

Resource Star Limited

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The Manager  
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## RSL AGREES TO ACQUIRE A 60% INTEREST IN SUGAR DRAGON LIMITED AND GAINS EXPOSURE TO EXCLUSIVE LICENSE FOR CANDY CRUSH CONFECTIONERY SALES IN GREATER CHINA

### Highlights

- Resource Star Limited (ASX:RSL) has conditionally agreed to acquire a 60% interest in a holding company, Sugar Dragon Limited which owns a 72.5% interest in Okmno Asia Limited, a leading manufacturing and distribution company with operations in Greater China.
- Okmno Asia Limited holds the exclusive license to produce and distribute Candy Crush branded confectionery in the Greater China region.
- Candy Crush is a global mobile gaming brand with over 120 million daily active users globally and over 48 million subscribers in the China following its recent launch in August 2014.
- Investment in Okmno Asia Limited strategically positions RSL in the Asian market, with the confectionery market in the Greater China region having grown to an estimated US\$13.9 billion.
- Leverages the strong existing partnerships which Okmno Asia Limited holds with King.com, Tencent (via King), Trolli, HaiTao, LF Asia and Miti Corporation, all leading manufacturers, importers and distributors in Greater China.
- Sales from Candy Crush confectionery products are expected to bring material revenue stream to the RSL business, with 18 tonnes of product sold to date, and generate substantial profit margin growth.

### Background

Resource Star Limited (ASX:RSL) ("The Company") today announces the intended acquisition of a 60% interest in Sugar Dragon Limited (**Sugar Dragon**), subject to due diligence to be completed within 7 days of execution and shareholder and regulatory approvals.

The investment will fund the growth of Okmno Asia Limited (**Okmno Asia**) a company in which Sugar Dragon owns a majority stake of 72.5%.

## Transaction Overview

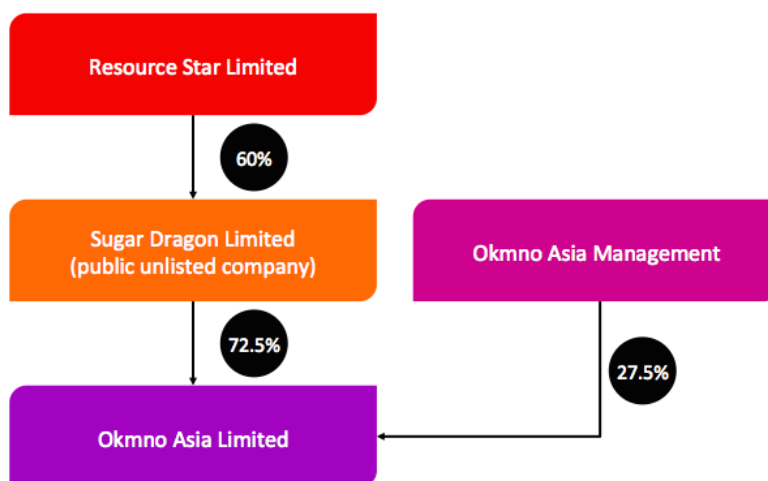
The Company intends to subscribe for Sugar Dragon shares to obtain a 60% shareholding interest in Sugar Dragon.

The consideration payable for the subscription in Sugar Dragon is:

- A \$300,000 refundable deposit within 2 days of execution.
- A \$200,000 convertible loan within 21 days of execution. The loan will be unsecured and interest free. The loan will convert at settlement.
- A \$3,625,000 payment at settlement.

The deposit is refundable in the event the transaction does not proceed due to the due diligence condition not being satisfied (or the ASX Listing Rules or applicable laws do not permit conversion into Sugar Dragon shares) and payment to the Company is due within 60 days after such an event subject to Sugar Dragon having financial capacity and otherwise at such later date the Company has financial capacity. The loan is repayable in the event the ASX Listing Rules or other applicable laws do not permit conversion into Sugar Dragon Shares and repayment to the Company is due at the same time as for repayment of the deposit.

