

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 ENGINEERING SERVICES PTE LTD;
 - (3) CHEW'S GROUP INVESTMENT PTE LTD; AND
 - (4) CHEW'S GROUP MARKETING PTE LTD
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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**") refers to the announcement of the Company dated 9 February 2018 ("**Term Sheet Announcement**") in relation to the binding Term Sheet entered into on the same date ("**Term Sheet**") for the proposed sale by the Company of the entire issued and paid-up share capital of Chew's Agriculture Pte Ltd ("**CAPL**"), Chew's Engineering Services Pte Ltd ("**CESPL**"), Chew's Group Investment Pte Ltd ("**CGIPL**") and Chew's Group Marketing Pte Ltd ("**CGMPL**") to Huat Lai Resources Berhad ("**Huat Lai**") and/or its nominees.
- 1.2 Further to the Term Sheet, the Board is pleased to announce that the Company has on 8 March 2018 entered into a sale and purchase agreement ("**SPA**") with HL Plus Pte. Ltd. ("**Purchaser**"), which is a wholly-owned subsidiary and nominee of Huat Lai, and Huat Lai, pursuant to which the Company agreed to sell to the Purchaser, and the Purchaser agreed to acquire, all of the issued and paid-up shares in the capital of CAPL, CESPL, CGIPL and CGMPL ("**Sale Shares**"), on the terms and subject to the conditions of the SPA, the terms of which supercede the Term Sheet ("**Proposed Disposal**").
- 1.3 The Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited. Please refer to the Term Sheet Announcement for further details.
- 1.4 Accordingly, the Company is seeking the approval of the shareholders of the Company (the "**Shareholders**") for the Proposed Disposal as a major transaction under Chapter 10 of the Catalist Rules at an extraordinary general meeting ("**EGM**") to be convened. A circular setting out, *inter alia*, further details of the Proposed Disposal, together with a notice of the EGM, will be despatched to Shareholders in due course.
- 1.5 Upon completion of the Proposed Disposal ("**Completion**"), CAPL, CESPL, CGIPL and CGMPL ("**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**"), and the Company intends to continue its trading business through Chew's HK. On Completion Date (as defined below), Chew's HK will enter into a supply agreement with the Purchaser for the supply of generic, designer and/or liquid eggs and chicken soup produced in Singapore to Chew's HK ("**Supply Agreement**").

2. INFORMATION RELATING TO THE SALE SUBSIDIARIES, HUAT LAI AND THE PURCHASER

The Purchaser is a wholly-owned subsidiary of Huat Lai, which was incorporated in Singapore on 7 March 2018 with an issued and paid up capital of S\$2.00, comprising 2 ordinary shares.

Please refer to Sections 2.1 and 2.2 of the Term Sheet Announcement for details of the Sale Subsidiaries and Huat Lai.

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. The Consideration (as defined below) of \$11 million together with the Excluded Cash (as defined below) translate into an equity value of S\$0.62 per share, which is approximately 13% premium to the last traded share price of S\$0.55 per share on 6 March 2018; and
- (ii) with the proceeds from the Proposed Disposal, the Company intends to declare dividend to the shareholders of the Company ("**Shareholders**"), so as to reward Shareholders for their continuing support of and loyalty to the Company. More information in relation to the declaration of dividend will be announced at the appropriate juncture.

4. SALIENT TERMS OF THE SPA

4.1 Consideration

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

- (a) Huat Lai had, on behalf of the Purchaser, paid an amount of S\$2,500,000 (the "**Deposit**") has been paid to the Company in cash on 9 February 2018, being the date of entering into the Term Sheet; and
- (b) the Purchaser shall pay the remaining S\$8,500,000 in cash on Completion.

4.1.2 In the event that Shareholders' Approval (as defined below) is not obtained on or before 31 May 2018 or such other date as the Company and the Purchaser may agree in writing ("**Long Stop Date**"), the Deposit paid to the Company shall be refunded to the Purchaser free of interest but without prejudice to any rights that either party to the SPA may have against the other in respect of any antecedent breach of the SPA.

4.1.3 Subject to Clause 4.4 of the SPA (or paragraph 4.1.2 above), in the event that the SPA and/or the Supply Agreement fail to be completed on or before the Long Stop Date, the Deposit shall be forfeited and retained by the Company.

4.1.4 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 net asset value ("**NAV**") and net tangible assets ("**NTA**") represented by the Sale Shares; and
- (b) the value of the ongoing business of the Sale Subsidiaries.

4.1.5 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 NAV and NTA of the Sale Shares shall be approximately S\$1,813,275. Taking into account the estimated expenses of the Proposed Disposal of approximately S\$3.2 million, the Proposed Disposal is expected to result in a loss of approximately S\$1.4 million.

