

ASX ANNOUNCEMENT

22 December 2016

The Directors of Kollakorn Corporation Limited (**ASX: KKL**) wish to announce the details of the proposed acquisition of all the issued capital of Isity Global Pte Limited ("**Isity**") ("**Acquisition**").

It is proposed by the directors of KKL that they will hold an Extraordinary General Meeting ("**EGM**") in February 2017 to consider the detailed terms of the Acquisition however in order to lift the suspension of trading of the Shares in KKL ("**Shares**") the Directors give this preliminary announcement to Shareholders pursuant to ASX Listing Rules, Guidance Note 12.

1. Isity Global Pte Limited

Isity Global Pte Ltd (**Isity**) is a company incorporated under the laws of the Republic of Singapore with offices situated at 96 Robinson Road, 16-01 SIF Building, Singapore 068899.

2. The Proposal

KKL is proposing to acquire all the issued share capital of Isity by way of issue of Shares in the capital of KKL as follows:

2.1 Preliminary to the Transaction:

- 2.1.1 Subject to the approval of the Transaction at the EGM, the Directors will issue 187,500,000 Shares (pre-consolidation) at \$0.008 (0.8 cents) per Share to raise \$1.5 million for working capital for KKL and to provide capital for Isity to meet its proposed objectives ("**Capital Raising**"). This Capital Raising will be a pre-condition to the completion of the Transaction.
- 2.1.2 Subject to the approval of the Transaction at the EGM and the completion of the Capital Raising, the Directors will convert the Convertible Notes to Shares at \$0.008 (0.8 cents) per Share (pre-consolidation) on the terms previously agreed for the conversion of the Convertible Notes in the Convertible Note Agreement ("**Conversion of Convertible Notes**").

2.1.3 Subject to the approval of the Transaction at the EGM, the completion of the Capital Raising and the Conversion of Convertible Notes the, Directors' shall payout the Related Party loans by way of issue of Shares at \$0.008 (0.8 cents) per Share (pre-consolidation) ("**Payment of Related Party Loans**");

2.1.4 Subject to the approval of the Transaction at the EGM, the completion of the Capital Raising, the Conversion of Convertible Notes and the payment of the Related Party Loans, the Directors will consolidate all the Shares on the basis of 1 consolidated Share for every 10 pre-consolidation Shares ("**10:1 Share Consolidation**");

(Together referred to as the "**Preliminary Transactions**")

2.2 The Transaction

Subject to the approval of the Transaction at the EGM and the completion of the Preliminary Transactions, the Directors of KKL will:

2.2.1 Issue to the Shareholders of Isity 31,250,000 Shares (post consolidation) at \$0.08 (8 cents) per Share valued at \$2.5 million in consideration for the acquisition of all the issued capital of Isity; and

2.2.2 Issue 75,000,000 Options (**Performance Options**) to the Shareholders of Isity on the terms and conditions set out in Section 4 of this announcement (final details to be confirmed).

2.3 Total Shares on Issue in KKL after the Completion of the Transaction

	Shares	Pre Acquisition	Post Acquisition	Post Performance Options
Issued Capital Pre-Acquisition	1,064,009,231	62.91%	53.10%	38.64%
Shares issued as a result of converting Convertible Notes, Repaying Related Party Loans and the exercise of Performance Options held by the Convertible Note Holders	427,390,703	25.27%	21.33%	15.52%
Capital Raisings	200,000,000	11.82%	9.36%	6.81%
	1,691,399,934			
10:1 Consolidation	169,139,993			
Issue of Shares to Purchase Isity	31,250,000		15.59%	
Conversion of Performance Options	75,000,000			38.58%
	275,389,993	100%	99%	100%

Figure 1: Table showing the issued capital of KKL before and after the Transaction and the Preliminary Transactions and explaining how the capital restructure that will be conducted