Otherwise the deposit and loan are convertible into 4,615,384 Sugar Dragon shares and 3,076,923 Sugar Dragon shares respectively (representing 15% of the undiluted share capital of Sugar Dragon post conversion of those two amounts) at settlement or, subject to the ASX Listing Rules or other applicable laws permitting conversion, where settlement does not occur, other than due to the due diligence condition not being satisfied in respect of the deposit, with the conversion to occur at settlement or, where settlement does not occur, within 2 days of written notice from the Company of the occurrence of an event resulting in settlement not being able to occur.



## About Okmno Asia

Okmno Asia is a licensing and distribution confectionery company with operations in Greater China, founded in 2007 with extensive experience in brand licensing and launching well known western brands into the Chinese market, having worked with major brands over the years, including Brandon (a Puma company), MIO, Renault, Lamborghini, Sara Lee and Red Bull and ASOS.

Okmno Asia holds an exclusive four-year licensing agreement with King.com, the maker and publisher of the widely successful Candy Crush Saga and Soda mobile games, and a first right of refusal to extend the exclusive licensing agreement. The agreement with King.com allows Okmno Asia to manufacture and distribute Candy Crush branded confectionery in China, Taiwan, Hong Kong and Macau. Revenues from sale of Candy Crush branded confectionery products will go directly to Okmno Asia.

#### Management of Okmno Asia

Okmno Asia is led by Jade Zhang, with over 10 years of experience in the Fast Moving Consumer Goods (FMCG) industry, extensive experience in project management, finance and marketing including driving the launch of global online fashion brand ASOS into China. She is joined by Sigrid Tan, Sales and Marketing Director for Okmno Asia. Sigrid has 15 years of experience in the Greater China food retail market and has successfully launched various licensed products for Trolli in China, namely Marvel (Disney) and Hello Kitty and previously worked as the head of field marketing for Pepsi and Maverick.

#### **Transaction Rationale**

##### Expansion into Greater China

The investment into Okmno Asia strategically positions the Company in the Asian market with outstanding business partners and brings material revenue to the Company.

The confectionery market in the Greater China region (China, Hong Kong, Taiwan and Macau) is sizeable and estimated to be US\$13.9 billion in 2013, growing from US\$7.2 billion in 2006.

##### Significant market opportunity

The Candy Crush brand and mobile gaming phenomenon is proven around the world with a network of 120 million daily active users and offers more than 180 games in over 200 countries. Candy Crush branded confectionery has immense potential in the Chinese market, following the recent launch of the mobile game Candy Crush Saga in China in August 2014.

The mobile game was recently launched in China through partnerships with Tencent, the largest social network in the world, and Wechat (the Facebook social media equivalent, owned by Tencent). To date, the Candy Crush game has achieved 48 million registered users in China alone, 13.6 million in Hong Kong and 27.3 million in Taiwan in the short space of 8 months and was voted Best Social Game at the International Gaming Awards in 2013.

##### Exclusive Candy Crush confectionery license and first mover advantage

Okmno Asia, through its' exclusive license with King.com, will be the first to manufacture and sell Candy Crush branded confectionery into the Greater China region.

##### Leverages strong and long standing partnerships with leading marketing and distribution companies

Okmno Asia has in place strong and established partnerships with King.com, TenCent (via King), Trolli, HuiTao, LF Asia and Miti Corporation, all leading manufacturers, importers and distributors in Greater China.

##### King.com

King is a leading interactive entertainment company in the mobile gaming market, with more than 195 games published in over 200 countries. Whilst the current license with Okmno Asia is for the Candy Crush brand there is potential to expand into licensing King's other brands.

### Trolli

Trolli is a leading German manufacturer and distributor with a 20,000 strong distribution network and products sold in over 80 countries. Trolli has factories in Germany, China, Czech Republic and Spain and manufactures the Candy Crush confectionery products at its factory in Germany.

