

PROPOSED ACQUISITION OF CT VEGETABLES & FRUITS PTE LTD

1. INTRODUCTION

- 1.1 Further to the announcements made on 18 September 2015 and 9 October 2015, the board of directors (the “**Board**” or the “**Directors**”) of Neo Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has today entered into a sale and purchase agreement (“**SPA**”) with Teo Kian Lam (“**TKL**”) and Ang Lay Cheng (“**ALC**”) (collectively, the “**Vendors**”) to acquire 90% of the issued and paid-up capital of CT Vegetables & Fruits Pte Ltd (“**CT Vegetables**”) (the “**Proposed Acquisition**” and the Company, the Vendors and CT Vegetables shall be referred to collectively as the “**Parties**”).
- 1.2 Upon completion of the Proposed Acquisition, the shareholding structure of CT Vegetables will be as follows:

Shareholders	No. of Shares before Completion	No. of Shares after Completion
Neo Group Limited	Nil	450,000 (90%)
Teo Kian Lam	250,000 (50%)	50,000 (10%)
Ang Lay Cheng	250,000 (50%)	Nil
	500,000 (100%)	500,000 (100%)

2. INFORMATION ON CT VEGETABLES¹ AND THE VENDORS

- 2.1 CT Vegetables is a private limited company established in Singapore in 1991 and principally engaged in the business of trading fruits and vegetables. As disclosed in the 18 September 2015 announcement, CT Vegetables’ current range of fruits and vegetables stands at more than 300 different varieties and has a wide-ranging customer base which includes various local hospitals, foreign cruise ships and ship chandlers.

¹ The information on CT Vegetables and the financial information set out in this paragraph 2 were provided by CT Vegetables, which 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.

- 2.2 As at the date of this announcement, CT Vegetables has an issued and paid-up capital of S\$500,000 comprising 500,000 ordinary shares.
- 2.3 As at the date of this Announcement, Cool Fresh Marketing Pte. Ltd. is also owned by the Vendors in equal proportions whilst C T Fresh Pte Ltd is wholly-owned by TKL (both entities and CT Vegetables collectively referred to as the “**CT Group**”). Both entities have been set up primarily for the purpose of importing fruits and vegetables for the CT Group. Pursuant to the Proposed Acquisition, both entities will be restructured to be wholly-owned by CT Vegetables (“**CT Restructuring**”).
- 2.4 Based on the unaudited financial statements of CT Vegetables for the financial year ended 31 March 2015 (“**FY2015**”), the net tangible asset value was approximately S\$3.9 million and the profit before tax (excluding any extraordinary gain) was approximately S\$600,000.
- 2.5 Based on the unaudited financial statements of the CT Group for the financial year ended 31 March 2015 (“**FY2015**”), the net tangible asset value was approximately S\$4.0 million (“**FY2015 NTA**”) and the profit before tax (excluding any extraordinary gain) was approximately S\$600,000 (“**FY2015 PBT**”).

3. SALIENT TERMS OF THE PROPOSED ACQUISITION

3.1 Purchase Consideration

The aggregate consideration for the Proposed Acquisition is S\$5.4 million (the “**Purchase Consideration**”) which shall be satisfied in full in the following manner:

- (a) the initial cash payment of S\$4.8 million shall be payable no later than 28 days after the Completion Date (as defined below), of which S\$1.8 million is payable to TKL and S\$3.0 million is payable to ALC; and
- (b) the residual payment of S\$0.6 million shall be payable in new ordinary shares (the “**Consideration Shares**”) in the Company to TKL, no later than 28 days after the Completion Date (as defined below).

The issue and allotment of such Consideration Shares is subject to the receipt of the listing and quotation notice to be applied for by the Company’s Sponsor, CIMB Bank Berhad, and issued by the SGX-ST and to any conditions of such listing and quotation notice. The share price per Consideration Share shall be calculated at a 10% discount to the volume weighted average price (the “**VWAP**”) of the Company’s shares traded on SGX-ST on the Completion Date (as defined below).

The cash component of the Purchase Consideration will be funded by bank borrowings.

