Share (cents) | 60.41 | 54.65 |

EPS

| | Before Restructuring and Subscription | After Restructuring and Subscription |
|---|---|---|
| Net loss attributable to shareholders ($'000) | (515) | (7,628) |
| Weighted average number of Shares ('000) | 167,128 | 167,128 |
| EPS (cents) | (0.31) | (4.56) |

Financial impact on current financial year

The Restructuring will have a negative impact on the results of the Group and the Group is expected to record a loss for the first-half of the financial period ended 31 December 2019 and the current financial year ending 30 June 2020 arising from the Restructuring.

**7. SERVICE CONTRACTS**

No person will be appointed as a director of the Company in connection with the Restructuring Agreement or the Subscription Agreement. Accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

**8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDER**

None of the directors or the controlling shareholder of the Company has any interest, direct or indirect, in the Restructuring Agreement and the Subscription Agreement, save for their respective shareholdings (if any) in the Company.

**By order of the Board**
**JOHNIE TAN WEE LIANG**
Company Secretary
16 January 2020