

Credit Intelligence Accelerates Asian Expansion with Two Acquisitions in Singapore

Highlights

- **Credit Intelligence to acquire two profitable Singapore finance companies:**
 - Hup Hoe Credit Pte Ltd (HHC)
 - ICS Funding Pte Ltd (ICS)
- **Acquisitions to be funded through the issue of Credit Intelligence shares and cash flow**
- **The acquisitions in Singapore highlight the acceleration of Credit Intelligence's expansion across Asia**
- **The acquisitions will provide Credit Intelligence economy of scale and be earnings accretive**
- **Credit Intelligence continues to assess additional acquisition opportunities across the Asia Pacific debt-restructuring and credit spaces, using its large, profitable base in Hong Kong to support further expansion**
- **Strategic alliance with Cor Cordis continues to assess Australian acquisition targets**

Leading diversified debt restructuring and personal insolvency management services business within the credit funding sector, Credit Intelligence Limited (ASX:CI1) ("Credit Intelligence" or "the Company") is pleased to announce it has entered into share purchase agreements to acquire a majority 60% interest in two Singaporean finance companies, Hup Hoe Credit Pte. Ltd. (HHC) and ICS Funding Pte. Ltd. (ICS) as part of the Company's ongoing regional expansion.

Both HHC and ICS are credit funding businesses located in Singapore, with HHC providing personal loans and ICS providing credit financing to corporates. HHC and ICS are not related parties of the Company or each other and the acquisition of each company is independent of the other. Credit Intelligence will fund the purchase through the issue of shares and cash flow over an 18-month period.

About Hup Hoe Credit Pte. Ltd. (HHC) | Providing personal loans

HHC is a registered moneylender in Singapore which was established in 2014 and specialises in the provision of personal loans to individuals, both Singaporean and foreigners. HHC's sole shareholder is Mr Ronald Tan Bing Gim.

About ICS Funding Pte. Ltd. (ICS) | Providing credit financing to corporates

ICS is a credit funding company registered in Singapore which was founded in 2015 to help Singaporean SMEs to access business funding as an alternative source to conventional banking platforms. ICS has built up significant experience in the Singapore business funding industry with a network of consultants to provide comprehensive and effective funding solutions for business owners. ICS' shareholders are Mr Chow Yi Loong, Mr Yeo Wei Chung; and Mr Wilson Lim.

Credit Intelligence increases Singapore presence

The acquisitions follow soon after the Company's commencement of its joint venture in Singapore with Arrow Business Consultants in bankruptcy and debt management services [ASX announcement: 19 November 2018]. The acquisition of HHC and ICS will complement Credit Intelligence's existing business, and increase the Company's reach across Singapore. Credit Intelligence continues to assess additional acquisition opportunities across the Asia Pacific debt-restructuring and credit spaces.

With the HHC and ICS acquisitions, Credit Intelligence has identified an opportunity to further expand its operations into the Asian market with businesses that are synergistic to its current business model and not at a scale that will prevent the company from fulfilling its objectives to further establish its Australian operations as and when a suitable opportunity arises.

The Company notes that a significant portion of the purchase price of the HHC and ICS acquisitions will, subject to member approval, be paid to the respective vendors in Company shares. This will allow the Company to retain capital to achieve its stated objectives, including to further establish its Australian operations.

As stated in the Prospectus, Credit Intelligence intends to rely upon its strong and profitable Hong Kong operations to financially support its Australian operations during the initial start-up phase and provide future capital to continue the group's growth into the Australian market [Prospectus, page 47].

Key terms of the share purchase agreements

The key terms of the share purchase agreements entered into with the vendors of HHC and ICS are as follows:

- the vendors of HHC and ICS where appropriate, entering into employment agreements;
- the Company having the right to nominate a majority of directors to the board of HHC and ICS for as long as the Company holds more than 50% of the issued share capital of each company;
- the vendors of ICS to nominate one (1) director to the board of the Company for as long as they hold a total of more than 10% of the Company's fully diluted issued share capital; and
- standard pre-emption right of first refusal and tag along rights for the sale of the remaining shares in HHC and ICS.

Completion of the acquisitions are subject to conditions precedent which are usual for transactions of this nature, including but not limited to:

- The Company completing due diligence into HHC and ICS to its satisfaction;
- ASIC, ASX and other regulatory approvals; and
- obtaining shareholder approval at a general meeting for the issue of consideration shares to the vendors of HHC and ICS.

