

CHEW'S GROUP LIMITED

(Company Registration No. 201020806C)
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF:-

- (1) CHEW'S AGRICULTURE PTE LTD;
 - (2) CHEW'S GROUP INVESTMENT PTE LTD;
 - (3) CHEW'S GROUP MARKETING PTE LTD; AND
 - (4) CHEW'S ENGINEERING SERVICES PTE LTD
-

1. INTRODUCTION

1.1 The Board of Directors (the "**Board**" or "**Directors**") of Chew's Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company had, on 9 February 2018, entered into a Term Sheet (the "**Term Sheet**") with Huat Lai Resources Berhad and/or its nominees (the "**Purchaser**"), pursuant to which the Company agreed to sell to the Purchaser, and the Purchaser agreed to acquire, the entire issued and paid-up shares in the capital of the Company's wholly-owned subsidiaries:-

- (i) Chew's Agriculture Pte Ltd ("**CAPL**");
- (ii) Chew's Group Investment Pte Ltd ("**CGIPL**");
- (iii) Chew's Group Marketing Pte Ltd ("**CGMPL**"); and
- (iv) Chew's Engineering Services Pte Ltd ("**CESPL**")

(the "**Sale Shares**")

on the terms and subject to the conditions of the Term Sheet (the "**Proposed Disposal**").

1.2 The Term Sheet is intended to set out the basis for further discussion in respect of the Proposed Disposal. The Proposed Disposal will be subject to the Company and the Purchaser ("**Parties**") entering into definitive transaction agreements ("**Definitive Agreements**") and further details will be announced in the event the Definitive Agreements are entered into by the Parties. Shareholders should note that the terms of the Term Sheet are subject to further negotiations and changes. There is no certainty or assurance that the Definitive Agreements will be entered into and/or that the Proposed Disposal will materialise.

1.3 The Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited. Please refer to Section 5 of this announcement for further details.

1.4 Accordingly, the Company will be seeking the approval of its shareholders for the Proposed Disposal as a major transaction under Chapter 10 of the Catalist Rules at an extraordinary general meeting (the "**EGM**") to be convened.

1.5 Upon the completion of the Proposed Disposal (the "**Completion**"), CAPL, CGIPL, CGMPL and CESPL (each a "**Sale Subsidiary**" and collectively the "**Sale Subsidiaries**") will cease to be subsidiaries of the Company. As CAPL is the operating entity for the Group's business of producing and selling generic and designer eggs, liquid eggs, trading of spent grains, and food processing, the Group will cease to operate this business following the Proposed Disposal. However, the Group will continue to hold its 90% owned subsidiary, Chew's Food International Limited ("**Chew's HK**"), which is in the trading business including but not limited to eggs. The Company intends to continue its business through Chew's HK. The Parties intend to enter into a supply agreement for the supply of eggs to Chew's HK for this trading business.

2. INFORMATION RELATING TO THE SALE SUBSIDIARIES AND THE PURCHASER

2.1 Information on the Sale Subsidiaries

CAPL

CAPL was incorporated on 12 October 1987 in Singapore as a private company limited by shares and it has an issued and paid-up share capital of S\$10,000,000 comprising 10,000,000 ordinary shares as at the date of this announcement.

CAPL is a wholly-owned subsidiary of the Company, which is principally engaged in the business of producing and selling eggs and chicken soup, and trading of spent grains.

CGIPL

CGIPL was incorporated on 16 April 2013 in Singapore as a private company limited by shares and it has an issued and paid-up share capital of S\$987,719 comprising 987,719 ordinary shares as at the date of this announcement.

CGIPL is an investing holding company which is wholly-owned by the Company.

CGMPL

CGMPL was incorporated on 22 August 2011 in Singapore as a private company limited by shares and it has an issued and paid-up share capital of S\$25,000 comprising 25,000 ordinary shares as at the date of this announcement.

CGMPL is a wholly-owned subsidiary of the Company, which is principally engaged in the business of trading of food and agricultural products.

CESPL

CESPL was incorporated on 8 February 2012 in Singapore as a private company limited by shares and it has an issued and paid-up share capital of S\$50,000 comprising 50,000 ordinary shares as at the date of this announcement.

CESPL is a wholly-owned subsidiary of the Company, which is principally engaged in the business of providing engineering, maintenance and construction services.

Based on the audited consolidated financial statements of the Group for the financial year ended 30 September 2017 (“**FY2017**”), the respective net asset value (“**NAV**”) and net tangible assets (the “**NTA**”) attributable to the Sale Shares of the Proposed Disposal as at 30 September 2017 stood at S\$9,186,725, whilst the Proposed Disposal will exclude cash and bank balances of the Sale Subsidiaries. Based on the audited financial statements of the Group as at 30 September 2017, the excess of the proceeds from the Proposed Disposal over the respective NTA and NAV of the Sale Shares shall be approximately S\$1,813,275. The open market value of the Sale Shares is not available as the shares of the Sale Subsidiaries are not publicly traded.

