

ELLIPSIZ LTD

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

PROPOSED SUBSCRIPTION OF SHARES IN KALMS INVESTMENT PTE. LTD.

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Ellipsiz Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that on 25 May 2018 EIR Investments Pte. Ltd. (“**EIR**”), a wholly-owned subsidiary of the Company, has entered into a subscription agreement with Kalms Investment Pte. Ltd. (“**KIPL**”), Kalms International Limited (“**KIL**”), and Lim Wee Beng Eddie (collectively the “**Parties**”) (such agreement, the “**Subscription Agreement**”), pursuant to which EIR shall subscribe for 15,000,000 Ordinary Shares (as defined below) (the “**Subscription Shares**”) amounting to 50% of the enlarged share capital of KIPL (the “**Proposed Subscription**”).

2. INFORMATION ON KIPL

KIPL is a wholly-owned subsidiary of KIL and was incorporated in Singapore in July 2015. As at the date of this announcement, KIPL has an issued and paid-up capital of S\$1.00 consisting of 1 ordinary share (“**Ordinary Share**”). Its principal businesses are wholesale and retail trade.

As at the date hereof, KIPL has an interest of approximately 93.85% in Kalms (Singapore) Pte. Ltd. (“**Kalms SG**”). It is intended that, prior to the completion of the Proposed Subscription (“**Completion**”), Kalms SG shall conduct a share reallocation exercise (the “**Kalms SG Share Reallocation**”) such that at the completion of the Kalms SG Share Reallocation, members of the senior management team of Kalms SG and other existing shareholders shall hold in aggregate 2,250,000 ordinary shares in the capital of Kalms SG, which immediately upon Completion shall represent 10% of the issued and paid up share capital of Kalms SG and KIPL shall hold 90% of Kalms SG.

Kalms SG, in turn, is the sole shareholder of Innovend Pte. Ltd. (KIPL and its subsidiaries collectively, the “**KIPL Group**” and each, a “**KIPL Group Company**”). Kalms SG has been in the gifts and cards retail business since 1964. It is now repositioning its business model to focus on technology-enabled retail through the use of intelligent vending machines equipped with the latest technology and associated solutions (the “**New Business**”).

The Company and KIL have entered into a collaboration to kick-start, grow and augment this new business model to populate both local and eventually regional markets with such vending solutions strategically spread across each market. This New Business will be carried out using the “Kalms” brand name or derivations and will be a new platform for Kalms and third party merchandise.

Based on the proforma management accounts of the KIPL Group for the nine-month period ended 31 March 2018 which have been adjusted for the Capitalisation (as defined in paragraph 4.1.6 below), the net loss attributable to the shareholder of KIPL was approximately S\$642,000 and the net tangible asset value of the KIPL Group as at 31 March 2018 was approximately S\$186,000. No independent valuation was conducted on the KIPL Group.

3. CONSIDERATION

The consideration for the Proposed Subscription shall be S\$10,000,000 in cash (the “**Consideration**”). The monies from the Consideration are to be used for the New Business.

The Company has, pursuant to the terms of a loan agreement dated 27 February 2018 entered into between the Company and KIPL and supplemented by a supplemental deed dated 3 May 2018, lent a principal sum of S\$4,000,000 in aggregate to KIPL (such loan, the “**Interim Loan**”). Pursuant to the terms of the Subscription Agreement, the principal sum disbursed under the Interim Loan will be applied towards EIR’s partial payment of the Consideration.

The balance Consideration of S\$6,000,000 is to be paid by EIR to KIPL in cash, and will be funded through the Group’s internal resources.

The Consideration was determined based on arms-length negotiations and arrived at on a willing-buyer willing-seller basis, taking into account, *inter alia*, the earnings and growth potential of Kalms SG in carrying out the New Business.

4. MATERIAL TERMS OF THE SUBSCRIPTION AGREEMENT

4.1 Conditions Precedent

The obligation of EIR to complete the subscription of the Subscription Shares under the Subscription Agreement is conditional upon *inter alia*:

- 4.1.1 EIR being satisfied with the results of its due diligence investigations into the financial, legal, contractual, tax and trading position of the KIPL Group and the titles of each KIPL Group Company to its respective properties and assets (including intellectual property);
- 4.1.2 where applicable, EIR’s subscription of the Subscription Shares being approved by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and where such approval is obtained subject to any conditions, such conditions being reasonably acceptable to EIR;
- 4.1.3 where applicable, the approval of the shareholders of the Company for the subscription of the Subscription Shares by EIR being obtained at a general meeting of the Company to be convened;
- 4.1.4 no material adverse change (as determined by EIR) in the prospects, operations or financial condition of any KIPL Group Company;
- 4.1.5 the business of each KIPL Group Company having been carried on in a reasonably satisfactory manner and each KIPL Group Company not having disposed of any material assets or assumed or incurred any material liabilities (including contingent liabilities) other than those in the ordinary course of its business; and
- 4.1.6 the shareholder’s loans granted by KIL to KIPL of an aggregate amount of S\$2,781,001 having been capitalised into 14,999,999 Ordinary Shares, such that KIL will hold an aggregate of 15,000,000 Ordinary Shares immediately following such capitalisation (the “**Capitalisation**”).

