
PROPOSED ACQUISITION OF 22 SENOKO WAY

1. INTRODUCTION

The Board of Directors of Neo Group Limited (the “**Company**”) wishes to announce that the Company had through a wholly-owned entity, Thong Siek Food Industry Pte. Ltd. (“**TSF**”) of its 55%-owned subsidiary, Thong Siek Holdings Pte. Ltd. (“**TSH**”), exercised an Option to Purchase in relation to the acquisition of 22 Senoko Way (the “**Property**”) from Country Foods Pte. Ltd. (the “**Vendor**”), an unrelated and independent party (the “**Proposed Acquisition**”).

2. INFORMATION OF THE PROPERTY

The Property is located at 22 Senoko Way Singapore 758044 with a total land area of 14,807.2 square metres. The remaining lease (including further term) of the Property with Jurong Town Corporation (“**JTC**”) expires in year 2050 and the lease will be assigned to TSF upon completion of the Proposed Acquisition.

3. PURCHASE CONSIDERATION

The total purchase consideration for the Proposed Acquisition is S\$15.0 million (the “**Purchase Consideration**”) excluding Goods and Services Tax (“**GST**”) at the prevailing rate, paid or payable by TSF to the Vendor in the following manner:

- a) S\$150,000 being 1% of the Purchase Consideration (the “**Option Fee**”) was paid to the Vendor by way of a Cheque;
- b) S\$1,350,000 being the equivalent of 10% of the Purchase Consideration less the Option Fee (the “**Deposit**”) was paid to “Rajah & Tann Singapore LLP - CVY” by way of a Cheque, and to be held by Rajah & Tann Singapore LLP (the “**Vendor’s Solicitors**”) as stakeholders pending completion of the sale and purchase;
- c) S\$13,500,000 being the balance of the Purchase Consideration, to be paid upon completion of the Proposed Acquisition.

The Purchase Consideration was arrived at pursuant to arm’s length negotiations between TSF and the Vendor on a willing buyer willing seller basis, after taking into consideration, *inter alia*, the business prospects of the Company, and the rationale for the Proposed Acquisition as disclosed in paragraph 4 below.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Company is of the view that the Proposed Acquisition will be in the best interests of the Company for the following reasons:

- a) The existing premises at 14/14A Senoko Way in which TSF is located is smaller, with a total land area of 6,159.8 square metres and has reached maximum utilisation. Automation projects and machinery upgrades cannot be implemented until a larger production space is secured as further reduction of auxiliary space will exacerbate traffic congestion and safety issues, thereby impacting results of annual audits for renewal of various licences such as European Union (“**EU**”) licence, which in turn affects export sales to the EU;

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- b) The Property has an existing cold room facility which is expected to generate rental savings of approximately S\$840,000 per year for TSF as the existing premises at 14/14A Senoko Way does not have sufficient cold room facilities. A lease for external cold room facilities will also be expiring in 2017 and alternative storage has to be secured; and
- c) The Group is expected to enjoy other significant cost savings and operational synergies with the acquisition of the Property.

5. MATERIAL CONDITIONS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is conditional upon JTC granting its approval for the sale and purchase of the Property to TSF.

The other main terms of the Proposed Acquisition are, *inter alia*, as follows:

- a) Written approval in-principle from JTC for the Vendor to sell and TSF to purchase the Property in accordance with the terms and conditions contained in the lease subject to variation, if any;
- b) Written confirmation from JTC that it has no objection to the execution of the deed of assignment/instrument of transfer (as the case may be), or such other confirmation of similar nature; and
- c) Completion of the sale and purchase of the Property and payment of the balance of the Purchase Consideration on the later of the expiry of:

Where an environmental baseline study (“EBS”) is not required by JTC

- (i) eight (8) weeks from the date of acceptance of the Option to Purchase; or
- (ii) three (3) weeks from the date of receipt of the JTC approval.

Where an EBS and/or decontamination works is required by JTC

- (i) ten (10) weeks from the date of acceptance of the Option to Purchase; or
- (ii) three (3) weeks from the date of receipt of the JTC approval.

6. SOURCE OF FUNDS

The Purchase Consideration will be funded through internal resources of the Group and bank borrowings.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The table illustrates the financial effects of the Proposed Acquisition on the net tangible assets (“NTA”) per share and the earnings per share (“EPS”) of the Group based on the audited financial statements of the Group for the financial period from 1 February 2014 to 31 March 2015 (“14M 2015”) and assuming that:

- a) The completion of the Proposed Acquisition took place, in respect of the consolidated statement of comprehensive income on 1 February 2014, and in respect of the statement of financial position of the Group on 31 March 2015;
- b) The Company has exercised an option to acquire the Properties for a total Purchase Consideration of S\$15,000,000 on 1 February 2014, which is intended for our own use; and
- c) The total Purchase Consideration of S\$15,000,000 will be financed using the Company’s internal funds and bank borrowings.

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7.1. NTA per share

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	S\$23,817	S\$23,817
NTA per share (cents)	16.54	16.54

Note:

(1) NTA per share is calculated based on the total number of issued ordinary shares as at 31 March 2015.

7.2. EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to shareholders (S\$'000)	S\$7,403	S\$7,117
EPS (cents)	5.14	4.94

Note:

(1) EPS is calculated based on the weighted average number of ordinary shares in issue during the financial period ended 31 March 2015.

(2) In arriving at the profit attributable to shareholders after the Proposed Acquisition effected at the beginning of the financial period, adjustments have been made for interest and depreciation expense which are expected to be incurred for the acquisition.

8. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules of the Singapore Exchange Securities Trading Limited are set out below:-

Rule 1006	Basis	Proposed Acquisition
Rule 1006 (a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable.
Rule 1006 (b)	The net profits attributable to the assets acquired, compared with the Group's net profits.	Not applicable.
Rule 1006 (c)	The aggregate value of the consideration for the Proposed Acquisition, compared with the market capitalisation of the Company based on the total number of issued shares excluding treasury shares ¹	16.9%
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 issue.	Not applicable.
Rule 1006 (e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves.	Not applicable.

Note:

(1) The market capitalisation of the Company of S\$88,988,740 is determined by multiplying 145,907,100 ordinary shares in issue as at the date of this announcement by the weighted average price of the shares of approximately S\$0.6099 per share on 27 January 2016 (being the market day preceding the date of exercise of the Option to Purchase).

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9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, other than through their shareholding interests in the Company.

10. DETAILS OF ANY SERVICE CONTRACTS OF THE DIRECTORS PROPOSED TO BE APPOINTED TO THE ISSUER IN CONNECTION WITH THE TRANSACTION

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Option to Purchase is available for inspection at the registered office of the Company at 1 Enterprise Road, Singapore 629813 during normal business hours for three (3) months from the date of this Announcement.

By Order of the Board

Neo Kah Kiat
Chairman and Chief Executive Officer
Neo Group Limited

28 January 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 (the "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.

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) 63375115.

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