2.2 Information on the Purchaser

The Purchaser was incorporated in Malaysia on 12 November 1994 and is principally involved in poultry farming, which includes the production of commercial table eggs and breeding of layer chicks. The Purchaser’s principal operations include the production of poultry feed, breeding of day-old chicks, broilers, layering, and downstream processing of chickens. The Purchaser’s products are exported within Peninsular Malaysia and to various companies in Asia such as Hong Kong, Singapore, and Brunei. The Purchaser is one of the largest broiler and layering producers in Malaysia, producing approximately 6 million broilers monthly and 4 million eggs daily.

3. RATIONALE AND USE OF PROCEEDS FOR THE PROPOSED DISPOSAL

The Board considers that the Proposed Disposal is in the interest of the Company, taking into consideration the following factors:

- (i) the Proposed Disposal presents an opportunity for the Company to realise the investments in the Sale Subsidiaries and to unlock value that had been accumulated for the benefit of the shareholders of the Company. The Consideration (defined below in Section 4.1) of \$11 million together with the Excluded Cash (defined below in Section 4.2.3) translate into an equity value of S\$0.62 per share, which is approximately 19% premium to the traded share price of S\$0.52 per share on 8 February 2018;
- (ii) with the Proposed Disposal, the Company will have funds to be deployed for potential expansion of Chew's HK, and to undertake new investment opportunities that may arise in the future, which may result in higher value to the Shareholders. The Company is considering its options in relation to other business ventures and more information will be provided to the Shareholders at the appropriate juncture.

4. SALIENT TERMS OF THE TERM SHEET

4.1 Consideration

The consideration for the Sale Shares (the "**Consideration**") shall be S\$11,000,000 in cash and shall be satisfied by the Purchaser in the following manner:

- (i) the Purchaser shall pay an amount of S\$2,500,000 (the "**Deposit**") in cash on 9 February 2018, being the date of entering into the Term Sheet; and
- (ii) the Purchaser shall pay the remaining S\$8,500,000 in cash on the Completion Date (defined below in Section 4.2.4) of the Proposed Disposal.

The Consideration was arrived at pursuant to arm's length negotiations, on a willing-buyer, willing-seller basis, taking into account, *inter alia*, the following factors:

- (a) the NAV and NTA represented by the Sale Shares; and
- (b) the value of the ongoing business of the Sale Subsidiaries.

4.2 Salient terms of the Proposed Disposal

4.2.1 Condition Precedent

Completion of the sale and purchase of the Sale Shares is conditional upon, *inter alia*, the approval of the Shareholders in general meeting to be convened for the Proposed Disposal on or before 31 May 2018 ("**Condition Precedent**").

4.2.2 Deposit

The terms of the Deposit are as follow:-

- (a) if the Condition Precedent is not fulfilled on or before 31 May 2018 or the Company fails to execute the Definitive Agreements, the Deposit will be refunded to the Purchaser without interest.
- (b) if the Definitive Agreements are entered into on or before 8 March 2018, the Deposit shall be treated as and forms part of the Consideration;

- (c) if the Definitive Agreements fail to be entered into and/or completed on or before 8 March 2018 or if the Proposed Disposal is not completed on or before 31 May 2018 save for that referred to in Section 4.2.2(a) above, the Deposit will be forfeited by the Company.

4.2.3 Retention of Cash

The cash and bank balances of the Sale Subsidiaries amounting to S\$41,572,514 ("**Excluded Cash**") shall be excluded from the Proposed Disposal and retained by the Company.

4.2.4 Completion

Completion will take place within seven (7) business days from the date which the Condition Precedent has been fulfilled but in any event no later than 31 May 2018 (the "**Completion Date**") or such other date as the Company and the Purchaser may agree in writing.

4.2.5 New Farm

As referred to in the Company's previous announcement of 27 May 2016, CAPL had on 27 May 2016 purchased a new farm along Neo Tiew Road (Lots 1745P(PT), 1610V(PT) and 1140A(PT), Mukim 12 ("**New Farm**") from the Government of Singapore (the "**Government**") on a 30-year lease ("**New Farm Purchase**").

In relation to the New Farm Purchase, CAPL had received a one-time government assistance sum of S\$5,980,000 for building the New Farm ("**Sum**"). The Sum requires CAPL to build the New Farm and to produce 9,000,000 eggs per hectare per year within six (6) years from 27 May 2016.

