
EXECUTION OF BINDING TERM SHEET IN RELATION TO PROPOSED ACQUISITIONS

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Neo Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a legally binding term sheet with Oh Beng Soon (“**OBS**”) and Oh Geok Cheng (“**OGC**”) (OBS and OGC collectively, the “**Sellers**”) (the “**Term Sheet**”) in relation to the proposed acquisition of 55% of the entire issued and paid-up share capital of each of U-Market Place Enterprise Pte. Ltd. (“**U-Market**”) and Joo Chiat Kim Choo Pte. Ltd. (“**JCKC**”) (the “**Proposed Acquisitions**” and the Company and the Sellers shall be referred to collectively as the “**Parties**”).

2. Information on U-Market and JCKC¹

- 2.1 U-Market was incorporated in January 2008 and is involved in the manufacturing of “Joo Chiat Kim Choo” rice dumplings. U-Market has branched into ready-to-eat food and currently has six (6) outlets selling BBQ products and various meat-related items. As at the date of this announcement, U-Market has an issued and paid-up capital of S\$500,000 comprising 500,000 ordinary shares.
- 2.2 JCKC was incorporated in July 2012 and is currently a dormant company. As at the date of this announcement, JCKC has an issued and paid-up capital of S\$1,000 comprising 1,000 ordinary shares.
- 2.3 Based on the audited financial statements of U-Market for the financial year ended 30 September 2015 (“**FY2015**”) and the unaudited financial statements of JCKC for FY2015, the aggregated net tangible asset value (“**NTA**”) was approximately S\$0.847 million and the aggregated profit before tax (excluding any extraordinary gain) (“**PBT**”) was S\$0.251 million.

¹ The information on U-Market and JCKC were provided by the Sellers and have been extracted and reproduced herein. In respect of such information, the Directors have not independently verified the accuracy and correctness of the same and the Directors’ responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.

2.4 Upon completion of the Proposed Acquisitions, the shareholding structure of each of U-Market and JCKC (collectively, the “**Targets**”) will be as follows:

U-Market

Shareholders	Current Shareholding	No. of Shares after Completion
Neo Group Limited	Nil	275,000 (55%)
Oh Beng Soon	350,000 (70%)	150,000 (30%)
Oh Geok Cheng	150,000 (30%)	75,000 (15%)
Total	500,000 (100%)	500,000 (100%)

JCKC

Shareholders	Current Shareholding	No. of Shares after Completion
Neo Group Limited	Nil	550 (55%)
Oh Beng Soon	700 (70%)	300 (30%)
Oh Geok Cheng	Nil	150 (15%)
Quah Lay Beng	300 (30%)	Nil
Total	1,000 (100%)	1,000 (100%)

3. Salient Terms of the Proposed Acquisitions

3.1 Purchase Consideration

The aggregate consideration for the Proposed Acquisitions is S\$1.925 million (the “**Purchase Consideration**”), of which 70% is payable to OBS and 30% is payable to OGC, shall be satisfied in the following manner:

- (a) the initial cash payment of S\$1.0 million shall be payable no later than one (1) month after the completion of the Proposed Acquisitions (the “**Completion Date**”);
- (b) the second payment of S\$0.5 million shall be payable in the form of new ordinary shares in the Company (the “**Consideration Shares**”) no later than one (1) month after the first anniversary of the Completion Date. The share price per Consideration Share shall be calculated at a 10% discount to the volume weighted average price (“**VWAP**”) of the Company’s shares traded on the SGX-ST last market day before the Completion Date;
- (c) the first residual cash payment (the “**First Residual Payment**”) shall be an amount which is the difference between the aggregated audited net profit after tax (“**NPAT**”) (excluding any extraordinary items) of the Targets and S\$0.55 million, provided always that such amount shall not be more than S\$0.425 million and provided that the Targets achieve an aggregated audited NPAT (excluding any extraordinary items) of at least S\$0.55 million for the second financial year after the Completion Date, and shall be payable within ten (10) business days after the audited accounts of the Targets for the second financial year after the Completion Date have been issued;

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- (d) the second residual cash payment (the “**Second Residual Payment**”) shall be an amount which is the difference between the aggregated audited NPAT (excluding any extraordinary items) of the Targets and S\$0.8 million, provided always that such amount shall not be more than the difference between S\$0.425 million and the First Residual Payment and provided that the Targets achieve an aggregated audited NPAT (excluding any extraordinary items) of at least S\$0.8 million for the third financial year after the Completion Date, and shall be payable within ten (10) business days after the audited accounts of the Targets for the third financial year after the Completion Date have been issued; and
- (e) the third residual cash payment of S\$0.425 million less the sum of First Residual Payment and Second Residual Payment, provided that the Targets achieve an aggregated audited NPAT (excluding any extraordinary items) of at least S\$1.0 million in the fourth financial year after the Completion Date, and shall be payable within ten (10) business days after the audited accounts of the Targets for the fourth financial year after the Completion Date have been issued.