5. COMPLETION

Completion shall take place on the date falling no later than 30 days from the date of the Subscription Agreement, or such other date as the Parties may agree in writing. Parties shall also enter into a shareholders' agreement in relation to KIPL which shall take effect upon Completion. Upon Completion, the Company (through EIR) will hold KIPL as a joint venture company.

6. RATIONALE

The Directors believe that the Proposed Subscription is beneficial to the Group as it would enable the Group to diversify and undertake a separate line of business, thereby creating new income streams, which would enhance shareholder value.

7. RULE 1006 OF THE SGX-ST LISTING MANUAL

7.1 Relative Figures under Rule 1006 of the Listing Manual

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual (the "Listing Manual") of the SGX-ST in respect of the Proposed Subscription, are set out below:

Rule 1006 of the Listing Manual	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable
(b)	The net profits attributable to the assets acquired, compared with the Group's net profits.	Not meaningful ⁽¹⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	10.51% ⁽²⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

Notes:

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items. The Group announced unaudited net profits before tax of approximately S\$7.37 million for the nine months ended 31 March 2018. Based on its proforma management accounts which have been adjusted for the Capitalisation, the net loss before tax attributable to the assets acquired is approximately S\$321,000 for the nine months ended 31 March 2018. For the avoidance of doubt, this figure does not include the New Business which Kalms SG would undertake going forward.
- (2) The Company's market capitalisation is determined by multiplying the number of shares of the Company in issue excluding treasury shares of 167,128,185 shares by the volume weighted average price of the Company's shares on 24 May 2018 (being the market day immediately preceding the date of the Subscription Agreement) of S\$0.5695 per share.

7.2 Disclosable Transaction

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the transaction would be regarded as a disclosable transaction.

As the applicable relative figure computed under Rule 1006(c) of the Listing Manual exceeds 5% but is not greater than 20%, the Proposed Subscription constitutes a “disclosable transaction” as defined in Chapter 10 of the Listing Manual.

8. FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION

8.1 Assumptions

The financial effects of the Proposed Subscription set out in paragraph 8.2 below are for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Subscription on the earnings per share (“**EPS**”) and net tangible assets (“**NTA**”) per share of the Company, nor do they represent the future financial performance and/or position of the Group and/or the Company immediately following the Completion. The financial effects of the Proposed Subscription have been prepared on the following key bases and assumptions:

- (a) the financial effects of the Proposed Subscription on the EPS and NTA per share of the Company are based on the audited financial statements of the Group for the financial year ended 30 June 2017 (“**FY2017**”), which does not account for the completion in October 2017 of the disposal by the Company of all its shares in the issued share capital of SV Probe Pte. Ltd.;
- (b) for the purposes of illustrating the financial effects of the Proposed Subscription on the EPS of the Company, it is assumed that the Proposed Subscription had been completed on 1 July 2016;
- (c) for the purposes of illustrating the financial effects of the Proposed Subscription on the NTA per share of the Company, it is assumed that the Proposed Subscription had been completed on 30 June 2017;
- (d) the proforma management accounts of the KIPL Group for the nine months ended 31 March 2018 have been adjusted for the Capitalisation;
- (e) the net loss attributable to the shareholder of KIPL based on the proforma management accounts of the KIPL Group for the nine months ended 31 March 2018 which have been adjusted for the Capitalisation, has been extrapolated to a twelve-month period; and
- (f) EIR has not carried out a purchase price allocation exercise for the Proposed Subscription.

8.2 Financial Effects

Financial Effect on EPS

The effect of the Proposed Subscription on the EPS of the Company for FY2017 is as follows:

	Before the Proposed Subscription	After the Proposed Subscription
Profit after tax and minority interests attributable to the shareholders of the Company (S\$'000)	8,501	8,073
Number of ordinary shares in the capital of the Company ('000)	167,128	167,128
EPS (cents)	5.09	4.83

Financial Effect on NTA per share

The effect of the Proposed Subscription on the NTA per share of the Company for FY2017 is as follows:

	Before the Proposed Subscription	After the Proposed Subscription
NTA attributable to the shareholders of the Company (S\$'000)	90,059	90,059
Number of ordinary shares in the capital of the Company ('000)	167,128	167,128
NTA per share (cents)	53.89	53.89

9. SERVICE AGREEMENT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Subscription. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Subscription, save for their shareholdings in the Company.

11. DOCUMENT FOR INSPECTION

A copy of the Subscription Agreement shall be available for inspection at the Company's registered office at 54 Serangoon North Avenue 4, #05-02, Singapore 555854 during normal business hours for a period of 3 months from the date of this announcement.

By order of the Board

CHNG HEE KOK

Chairman

25 May 2018