3. Additional Information

- 3.1 Charles Hunting, a Director of KKL is a director and shareholder of Isity and will receive Shares as part of this Transaction.
- 3.2 The **minimum issue of Shares for the Transaction** will be 31,250,000 Shares (post consolidation) at \$0.08 (8 cents) per Share on execution of the Transaction.
- 3.3 The **maximum issue of Shares** will be 106,250,000 Shares (post consolidation) at \$0.08 (8 cents) per Share assuming that all the Performance Options are exercised.
- 3.4 No individual party will acquire control of, or voting power of 20% or more in KKL as a result of the Transaction.
- 3.5 The Transaction is conditional upon KKL raising \$1.5 million additional equity prior to the Transaction. The Directors of KKL believe that there is a reasonable likelihood that this will be achieved however this capital raising requires the approval of the Shareholders under ASX Listing Rule 7.1 and therefore the Transaction may not proceed if that approval is not forthcoming
- 3.6 The Directors' of KKL do not propose any changes to senior management other than the addition of the relevant Isity managers to the KKL management team (refer section 5.1). The Directors' of KKL have agreed with the Isity directors that the appointment of an additional director would strengthen the board and will therefore consider recommendations from the directors of Isity.
- 3.7 The Directors' of KKL will commission an Independent Expert's Report on the Transaction in order to solicit an opinion on whether the transaction is "**Fair and Reasonable to the Existing Shareholders of KKL**". This report will be available to all Shareholders as part of the Notice of Meeting for the EGM.
- 3.8 It is expected that the Notice of Meeting will be sent to Shareholders in late January 2017 with a date for an EGM to be in February 2017 (this may be subject to change).
- 3.9 Assuming that the KKL Shareholders provide all the required approvals at the EGM, it is anticipated that the capital raising referred to in section 2.1.1 and the completion of the Preliminary Transactions and the Transaction will take place within 3 months from the date of the EGM, in accordance with the requirements of the ASX Listing Rule 7.3.2.

The exception to the above will be the issue of Shares to Related Parties referred to in Section 2.1.3 which will take place within 1 month after the date of the EGM, in accordance with ASX Listing Rule 10.13.3.
- 3.10 The allotment of securities pursuant to the Preliminary Transactions and the Transaction requires the approval of the KKL Shareholders under ASX Listing Rule 7.1 and therefore neither the Preliminary Transactions nor the Transaction may proceed if that approval is not forthcoming at the EGM.

4. Terms of the Performance Options

The terms and conditions of the Performance Options shall be as follows:

- 4.1 The number of Performance Options to be issued is 75,000,000 at nil consideration but subject to Isity reaching agreed KPI's during the Term of the Performance Options (refer to section 4.17);
- 4.2 Each Performance Option entitles the holder to acquire one Share;
- 4.3 The Performance Options vest on the date being 3 years from the date of the conclusion of the Transaction ("**Vesting Date**"). The Performance Options may not be exercised until they have vested.
- 4.4 The Performance Options must be exercised within 3 months of the Vesting Date after which time if not exercised they will lapse ("**Exercise Period**");
- 4.5 The Performance Options to the extent that they have earned are exercisable in full during the Exercise Period by completing an exercise form in the form provided by KKL ("**Notice of Exercise**") and delivering it to the registered office or Share Registry of KKL;
- 4.6 The exercise price of the Performance Options is set out in clause 4.1 above;
- 4.7 The Performance Options will not be transferable;
- 4.8 Shares to be issued on the exercise of Performance Options will be issued not more than fourteen (14) days after receipt of a properly executed Notice of Exercise. Shares allotted pursuant to the Notice of Exercise will in all respects rank equally with the then issued Shares of KKL;
- 4.9 Performance Option holders shall not be permitted to participate in new issues of securities;
- 4.10 In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of KKL, all rights of the Performance Option holders will be changed to the extent necessary to comply with the ASX Listing Rules applying to the reconstruction of capital at the time of the reconstruction;
- 4.11 If there is a bonus issue of Shares to Shareholders, the number of Shares over which a Performance Option is exercisable may be increased by the number of Shares which the holder of the Performance Option would have received if the Performance Option had been exercised before the record date for the bonus issue;
- 4.12 In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in KKL, the holder of the Performance Option will be entitled to receive an offer over such pro rata number of Shares as they would be entitled if the Performance Option had been exercised before the record date for the pro rata issue;

- 4.13 Reminder notices will be forwarded to Performance Option holders prior to the expiry of the Performance Options;
- 4.14 The Performance Options will be recorded on the Company's register of Option holders maintained at the share registry. The register will be open for inspection by a Performance Option holder free of charge. Shares to be allotted on exercise of Performance Options will be recorded on KKL's share register;
- 4.15 KKL will not make an application for Official Quotation of the Performance Options on ASX and the Performance Options shall remain unlisted during their term. Official quotation on the ASX of the Shares issued pursuant to the exercise of the Performance Options will be sought;
- 4.16 The Performance Option holder, if appearing on the Company's register of Option holders at the relevant date, will be entitled to receive and will be sent all reports and accounts required to be laid before Shareholders in general meeting and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings unless they hold Shares;
- 4.17 The KPIs associated with the Performance Options shall:
 - 4.17.1 Specify that Isity's profit contribution to the consolidated revenues of KKL will follow a 25% compounded growth for the 3-year term of the Performance Options;
 - 4.17.2 The specific details of the KPIs for the Performance Options are still to be determined by the Directors and agreed with the Shareholders of Isity and complete details of the KPIs will be available for consideration by KKL Shareholders in the Notice of Meeting of the EGM.