4.2 **Salient terms of the Proposed Disposal**

4.2.1 **Conditions Precedent**

4.2.1.1 Completion of the sale and purchase of the Sale Shares is conditional upon the following condition(s) having been fulfilled or waived in writing ("**Conditions Precedent**"):

- (a) approval of the Shareholders of the Company in general meeting ("**Shareholders' Approval**") for the sale of the Sale Shares;
- (b) the Sale Subsidiaries having received such consent from RHB Bank Berhad agreeing to the change of shareholder of the Sale Subsidiaries pursuant to the transfer of the Sale Shares by the Company to the Purchaser;
- (c) the Company's warranties being true, correct and being complied with, in each case, in all material respects as at the Completion Date (as defined below); and
- (d) the Purchaser's warranties being true, correct and being complied with, in each case, in all material respects as at the Completion Date (as defined below).

4.2.1.2 Unless specifically waived by the party to the SPA entitled to waive the conditions, if any of the conditions stated in Clause 3.1 of the SPA (or paragraph 4.2.1.1 above) are not fulfilled on or before the Completion Date (as defined below), the SPA (save for Clauses 15, 16, 17 and 18 of the SPA) shall ipso facto cease and determine, and neither the Company nor the Purchaser shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by the non-defaulting party to the SPA against the defaulting party to the SPA arising from any antecedent breach of the terms of the SPA.

4.2.2 **Retention of Cash**

4.2.2.1 The cash and bank balances of the Sale Subsidiaries to be determined as at 31 March 2018 ("**Excluded Cash**") shall be excluded from the Proposed Disposal and shall be retained by the Company.

4.2.2.2 The Company and the Sale Subsidiaries shall make a one-off bonus payment to the employees of the Sale Subsidiaries prior to Completion ("**Bonus Payment**").

4.2.2.3 The Excluded Cash, after taking into account the Bonus Payment and the contribution towards Central Provident Fund in respect thereof, shall be dividend by the Sale Subsidiaries to the Company ("**Dividend Payment**") prior to Completion. If not all the Excluded Cash is capable of being dividend, the amount of Excluded Cash not dividend shall be returned to the Company by the Purchaser and/or Huat Lai on Completion.

4.2.3 **Inter-Company Loans**

4.2.3.1 The Company and the Purchaser shall procure that non-trade amounts due from or to the Sale Subsidiaries, the Company, and Chew's HK respectively, being amounts standing on trading accounts, shall be repaid in full without payment of interest, on Completion.

4.2.3.2 Trade amounts due from or to the Sale Subsidiaries and Chew's HK incurred in the ordinary course of business remain to be discharged in the ordinary course as and when they fall due.

4.2.4 **Obligations pending Completion**

4.2.4.1 The Company undertakes to the Purchaser that, pending Completion, except with the Purchaser's prior written consent:

- (a) the Sale Subsidiaries shall carry on business in the ordinary and usual course and consistent with past practices as carried on prior to the date of the SPA;
- (b) the Sale Subsidiaries shall not undertake any change in their business, operations, properties or financial condition;
- (c) the business and affairs of the Sale Subsidiaries shall be managed properly and efficiently in good faith and in accordance with all applicable laws and all regulations and rules of all applicable governmental authorities;
- (d) the Sale Subsidiaries shall not grant or enter into any licence, franchise or other agreement or arrangement concerning any part of their names, trading names or know-how;
- (e) the Company shall not cause the turnover or financial or trading position of the Sale Subsidiaries to materially deteriorate or be changed materially;
- (f) each of the Sale Subsidiaries shall take all reasonable steps to preserve, protect and maintain all of its assets, owned or used in the conduct of its business, in good working order and condition (ordinary wear and tear excepted), and keep insured so much of its assets as are presently insured by each of the Sale Subsidiaries as at the date of the SPA; and
- (g) each of the Sale Subsidiaries shall keep such books of records and accounts, in which in all material respects, full and correct entries shall be made, of all its financial transactions and its assets and business in accordance with the present practice of each of the Sale Subsidiaries as at the date of the SPA and generally accepted accounting principles.

4.2.5 **Completion**

4.2.5.1 Completion will take place on the date falling seven (7) business days from the date on which all the Conditions Precedent are fulfilled and/or waived or deferred by the Company and/or the Purchaser, but in any event no later than the Long Stop Date, or such other date as the Company and the Purchaser may agree in writing ("**Completion Date**").

4.2.5.2 On Completion, the Purchaser shall take over and operate the Business (as defined below) and build the new farm along Neo Tiew Road (Lots 1745P(PT), 1610V(PT) and 1140A(PT), Mukim 12) purchased pursuant to a lease agreement dated 27 May 2016 between CAPL and the Singapore Land Authority ("**New Farm**") and all facilities thereon.

4.2.6 **Post Completion**

Post Completion, the Company and the Purchaser have agreed to, *inter alia*,

4.2.6.1 effect the change of names of the Sale Subsidiaries by the vacation date of the property situated at 20 Murai Farmway Singapore 709153 but in any event no later than 31 December 2019;

4.2.6.2 arrange for the discharge of the corporate guarantees provided by the Company for loans and hire purchases granted to CAPL. Until the said discharge, the Purchaser shall indemnify the Company and hold the Company fully and effectively indemnified against all or any losses which the Company may sustain, incur or pay or which may be assessed, charged or made

against the Company arising from any failure or default on the part of CAPL under the loans and hire purchases granted to CAPL; and

4.2.6.3 to commence application(s) to cancel the trade marks registered in Singapore in the name of the Company ("**Trade Marks**") within one (1) month from the Completion Date. The Trade Marks shall not be used from the Completion Date until such time the Trade Marks are cancelled or expired if cancellation is not possible for whatever reasons, except to fulfil all supply contracts of the Sale Subsidiaries outstanding at Completion Date.