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 FY2015 PBT and FY2015 NTA of the CT Group.

3.3 Completion Date

Completion of the Proposed Acquisition shall take place no later than five (5) business days after the fulfilment or waiver of the last of the conditions precedent to the SPA (the "**Completion Date**"), in any event no later than 15 November 2015, subject to such extension of time as may be agreed in writing between the Parties.

3.4 Conditions Precedent

The Proposed Acquisition is conditional upon, *amongst others*, the following:

- (a) CT Vegetables undertaking and completing the CT Restructuring;
- (b) the Vendors collectively remaining the legal and beneficial owners of 100% of the equity interest in CT Vegetables;
- (c) apart from all personal guarantees provided by the Vendors in connection with bank loans and facilities granted to the CT Group, all outstanding loans or other indebtedness due and owing to the Vendors by any entity in the CT Group being fully repaid as at the Completion Date;
- (d) there being no outstanding loans or other indebtedness due to any entity in the CT Group by any Vendors as at the Completion Date;
- (e) the approval of the Board of the Company for the Proposed Acquisition having been obtained;
- (f) the completion of a legal and financial due diligence exercise by the Company on the CT Group, the results of such exercise being satisfactory to the Company, in its sole and absolute discretion but acting reasonably and in good faith;
- (g) the completion of a financial review on the CT Group to ensure that all issues highlighted in the financial due diligence exercise have been adequately and appropriately addressed, the results of such financial review being reasonably satisfactory to the Company;

- (h) there being no material adverse change or events or omissions likely to lead to any change in the assets, prospects, performance, financial position or results of operations of the CT Group;
- (i) the Vendors complying with all warranties under the SPA;
- (j) all material approvals and consents (including any governmental, regulatory and/or corporate approvals and consents) required for the business of the CT Group having been obtained;
- (k) all necessary bank consents and other consents and approvals for the Proposed Acquisition having been obtained by the CT Group on terms and conditions reasonably acceptable to the Company;
- (l) there not having been at any time prior to or on Completion Date the occurrence of any of the following events:
 - (i) liquidation, bankruptcy or insolvency of any entity within the CT Group;
 - (ii) termination of substantially all or part of the business any entity with the CT Group by resolution of the general meeting of its shareholders;
 - (iii) appointment of any assignee, receiver or liquidator for substantially all or part of the assets or business of any entity within the CT Group; or
 - (iv) attachment, sequestration, execution or seizure of substantially all or part of the assets of any entity within the CT Group.
- (m) the signing of service agreements between each of TKL and ALC with CT Vegetables for a fixed period of one year with effect from the Completion Date;
- (n) the disposal to TKL of the 40% stake currently held by CT Vegetables in CT Asia Marketing Pte. Ltd.;
- (o) the resignation of ALC from the board of directors of CT Vegetables, CT Fresh Pte Ltd and Cool Fresh Marketing Pte. Ltd.

3.5 Termination of the SPA

- (a) The SPA will be terminated if completion of the SPA does not take place on or before 15 November 2015, or such later date as the Parties may mutually agree in writing (“**Long-Stop Date**”).
- (b) The SPA may be terminated by the Vendor or the Company by written notice to the other party prior to completion and prior to the Long-Stop Date as follows:

- (i) at the election of either the Vendor or the Company as the case may be, if the other party has breached any representation, warranty, undertaking or any term whatsoever under the SPA, which breach cannot be or is not cured by the Long-Stop Date; or
- (ii) if any of the conditions precedent are not satisfied or are not waived (as the case may be) by the relevant party whose obligations are subject to such conditions precedent on or before the Long-Stop Date.

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

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 Acquisition.

Such pro forma financial effects have been computed based on the audited consolidated financial statements of the Group for FY2015 and the unaudited financial statements of CT Vegetables for FY2015 based on the following assumptions²:

- (a) the financial effects of the Proposed Acquisition on the net tangible assets (“NTA”) per Share of the Group are computed assuming that the Proposed Acquisition was completed on 31 March 2015;
- (b) the financial effects of the Proposed Acquisition on the earnings per Share (“EPS”) of the Group are computed assuming that the Proposed Acquisition was completed on 1 April 2014;
- (c) there was no issuance and allotment of Shares in the Group; and
- (d) transactional costs incurred for the Proposed Acquisition are assumed to be insignificant and as such, have not been taken in account in the computation of the financial effects.

