

PROPOSED SUBSCRIPTION IN HI-Q PLASTIC INDUSTRIES SDN BHD

1. INTRODUCTION

1.1 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 on 21 March 2017 entered into a subscription agreement (“**Agreement**”) with Hi-Q Plastic Industries Sdn Bhd (“**Hi-Q**”) to subscribe for 416,327 new shares (the “**New Shares**”) in Hi-Q at RM3.855 for each New Share, representing 51% of the enlarged issued and paid-up capital of Hi-Q (the “**Proposed Subscription**” and the Company and Hi-Q shall be referred to collectively as the “**Parties**”).

1.2 Upon completion of the Proposed Subscription, the shareholding structure of Hi-Q will be as follows:

Shareholders	No. of shares before Completion	No. of shares after Completion
Neo Group Limited	Nil	416,327
Lee Kok Kien	124,000	124,000
Tey Geok Kim	124,000	124,000
Tey Ah Cheng	152,000	152,000
	400,000 (100%)	816,327 (100%)

2. INFORMATION ON HI-Q¹

2.1 Hi-Q is a private company incorporated under the laws of Malaysia in 2008. Hi-Q is a manufacturer and supplier in all kinds of plastics, resins and all kinds of moulds and plastic packaging products primarily used by manufacturers and businesses operating in the food industry.

2.2 As at the date of this announcement, Hi-Q has an issued and paid-up capital of RM400,000 comprising 400,000 ordinary shares.

¹ The information on Hi-Q and the financial information set out in this paragraph 2 were provided by Hi-Q 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.

- 2.3 Based on the audited financial statements of Hi-Q for the financial year ended 31 December 2015, the net tangible asset value (“NTA”) was approximately RM0.90 million and the profit after tax (excluding any extraordinary gain) was approximately RM0.24 million.

3. INFORMATION ON THE PROPOSED SUBSCRIPTION

3.1 Subscription Price

The aggregate consideration for the Proposed Subscription is RM1,604,939 (the “**Subscription Price**”) which shall be satisfied in full in cash and funded by internal sources.

3.2 Basis of the Subscription Price

The Subscription Price 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 net tangible assets value of Hi-Q of RM0.90 million as at 31 December 2015 and the prospective earnings of Hi-Q.

4. 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⁾	1.79%
Rule 1006(c)	
The aggregate value of the consideration given or received compared with the Company’s market capitalisation on 17 March 2017, being the last market day on which the Company’s shares were traded preceding the date of the Agreement ⁽²⁾	0.59%
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	<i>Not applicable</i>
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 audited net profits attributable to Hi-Q of RM0.24 million for the financial year ended 31 December 2015, compared with the Group's audited net profits of S\$4.23 million for the financial year ended 31 March 2016.
- (2) The aggregate value of the Subscription Price given for the Proposed Subscription is S\$0.51 million (based on an exchange rate of S\$1:RM3.17), compared to the Company's market capitalisation of S\$85.91 million (based on 145,907,100 shares in issue and the weighted average price of S\$0.5888 per share of the Company on the last market day on which the Company's shares were traded preceding the date of the Agreement, namely 17 March 2017).

As none of the relative figures computed based on Rule 1006 of the Listing Manual of the SGX-ST, Section B: Rules of Catalist (“**Catalist Rules**”) exceeded 5%, the Proposed Subscription constitutes a “non-disclosable transaction” under Chapter 10 of the Catalist Rules. This announcement is being made pursuant to Rule 704(16)(c) of the Catalist Rules.

5. RATIONALE FOR THE PROPOSED SUBSCRIPTION AND FINANCIAL EFFECTS

- 5.1 The Board is of a view that the Proposed Subscription is in line with the Group's expansion strategies and growth plans for the core businesses of the Group. It represents a strategic advancement of the Group's business into the upstream of the supply chain and provides a vertical integration that will complement and support the Group's existing catering and manufacturing businesses and operations.
- 5.2 The Proposed Subscription is not expected to have any material impact on the earnings per share or the net tangible assets per share of the Group for the current financial year ending 31 March 2017.

6. 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 Subscription (other than through their respective shareholdings in the Company, if any).

7. 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 Subscription, 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.

8. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Agreement 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
21 March 2017

*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.

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MEMBERS OF NEO GROUP