Accordingly, on completion of the Proposed Disposal, the Purchaser shall:

- (i) take over and build the New Farm and all facilities thereto;
- (ii) obtain any approvals required from the relevant authorities in relation to the New Farm at its own cost and expense;
- (iii) honour all such contracts that have been entered into by the Company and/or the Sale Subsidiaries in connection with the New Farm as agreed by the Purchaser;
- (iv) be responsible for meeting all requirements imposed by all governmental and regulatory authorities (including but not limited to the Agri-Food and Veterinary Authority of Singapore and the National Environment Agency) in relation to the New Farm;
- (v) be solely responsible for the re-payment of the Sum if the Purchaser fails to build the New Farm and produce 9,000,000 eggs per hectare per year within six (6) years from 27 May 2016.

4.2.6 Employment and Management

The Purchaser shall maintain the employment of all the employees and management personnel who work at the Sale Subsidiaries as at the date of the execution of the Definitive Agreements, unless such employment is terminated by the said employee(s) and management personnel on their own accord or in accordance with the relevant Sale Subsidiary's policies.

4.2.7 Due Diligence

The legal, tax and financial due diligence on the Company and the Sale Subsidiaries shall be carried out to the satisfaction of the Purchaser, at the Purchaser's sole cost and expense.

The due diligence process shall commence on the signing of the Term Sheet for a period of four (4) weeks until 8 March 2018. The Purchaser will have access to the due diligence documents for a period of four (4) weeks until 8 March 2018.

4.2.8 Timeline

The Parties shall work towards the following:-

- (a) due diligence, negotiations and execution of the Definitive Agreements within four (4) weeks from the date of signing of the Term Sheet and by 8 March 2018;
- (b) the Company obtaining the approval of the Shareholders in general meeting for the Proposed Disposal ("**Shareholders' Approval**") and making the necessary disclosures with the Singapore Exchange Securities Trading Limited within six (6) weeks from the date of execution of the Definitive Agreements or such extended date as mutually agreed between the Parties;
- (c) completion of the Proposed Disposal within seven (7) business days of the Shareholders' Approval but in any event no later than 31 May 2018 or such other date as Parties may mutually agree in writing.

4.2.9 Exclusivity

The Company shall grant the Purchaser an exclusive period of four (4) weeks from the date of signing of the Term Sheet, until 8 March 2018 or such later date as the Parties may agree (the "**Exclusivity Period**") to allow the Purchaser and its representatives to conduct its due diligence and to negotiate and execute the Definitive Agreements.

During the Exclusivity Period, the Company shall not:

- (a) solicit or entertain proposals or offers from any other person or party in respect of the Proposed Disposal, other transactions of similar nature to the Proposed Disposal or all or any part of the business, assets or undertaking of the Sale Subsidiaries (whatever the form or nature of such transaction) (each, a "**Prohibited Transaction**");
- (b) enter into or continue any discussion or negotiation in respect of any Prohibited Transaction;
- (c) allow any person or party to conduct due diligence in connection with any Prohibited Transaction;
- (d) furnish to any other person or party any material confidential information relating to the Company and/or the Sale Subsidiaries; or
- (e) enter into any agreement with any other person or party with respect to any Prohibited Transaction.

During the Exclusivity Period, the Company shall also ensure that the Sale Subsidiaries shall not:

- (a) solicit or entertain proposals or offers from any other person or party in respect of the sale of the Sale Subsidiaries;
- (b) enter into or continue any discussion or negotiation in respect of the sale of the Sale Subsidiaries;
- (c) allow any person or party to conduct due diligence in connection with the sale of the Sale Subsidiaries;

- (d) furnish to any other person or party any material confidential information relating to the Sale Subsidiaries; or
- (e) enter into any agreement with any other person or party with respect to the sale of the Sale Subsidiaries.

During the Exclusivity Period, the Company shall also ensure that:

- (a) it will continue the business of the Sale Subsidiaries in the ordinary and normal course as regards the nature, extent and manner of carrying it on, save that the Parties shall discuss and agree on any matters relating to the construction of the New Farm; and
- (b) it will not cause the turnover or financial or trading position of the Sale Subsidiaries to materially deteriorate or be changed materially.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

Based on the latest audited consolidated financial statements for FY2017, the relative figures in respect of the Proposed Disposal, as computed on the bases set out in Rule 1006 of the Catalist Rules, are as follows:

Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets. (S\$9,186,725 / S\$13,164,006)	70% ⁽¹⁾
Rule 1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits. (S\$3,242,425 / S\$3,421,431)	95% ⁽²⁾
Rule 1006(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. (S\$11,000,000 / S\$43,372,823)	25% ⁽³⁾
Rule 1006(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 ⁽⁴⁾
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not Applicable ⁽⁵⁾

Notes:

- (1) The net asset value of the Sale Subsidiaries and the net asset value of the Group as at 30 September 2017 were \$9,186,725 and S\$13,164,006 respectively, net of the cash and bank balances to be retained by the Group.