5. A Summary of Isity Global Pte Ltd

5.1 Introduction

Isity is a private company based in Singapore and operating in the Asia Pacific market with a focus on Buildings and Public Infrastructure Facilities (Smart Cities). Isity owns and operates a wholly owned subsidiary in China and has developed a pipeline of projects in most of the large Asian countries and Australia.

Isity's core businesses is the improvement of the sustainability, productivity and environmental performance of buildings through the use of innovative building management systems. Isity aligns disparate building infrastructures and support technologies and uses integrated analytics to optimise building and environmental performance.

It is estimated by the Directors of Isity that in the Asia Pacific market, the opportunity for improving building performance could be worth more than AUD100bn by 2025.

The focus of Isity is on buildings and infrastructure that are 3 or more years old. This market is, as of now, largely untouched and also more often the worst performing segment of the building market. Building Developers usually focus on new developments in which they incorporate the newest technologies and innovations rather than retrofitting older existing buildings.

Isity operates core analytical and optimisation technology that has already proven the value of the Isity's services on buildings owned by two Fortune 500 companies. Isity's philosophy is to integrate the best building optimisation solutions from a series of global leaders in this field and in that way, provide an end-to-end solution to its clients. This has eliminated a significant amount of R&D costs for Isity and has allowed Isity to rapidly add new proven technologies to their suite of offerings.

Isity has already demonstrated that cost savings from energy efficiency retrofits can be extended to provide value in many new investment areas which drive improved building asset value for owners.

Isity has a powerful yet simple value proposition - **“target 40% operational savings”**, improving further over the long-term. This typically provides a project ROI of 12 to 36 months (excluding cost of finance,) and it is estimated that over a 20-year period, savings could exceed the total cost of the initial building development.

The most significant advantage that Isity has is that it can offer a fully financed solution to clients with a 'no-up-front' cost. This allows repayments to be made out of the real savings generated.

One of the founders and the CEO of Isity is Paul Beddie. Originally from the United States, Paul is an experienced business leader who has lived and worked in Asia since 1991. He has sold and delivered over \$600 million in complex technology, IT and services projects.

Paul is a pioneer in the environmental engineering sector, he successfully developed and sold multiple utility scale scrubber projects using Japanese technology in North America, Europe and Asia. He later joined the energy practice in Australia of Deloitte Consulting where he was Manager of their CRM & Energy Practice

Later Paul successfully launched 3 new start up business units in the areas of Japanese customer acquisition strategy, out-sourced IT and management support in the capital markets sector across Asia and implemented the Asia analytics and process reengineering division for the largest pure-play global BPO vendor.

Prior to joining Isity, Paul had significant roles in Genpact (G E International Capital Service) as Vice President of their Smart Decision Services; in Headstrong Capital Markets (A Genpact Company) as Vice President and Head of

Asia Financial Services Practice and PeopleSoft Inc as Director Sales and Customer Relations Managers, Asia Pacific.

Paul is active with the Smart City Council, EcoDistricts, 1776's Challenge Cup for cities and the Urban Land Institute (ULI). A fluent Japanese speaker, he lives with his wife and children in Shanghai, China.

5.2 Current Opportunities

Isity is currently in detailed discussions with a city in China surrounding the optimisation of a critical and often underperforming unit of public infrastructure - a sewage system.

Sewage systems can consume up to 20% of a city's energy costs, often leave large volumes of sludge requiring disposal and does not normally deliver the quality of water necessary to maintain a healthy environment. Isity has an exclusive right in Asia Pacific to a cutting-edge technology for converting sewage into clean water and clean energy.

5.3 Reasons for Doing the Transaction

The Directors of KKL believe that the Isity Transaction will benefit KKL and its Shareholders for the following reasons:

- It will provide a sustainable business that can grow revenue and profits quickly;
- It will provide additional management to the management team with expertise in the Isity business and which can be extended to KKL's existing businesses;
- It will provide much needed funding to KKL;
- It will add new technologies to KKL's existing technologies, some of which such as RFID, can be used in Isity's Building Sustainability business;
- It will bring new significant Shareholders to the register of KKL; and
- It will allow a capital restructure that will consolidate existing Shares and convert existing debt and convertible notes to Shares.



Riad Tayeh
Chairman