HHC acquisition terms

The HHC Share Purchase Agreement price comprises:

- (a) SGD\$1,235,294 in cash; and
- (b) 80,990,951 fully paid ordinary shares in the Company.

The cash consideration to be apportioned as:

- (a) SGD\$411,800 payable to the HHC vendor on completion; and
- (b) The balance of the cash consideration to be paid in 18 equal monthly instalments.

ICS acquisition terms

The ICS Share Purchase Agreement price comprises:

- (a) SGD\$1,764,706 in cash; and
- (b) 115,701,349 fully paid ordinary shares in the Company.

The cash consideration will be apportioned as:

- (a) SGD\$588,200 payable to the ICS Vendors on Completion; and
- (b) The balance of the cash consideration will be paid in 18 equal monthly instalments.

Under each share purchase agreement, the number of consideration shares in Credit Intelligence to be issued is based on an exchange rate of SGD\$1 to AUD\$1.0407. All shares issued at completion will be subject to moratorium, restricting trading of the shares for 12 months from issue.

In addition, under each share purchase agreement, the consideration will be adjusted twelve months from completion depending on agreed NPAT targets where:

- (a) The net profit after tax ("NPAT") of HHC for the twelve months after completion exceeds SGD\$700,000;
- (b) The NPAT of ICS for the twelve months after completion exceeds SGD\$1,000,000;
- (a) and (b) being the Target Value; and
- (c) The Company's share price at the end of twelve months is less than AUD\$0.03.

If the NPAT for HHC and/or ICS does not exceed the Target Value, the relevant vendors must repay that portion of the target shortfall in previously issued consideration shares to the Company. If the NPAT for HHC and/or ICS exceeds the Target Value, the Company must pay that portion of the excess to target to the relevant vendors either in cash or additional consideration shares (at the Company's election and subject to obtaining regulatory and/or shareholder approvals).

In the event the Company's share price is less than AUD\$0.03 twelve months following completion the Company will issue additional top-up shares to the vendor for any shortfall in share price below AUD\$0.03 but not lower than AUD\$0.02, subject to regulatory and/or shareholder approvals.

Indicative timetable for acquisitions

Shareholder approval will be required with respect to the proposed issue of shares under the respective share purchase agreements

The indicative timetable of the acquisition is set out below:

Event	Date
Execution of Share Purchase Agreements	9 May 2019
Announcement of Proposed Transaction	10 May 2019
Notice of Meeting sent to shareholders	27 May 2019
General Meeting	17 June 2019

Completion of Proposed Transaction	24 June 2019
Incorporation of new Cayman Islands entity	25 June 2019
Transfer of HHC shares and ICS shares to new Cayman Islands Entity	26 June 2019
Post-completion adjustments	24 June 2020

The timetable is indicative only and may vary subject to the Corporations Act, the Listing Rules and other applicable laws. The Company reserves the right to vary the dates shown above without prior notice.

Indicative capital structure following acquisitions

Upon completion of the proposed transaction, the indicative capital structure of the Company is set out below:

Current Ordinary Shares on issue	820,427,185
Acquisition of HHC	80,990,951
Acquisition of ICS	115,701,349
Total Ordinary Shares on issue post-acquisition	1,017,119,485
Class A Performance Shares on issue	11,750,000
Class B Performance Shares on issue	18,500,000
Class A Performance Rights on issue	27,022,500
Class B performance Rights on issue	22,022,500
Fully diluted capital structure	1,096,414,485

Business development continues in Australia

The Company stated in its Prospectus (dated 21 December 2017) and Supplementary Prospectus [ASX Announcement May 18, 2018] (together “the Prospectus”) that its key objectives were to:

- increase its market share in Hong Kong for providing debt restructuring services;
- enter the Australian market for debt restructuring services;
- use Shareholder funds effectively with the goal of returning significant value to Shareholders; and
- build and maintain long-term collaborative relationships with banks and financial institutions [Prospectus, page 8].

Credit Intelligence acknowledges that, to date and including the acquisition of HHC and ICS, it has only expanded its operations in the Asia Pacific region and at this stage has not expanded its business into the Australian market for debt restructuring services.

The Company remains committed to expanding its operations in Australia in credit funding, which includes debt restructuring and insolvency practice. The Company is actively looking at acquisitions and/or joint ventures to achieve this objective. The Managing Director is frequently in Australia to meet with potential partners and work with the Board in driving this strategy.