For the avoidance of doubt, if the First Residual Payment amounts to S\$0.425 million, there shall be no Second Residual Payment nor the third.

Each of the Sellers has jointly and severally warranted and undertaken that notwithstanding completion of the Proposed Acquisitions, (i) if the Targets do not achieve any NPAT (excluding any extraordinary items) in the first financial year after the Completion Date, the Sellers shall compensate the Company S\$0.3 million in cash (the “**First Compensation**”); (ii) if the Targets do not achieve any NPAT (excluding any extraordinary items) in the second financial year after the Completion Date, the Sellers shall compensate the Company S\$0.3 million in cash (the “**Second Compensation**”); and (iii) if the Targets do not achieve any NPAT (excluding any extraordinary items) in the third financial year after the Completion Date, the Sellers shall compensate the Company S\$0.4 million in cash (the “**Third Compensation**”).

Each of the Sellers has further jointly and severally warranted and undertaken that notwithstanding completion of the Proposed Acquisitions, if the Targets do not achieve an aggregated audited NPAT of at least S\$1.0 million (excluding any extraordinary items) for the three (3) financial years after the Completion Date, the Sellers shall compensate the Company by paying the Company S\$1.0 million in cash (less the First Compensation, the Second Compensation and the Third Compensation, if any).

3.2 Basis of the Purchase Consideration

The Purchase Consideration was arrived at, on a willing-buyer willing-seller basis, after negotiations which were conducted at arms’ length between the Parties and takes into account, *amongst others*, the agreed valuation of the Targets of S\$3.5 million.

3.3 Execution of Definitive Agreements

The Term Sheet is intended to be legally binding and the Company will work with the Sellers towards finalizing and executing the sale and purchase agreement in relation to the Proposed Acquisitions (the “SPA”) by no later than 31 October 2016 (unless extended by mutual agreement of the Parties). The terms and conditions of this Term Sheet are subject to and may be varied by the terms and conditions of the SPA. In the event that the SPA is not executed by the aforesaid deadline, the Term Sheet shall automatically lapse and cease to be in force and effect.

3.4 Completion of the Proposed Acquisitions

Completion of the Proposed Acquisitions shall be subject to the satisfaction of all the conditions precedent, in any event no later than 31 October 2016, subject to such extension of time as may be agreed in writing between the Parties.

3.5 Conditions Precedent

The Proposed Acquisitions are conditional upon, *amongst others*, the following:

- (a) JCKC Frozen Food Pte. Ltd., which is involved in the trading, processing and preservation of meat and meat products², transferring all its businesses, together with all specified tangible and intangible assets, liabilities and receivables relating thereto including licences, contracts, personnel, intellectual property rights and other assets free from all encumbrances to U-Market;
- (b) the aggregated NTA of the Targets as at the Completion Date being not less than S\$0.8 million;
- (c) the approval of the Board of the Company for the Proposed Acquisitions having been obtained;
- (d) the Company having undertaken and completed its financial and legal due diligence investigations on the Targets, the results of such exercise being reasonably satisfactory to the Company in its sole discretion;
- (e) all necessary bank consents and other consents and approvals for the Proposed Acquisitions having been obtained on terms and conditions acceptable to the Company.

² The information on JCKC Frozen Food Pte. Ltd. was provided by the Sellers and have been extracted and reproduced herein. In respect of such information, the Directors have not independently verified the accuracy and correctness of the same and the Directors’ responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.

4. Financial Effects of the Proposed Acquisitions

The pro forma financial effects are presented for illustrative purposes only and are not intended to reflect the actual future financial position of the Company following the completion of the Proposed Acquisitions.

