



ASX ANNOUNCEMENT

18 November 2019

SALE OF CHINA BUSINESS

Ignite Limited [ASX: IGN] (Ignite) announces that its wholly-owned Hong Kong subsidiary Lloyd Morgan Limited has agreed to sell 100% of Lloyd Morgan Hong Kong Limited, which in turn owns 89% of its China business, Lloyd Morgan China Limited (LMC), to the current China Chief Executive Officer (CEO) of LMC.

The share sale was entered into for nominal cash consideration and based on the acquisition of the business as a going concern on an “as is, where is” basis, with all faults and without any warranties or representations by the seller and without any future recourse to the seller in respect of the business sold.

Ignite, through its related entities, has had majority ownership and control of the LMC business, which provides permanent recruitment services in China, for more than twelve years and has experienced mixed results and numerous challenges in its performance during that period.

As highlighted in the 2019 Annual Report, LMC had a very challenging year as it continued to rebuild under the leadership of a new CEO. In recent years, following strong revenue growth in fiscal 2018 and a profit of \$125,000, the business fell into loss in fiscal 2019 losing \$966,000.

The year to date performance in fiscal 2020 has been equally challenging with the business losing \$895,000 for the first four months and the Board has formed the view that the prospects of a rebound to profitability are unlikely in the current fiscal year.

China is a complex regulatory environment and LMC also operates in a highly competitive industry for both clients and staff. It is constantly challenged in attracting and retaining both.

Over the last 5 years, the China operations, which have been self-funding and self-sufficient during that period, have consumed a disproportionate amount of the time of the Board and the senior leadership team relative to the scale of operations and contribution to revenue and profitability. There were also limited synergies with Ignite’s Australian business which operates predominantly in the contingent labour market.

Following a review of the options available to it the Board determined not to invest further capital in the China business and that together with the ongoing risks and challenges facing the business, the Board considered that LMC, its clients, candidates and staff were best served by local ownership with a locally focussed and experienced leadership team.

In addition to the year to date operating losses, the divestment will result in a net accounting loss as at the sale date of \$750,000 to \$850,000.

- Ends -

Shareholder and Analyst Enquiries

Mr Garry Sladden
Executive Chairman
t. (02) 9250 8000

About Ignite

Ignite Limited [ASX: IGN] (Ignite) is a company limited by shares, incorporated and domiciled in Australia and listed on ASX.

For more than 30 years Ignite has been using its deep industry expertise and extensive relationships to unite permanent, contract and temporary workers with government, non-government entities and private clients of all sizes through its Specialist Recruitment, On Demand IT Services and People Services divisions throughout Australia.