### Tencent

Tencent is the world's largest social network and the owner of WeChat, a comparable application to Facebook available in China. Through King's relationship with Tencent the Candy Crush Saga game will be promoted through the WeChat platform, which has over 500 million monthly users in China.

In addition, Okmno Asia is working with HuiTao Corporation in China, Miti Corporation in Taiwan and LF Asia in Hong Kong. HaiTao distributes products to over 3,000 outlets across 130 cities across China and LF Asia covers 30,000 retail outlets in 300 cities throughout all of Asia.

Okmno Asia will leverage these relationships and partnerships to accelerate the marketing and distribution of the Candy Crush confectionery products in China other regions.

### Material revenue stream and potential uplift in profit margin

The Okmno Asia business has already launched two product ranges in the market, selling 18 tonnes to its distribution partners in China and Taiwan.

The Company's investment in Sugar Dragon is expected to generate material revenues to the Company.

The business model is highly scalable, with low capital required for further product growth and the opportunity to license further well known brands through strong partnerships in the region.

### **Recompliance with Chapters 1 and 2 of the ASX Listing Rules**

As the investment in Sugar Dragon will constitute a significant change in the nature and scale of the Company's activities, the Company will be required to re-comply with the requirements in Chapters 1 and 2 of the ASX Listing Rules (including preparing a full form prospectus, conducting a capital raising and potentially a consolidation of capital) as a condition to completing the investment.

### **Effect on capital structure and financial position**

As part of the process for recomplying with Chapters 1 and 2 of the ASX Listing Rules, the Company will be required to conduct a capital raising. The quantum of the raising and the offer price per share are yet to be determined but a minimum of \$4,000,000 will be required and the offer price will be not less than \$0.02 per share (subject to the grant of a waiver from ASX). In addition, the Company may be required to complete a consolidation of capital. The Company will update the market when this information is known and further details will be included in the notice of meeting seeking shareholder approval for the investment.

As the final quantum of the capital raising required to be completed to fund the investment in Sugar Dragon is not yet determined an unaudited pro-forma balance sheet showing the impact of the transaction will be included in the notice of meeting seeking shareholder approval for the investment.

**Indicative timetable of investment**

<b>Activity</b>	<b>Date</b>
Announcement of transaction	22 April 2015
Dispatch of notice of meeting seeking RSL shareholder approval	On or before 29 May 2015
Dispatch of notice of meeting seeking Sugar Dragon shareholder approval	On or before 29 May 2015
RSL shareholder meeting	30 June 2015
Sugar Dragon shareholder meeting	30 June 2015
Lodgement of Prospectus by RSL	1 July 2015
Closing date of Prospectus offer	31 July 2015
Completion of investment in Sugar Dragon	7 August 2015
Expected date for reinstatement to official quotation of RSL on ASX	12 August 2015
End date to satisfy conditions precedent to the transaction	30 September 2015

*The above table is an indication only and is subject to change. Shareholders should also note that the Company's securities will be suspended from trading on the day of the RSL general meeting seeking shareholder approval for the transaction and if such approval is obtained will remain suspended until such time as the Company has satisfied Chapters 1 and 2 of the ASX Listing Rules.*

Mathew Walker, Non Executive Director of Resource Star Limited commented on the investment:

*"This investment provides the Company with access to a sizeable and growing Asian market and brings significant revenue streams to the business.*

*The agreement Okmno Asia has with King to license the Candy Crush brand in the Asian market is invaluable and positions the Company with an immediate first mover advantage in the region and opens up further growth opportunities as Okmno Asia looks to expand into new regions and license further brands in the future."*

Proposed Capital Raising

To provide working capital to the Company between now and completion of the transaction the Company has placed 80 million Company Options at a placement price of \$0.0025 per Company Option to professional and sophisticated investors to raise \$200,000. The Company Options will have the same terms as the existing unlisted Company Options with an exercise price of \$0.008 and expiry date of 31 December 2017.

For and on behalf of the Board of Resource Star Limited

Mathew Walker  
**Director**

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