- (2) The net profits attributable to the Sale Subsidiaries and the Group's net profits are \$3,242,425 and S\$3,421,431 respectively, as at 30 September 2017.
- (3) The market capitalisation of the Company of S\$43,372,823 is determined by multiplying the number of shares in issue of 84,498,000 by the weighted average price of the shares of S\$0.5133 transacted on 8 February 2018, being the last day on which the Shares were traded preceding the date of the Term Sheet.
- (4) This basis is not applicable to the Proposed Disposal, as it is not an acquisition and no equity securities will be issued as part of the consideration for the Proposed Disposal.
- (5) The Proposed Disposal is not a disposal of mineral, oil and gas assets.

Having regard to the above, as the relative figures calculated on the basis pursuant to Rule 1006(b) exceed 50%, the Proposed Disposal constitutes a 'major transaction' under Chapter 10 of the Catalist Rules.

Pursuant to Practice Note 10(A) paragraph 8(a) of the Catalist Rules, the disposal of an issuer's core business (or a substantial part of its core business) will usually result in a material change to the nature of the issuer's business, and its shareholders should have an opportunity to consider the future direction of the issuer and Rule 1014 of the Catalist Rules will be applied.

As:

- (i) the relative figure pursuant to Rule 1006(b) of the Catalist Rules has exceeded 50%; and
- (ii) the Sale Subsidiaries are a part of the Company's core businesses,

the Company will be seeking its shareholders' approval for the Proposed Disposal as a major transaction under Chapter 10 of the Catalist Rules at the EGM to be convened upon the entry of the Definitive Agreements.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Disposal. The financial effects of the Proposed Disposal set out below have been prepared based on the Group's audited consolidated financial statements for FY2017, and on the following bases and assumptions:

- (i) the expenses to be incurred in connection with the Proposed Disposal are estimated to be approximately S\$3.2 million; and
- (ii) the NTA per share and Earnings per Share ("**EPS**") of the Company are computed based on the 84,498,000 Shares in issue as at 30 September 2017.

(a) Share Capital

The Proposed Disposal will not have any effect on the issued and paid-up share capital of the Company.

(b) NTA

The effects of the Proposed Disposal on the audited consolidated NTA per share of the Group for FY2017, assuming that the Proposed Disposal had been effected on 30 September 2017 being the end of the most recently completed financial year of the Company, are summarised below:

	Before the Disposal	After the Disposal
NTA (S\$'000)	54,738	56,551
Number of Shares	84,498,000	84,498,000
NTA per share (S\$)	0.65	0.67

(c) EPS

The effects of the Proposed Disposal on the audited consolidated EPS of the Group for FY2017, assuming that the Proposed Disposal had been effected on 1 October 2016, being the beginning of the most recently completed financial year of the Company are summarised below:

	Before the Disposal	After the Disposal
Consolidated net profits (S\$'000)	3,421	179
Weighted average number of shares	84,498,000	84,498,000
EPS (Singapore cents)	4.05	0.21

(d) Gearing

The effects of the Proposed Disposal on the gearing of the Group for FY2017, assuming that the Proposed Disposal had been effected on 30 September 2017, being the end of the most recently completed financial year of the Company, are summarised below:

	Before the Disposal	After the Disposal
Total debts (S\$'000)	1,266	0
Total equity (S\$'000)	54,738	56,551
Gearing ratio (times)	0.02	0

7. SERVICE CONTRACTS

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

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED DISPOSAL

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company.

9 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Term Sheet, Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

10 DOCUMENTS FOR INSPECTION

A copy of the Term Sheet is available for inspection during normal business hours at the registered office of the Company at 80 Raffles Place #32-01 UOB Plaza 1 Singapore 048624 for three (3) months from the date of this announcement.

11 FURTHER ANNOUNCEMENTS

Further details of the Proposed Disposal will be discussed by the Parties. The Company will make further announcements upon the execution of the Definitive Agreements and/or when there are material developments in respect of the Proposed Disposal.

12 CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of the Condition Precedent set out above and accordingly, should exercise caution when trading in the Shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

The Company will make the necessary announcements, in compliance with the requirements of the Catalyst Rules, as and when there are material developments in respect of the Proposed Disposal, the Definitive Agreements and other matters contemplated in this announcement.

BY ORDER OF THE BOARD

Chew Chee Bin
Executive Chairman

9 February 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Jennifer Tan, Senior Manager, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).