² The financial effects for the Proposed Acquisition does not take into consideration the financial effects for the acquisition of the Thong Siek Group (the “TSG Acquisition”), which was completed on 12 June 2015. Please refer to the Company’s announcements dated 12 February 2015, 14 May 2015, 11 June 2015 and 12 June 2015 for information on the TSG Acquisition.

4.1 NTA per Share

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	23,816	27,778
Number of Shares	144,000,000	144,919,600 ⁽¹⁾
NTA per Share (S\$ cents)	16.5	19.2

4.2 EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to owners of the Company (S\$'000)	7,403	8,055
Weighted average number of Shares	144,000,000	144,919,600 ⁽¹⁾
EPS (S\$ cents)	5.14	5.56

Note:

- (1) Based on 919,600 Consideration Shares (assuming that the issue price of the Consideration Shares is S\$0.6525, being 90% of the VWAP of the Company's shares on Catalist of S\$0.725 on 29 October 2015) and the Company's issued ordinary share capital of 145,000,000 Shares. The actual number of the Consideration Shares will be announced by the Company as at the Completion Date.

4.3 Gearing

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

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⁾	41.1%
Rule 1006(c)	
The aggregate value of the consideration given or received compared with the Company's market capitalisation on 29 October 2015, being the last market day on which the Company's Shares were traded preceding the date of the SPA ⁽²⁾	5.1%

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⁾	0.63%
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 CT Vegetables for the first quarter ended 30 June 2015 of S\$57,976, compared with the Group's audited net profits of S\$141,004 for the first quarter ended 30 June 2015.
- (2) The aggregate value of the Purchase Consideration given for the Proposed Acquisition is S\$5.4 million, compared to the Company's market capitalisation of S\$105.1 million (based on 145,000,000 shares in issue and the weighted average price of S\$0.725 per Share of the Company on the last market day on which the Company's Shares were traded preceding the date of the SPA, namely 29 October 2015).
- (3) Based on 919,600 Consideration Shares (assuming that the issue price of the Consideration Shares is S\$0.6525, being 90% of the VWAP of the Company's shares on Catalist of S\$0.725 on 29 October 2015) and the Company's issued ordinary share capital of 145,000,000 Shares. The actual number of the Consideration Shares will be announced by the Company as at the Completion 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 Acquisition constitutes a "disclosable transaction" under Chapter 10 of the Catalist Rules.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that the Proposed Acquisition would provide the following commercial benefits to the Group:

- (a) The Board is of a view that the Proposed Acquisition represents a strategic advancement of the Group's business into the upstream of the supply chain and provides a vertical integration process that would complement and support the Group's existing catering and manufacturing businesses and operations.
- (b) The Proposed Acquisition would also allow the Group to ensure consistency in the quality and timely delivery of a portion of its raw material supplies to its catering operations. This would in turn allow the Group to enhance the overall quality of its products and services.

- (c) The business of CT Vegetables is profitable. The Proposed Acquisition would therefore provide the Company with the opportunity to acquire a profitable entity and would be earnings accretive with opportunities for growth.

7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Acquisition (other than through their respective shareholdings in the Company, if any).

8. SERVICE AGREEMENT

There are no directors proposed to be appointed to the Company in connection with the Proposed Acquisition.

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 Acquisition, 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 of the Company are advised to exercise caution when trading in the Shares in relation to this announcement as there is no certainty or assurance that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. When in doubt as to the action that they should take, shareholders of the Company should consult their financial, tax or bank or other advisers.

11. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the SPA 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
3 November 2015

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore branch ("**Sponsor**"), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes 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.

The contact person for the Sponsor is Mr. Yee Chia Hsing, Head, Catalyst. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, telephone: +65 6337 5115.