Such pro forma financial effects have been computed based on the unaudited consolidated financial statements of the Group for the financial year ended 31 March 2016, the audited financial statements of U-Market for FY2015, the unaudited financial statements of JCKC for FY2015 and based on the following assumptions:

- the financial effects of the Proposed Acquisitions on the NTA per Share of the Group are computed assuming that the Proposed Acquisitions were completed on 31 March 2016;
- the financial effects of the Proposed Acquisitions on the earnings per Shares (“EPS”) of the Group are computed assuming that the Proposed Acquisitions were completed on 1 April 2015;
- 881,900 Consideration Shares were allotted and issued at the issue price of S\$0.567 per Consideration Share, being 90% of the VWAP of the Company’s shares on Catalist of S\$0.630 on 10 June 2016; and
- transactional costs incurred for the Proposed Acquisitions are assumed to be insignificant and as such, have not been taken in account in the computation of the financial effects.

4.1 NTA per Share

	Before the Proposed Acquisitions	After the Proposed Acquisitions
NTA (S\$’000)	30,598	31,064
Number of Shares	145,907,100	146,789,000
NTA per Share (S\$ cents)	20.97	21.16

4.2 EPS

	Before the Proposed Acquisitions	After the Proposed Acquisitions
Profit attributable to owners of the Company (S\$’000)	6,062	6,194
Weighted average number of Shares	145,170,084	146,051,984
EPS (S\$ cents)	4.18	4.24

4.3 Gearing

There is no material impact on the gearing ratio of the Group arising from the Proposed Acquisitions.

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5. Relative Figures under Rule 1006

Rule 1006(a)	
The net asset value of the assets to be disposed of compared with the Group's net asset value	<i>Not applicable</i>
Rule 1006(b)	
The net profits attributable to the assets acquired compared with the Group's net profits ⁽¹⁾	5.67%
Rule 1006(c)	
The aggregate value of the consideration given or received compared with the Company's market capitalisation on 10 June 2016, being the last market day on which the Company's Shares were traded preceding the date of the Term Sheet ⁽²⁾	2.09%
Rule 1006(d)	
The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue ⁽³⁾	0.60%
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 an acquisition of such assets.	<i>Not applicable</i>

Notes:

- (1) The unaudited net profits attributable to the Targets for the financial year ended 30 September 2015 of S\$0.240 million, compared with the Group's unaudited net profits of S\$4.230 million for the financial year ended 31 March 2016.
- (2) The aggregate value of the Purchase Consideration given for the Proposed Acquisitions is S\$1.925 million, compared to the Company's market capitalisation of S\$91.921 million (based on 145,907,100 shares in issue and the weighted average price of S\$0.630 per Share of the Company on the last market day on which the Company's Shares were traded preceding the date of the Term Sheet, namely 10 June 2016).
- (3) Based on 881,900 Consideration Shares (assuming that the issue price of the Consideration Shares is S\$0.567, being 90% of the VWAP of the Company's shares on Catalist of S\$0.630 on 10 June 2016) and the Company's issued ordinary share capital of 145,907,100 Shares. The actual number of the Consideration Shares will be announced by the Company at a later date.

As the relative figures computed based on Rules 1006(b) and (c) of the Catalist Rules exceeds 5% but are less than 75%, the Proposed Acquisitions constitute a "disclosable transaction" under Chapter 10 of the Catalist Rules.

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6. Rationale for the Proposed Acquisitions

The Board is of the view that the Proposed Acquisitions represent a strategic advancement into the upstream of the supply chain and provides a vertical integration process that will complement and support the Group's existing catering and manufacturing businesses and operations.

7. Interests of Directors and Controlling Shareholders

Save for their shareholdings in the Company, none of the directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Acquisitions.

8. Service Agreements

There are no directors proposed to be appointed to the Board in connection with the Proposed Acquisitions.

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 Proposed Acquisitions, 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 this 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 this announcement in its proper form and context.

10. Cautionary Statement

Shareholders are advised to exercise caution in trading their shares. The Proposed Acquisitions will be subject to the execution of the SPA and the terms and conditions therein. There is no certainty or assurance as at the date of this announcement that no changes will be made to the terms of the Proposed Acquisitions.

The Company will provide further details in subsequent announcements in accordance with the listing rules of the SGX-ST at the appropriate juncture.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their professional advisors if they have any doubt about the actions they should take.

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11. Document Available for Inspection

A copy of the Term Sheet is available for inspection during normal business hours at the Company's registered office at 1 Enterprise Road Singapore 629813 for three (3) months after the date of this announcement.

BY ORDER OF THE BOARD

Neo Kah Kiat
Chairman and Chief Executive Officer
Neo Group Limited
13 June 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore branch (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently 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 correctness of any of the statements or opinions made or reports contained in this announcement.

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