As set out in the Prospectus, the Company had intended to enter the Australian insolvency market by progressively establishing local offices throughout Australia either by acquiring existing insolvency businesses, employing experienced Australian insolvency practitioners or a combination of both [Prospectus, page 46].

Strategic alliance with Cor Cordis progresses

With the goal of commencing expansion into Australia, the Company entered a strategic alliance with leading Australian business insolvency and advisory firm Cor Cordis in Q4 CY18 [ASX Announcement: October 18, 2018].

The Company notes that, as set out in the Prospectus, the Company intended to spend 50% of all funds raised (being \$1,750,000) on the establishment of Australian operations [Prospectus, page 17]. To date, the costs associated with the business development undertaken by the strategic alliance total approximately \$120,000 (primarily travel and consulting fees), and will be expensed in the current year. These costs do not include the costs of the Board and management team in reviewing opportunities in Australia outside of the strategic alliance.

The Company has retained a significant portion of funds raised under the public offer in anticipation of further expanding into the Australian market when a suitable opportunity arises that is favourable to the company and its shareholders, either through acquisitions or other arrangements such as the joint venture with Cor Cordis.

At this stage, no joint venture agreement (pursuant to the strategic alliance agreement) with Cor Cordis has been formalised, as negotiations and discussions between the Company and Cor Cordis continue. Planning sessions carried out with Cor Cordis have focused on various strategies for entering Australia's bankruptcy administration and debt arrangement services market. Meetings and discussions held in both Hong Kong and Australia have centred on identifying opportunities in the different market segments and marketing strategies in each jurisdiction as well as the benefits of adopting the Hong Kong case management platform to the Australian market.

As a result of the meetings with Cor Cordis, a strategy has been formulated to make an initial move into the debt arrangement market. This has been driven by a recognition that there are significant opportunities in this market to be captured via the acquisition of an existing operator. Such an acquisition would allow a fast track into a market where the Company sees significant upside due to a number of economic factors in Australia.

The Company has identified target acquisitions and discussions have commenced. These discussions are at a preliminary stage and no binding agreements or arrangements have been entered into. However, the Company envisages that any acquisition will be earning accretive and will be a launching pad for further expansion.

Cor Cordis and the Company continue to explore opportunities in bankruptcy administration and debt management and view the current levels of mortgage stress, falling residential property prices and tightening lending policies in the housing sector as significant tailwinds.

The Company notes that it is developing relationships to further expand its expansion into the Australia market, however, has not yet been able to identify synergistic businesses complementary to its current business model and strategic objectives, other than Cor Cordis. The Company intends on acting with prudence with regards to its Australian expansion and any potential acquisitions, joint ventures and/or potential partners in order to ensure that the Company's funds are utilised effectively with the goal of returning value to shareholders.

Credit Intelligence Managing Director, Jimmie Wong said: “Credit Intelligence is delighted to announce the acquisition of two separate, yet highly complementary businesses. As defaults and bankruptcies continue to rise, it is timely for us to strengthen our presence in the credit funding sector in Singapore as part of our ongoing regional expansion across Asia.

HHC and ICS are both respected, established and profitable businesses and have many existing synergies with Credit Intelligence. I look forward to working with the management teams of both HHC and ICS to integrate these businesses into our Company over the coming months. We are committed to pursuing opportunities in the Asia Pacific region to strengthen our existing business.

Our expansion plans provide a clear plan to grow profitability and are supported by macro conditions such as economic volatility and rising household debt. Potential partnerships and acquisitions provide attractive opportunities for Credit Intelligence to increase our presence in the sector and we continue to consider a number of opportunities, in the credit-funding sector of financial markets.

In addition to the Cor Cordis strategic alliance, we have investigated a number of complementary opportunities in Australia. To date, we have not been able to consummate a transaction and our efforts in this matter are ongoing.”

Ends

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**About Credit Intelligence Limited (ASX:CI1)**

Credit Intelligence Limited (ASX:CI1) is one of the leading diversified debt-restructuring and personal insolvency management services operating in Hong Kong in the credit funding sector. Credit Intelligence's main business includes the provision of bankruptcy admission services and Individual Voluntary Arrangement (IVA) proposal consultancy and implementation services.

Credit Intelligence acts for all the leading banks and financial institutions in Hong Kong with regular referrals from those banks and financial institutions to assist their defaulting personal clients. Two of the directors of the Company are registered Trustees in Bankruptcy in Hong Kong.

For the latest research and news on Credit Intelligence, please visit: www.ci1.com.au