4.2.7 **Representations and Warranties**

4.2.7.1 Pursuant to the SPA, the Company and the Purchaser have furnished representations and warranties typical for transactions such as the Proposed Disposal. The Company further represents and warrants to the Purchaser the terms set out in Schedule 4 of the SPA.

4.2.7.2 The Company's warranties shall continue in full force and effect notwithstanding Completion, except for those obligations to be performed on or prior to Completion but only to the extent that they have been so performed.

4.2.7.3 The Company shall indemnify and keep the Purchaser fully indemnified against all liability or loss arising directly from any costs, charges and expenses incurred in connection with, any inaccuracy in or breach of any of the Company's warranties. The aggregate maximum liability of the Company in respect of all and any claims under the representations, warranties and undertakings made by the Company contained or referred to in the SPA shall not exceed the Consideration pursuant to the SPA.

4.2.8 **Limitations**

Any claim by the Company or the Purchaser against the other party ("**Non-Claiming Party**") for any breach of the warranties shall be notified to the Non-Claiming Party in writing with full details of the claim within six (6) months after the Completion Date ("**Claim Period**"), and any such claim shall (if it has not been previously satisfied, settled or withdrawn) be deemed to be withdrawn and shall become fully barred and unenforceable, if proceedings in respect thereof have not been commenced against the Non-Claiming Party within two (2) months from the expiry of the Claim Period.

4.2.9 **Employment and Management**

4.2.9.1 The Company shall use reasonable endeavours to retain the services of the employees of the Sale Subsidiaries to the intent that their respective contracts of employment shall continue after the Proposed Disposal. The Company shall not pending the Completion Date dismiss any of these employees except with the Purchaser's consent (which shall not be withheld in the case of misconduct) or with cause in accordance with the relevant Sale Subsidiary's existing employment policies.

4.2.9.2 Upon Completion, the Purchaser shall maintain the employment of all the employees and management personnel of the Sale Subsidiaries as of the date of the SPA, unless:

- (a) such employment is terminated by the said employee(s) and/or management personnel on their own accord or in accordance with the relevant Sale Subsidiary's existing employment policies; or
- (b) such employment is terminated with cause by the relevant Sale Subsidiary in accordance with the relevant Sale Subsidiary's existing employment policies.

4.2.10 **Restrictive Covenant**

4.2.10.1 The Company hereby covenants with the Purchaser and as a separate covenant with each of the Sale Subsidiaries engaged in the Business:

- (a) it will not during the period of two (2) years from the Completion Date (“**Prohibited Period**”) either solely or jointly with carry on or be engaged or concerned or interested directly or indirectly in Singapore in any business which is of the same or similar type to the Business or is likely to be in competition with the Business, whether using or not using the Trade Marks, except solely for the purpose of operating and/or conducting the business of Chew’s HK;
- (b) it will not and will procure that no affiliate either solely or jointly with carry on or be engaged or concerned or interested directly or indirectly in Singapore in any business in respect of goods of the nature presently provided in the Business carried on at the date of the SPA by the Sale Subsidiaries for the Prohibited Period;
- (c) it will not during the Prohibited Period directly or indirectly canvass or solicit in competition with the Business the custom of any person, firm or company who has within twelve (12) months prior to the date thereof been a customer, distributor or supplier of the Sale Subsidiaries; and
- (d) save for Crystal Li Ka Fung whose employment will be transferred from CAPL to Chew’s HK after Completion, it will not during the Prohibited Period directly or indirectly induce or seek to induce any person which is an employee of the Sale Subsidiaries during the Prohibited Period to become employed, whether as employee, consultant or otherwise, by the Company or by any person, firm or company engaged in any business which is of the same or similar type to the Business or is likely to be in competition with the Business.

4.2.10.2 The obligations of the Company contained in Clause 14 of the SPA (or this paragraph 4.2.10) shall continue even after the expiry or termination of the SPA, save for termination in accordance with Clause 8.6.3 of the SPA.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

Please refer to Section 5 of the Term Sheet Announcement for the relative figures in respect of the Proposed Disposal, as computed on the bases set out in Rule 1006 of the Catalist Rules.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

Please refer to Section 6 of the Term Sheet Announcement for the financial effects of the Proposed Disposal on the Group.

7. SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company 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 have 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 SPA, the 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 been 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 SPA 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 CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of the Conditions 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 Catalist Rules, as and when there are material developments in respect of the Proposed Disposal, the SPA and other matters contemplated in this announcement.

BY ORDER OF THE BOARD

Chew Chee Bin
Executive Chairman

8 March 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 Catalist. 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).