

PROPOSED ACQUISITION OF LAVISH DINE CATERING PTE LTD

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**”) refers to the Company’s announcements made on 13 March 2017 and 23 June 2017 in respect of the afore-captioned acquisition.
- 1.2 Further thereto, the Board wishes to announce that the Company has today entered into a sale and purchase agreement (“**SPA**”) with Wong Yuk Yan, Ling Boon Yew, Neo Bee Hoe, Lin Chih-Fen and Chew Kim Hong (collectively, the “**Vendors**”) and Lavish Dine Catering Pte. Ltd. (“**Lavish Dine**”) (the Company, the Vendors and Lavish Dine shall be referred to collectively as the “**Parties**” and “**Party**” means any one of them).
- 1.3 Pursuant to the SPA, the Company will acquire from the Vendors in aggregate 51% of the issued and paid-up share capital of Lavish Dine (the “**Sale Shares**”) (the “**Proposed Acquisition**”).

2. BACKGROUND INFORMATION OF LAVISH GROUP¹

- 2.1 As at the date of this announcement, the Vendors are the legal and beneficial owners of the entire issued and paid-up share capital of Lavish Dine. Each of the Vendors is an independent third party unrelated to any of the Directors or controlling shareholders of the Company.
- 2.2 Lavish Dine is a private company limited by shares and incorporated in Singapore in 1998 with its registered address at 20 Bukit Batok Crescent #11-13, Enterprise Centre, Singapore 658080. Lavish Dine is principally engaged in the provision of high-end catering services. Its 80% subsidiary, La Bonnie Pastries Pte. Ltd. (“**La Bonnie**”) is a private company limited by shares and

¹ The information set out in this paragraph 2 were provided by the Vendors, 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.

incorporated in Singapore in 2015 with its registered address at 20 Bukit Batok Crescent #11-14, Enterprise Centre, Singapore 658080 which is principally in business as a patisserie and sells, amongst others, bespoke edible flavours, cakes, dessert tables and dessert platters (the “**Business**”) (Lavish Dine and La Bonnie, collectively the “**Lavish Group**”).

2.3 As at the date of this announcement, Lavish Dine holds 80% of the entire issued and paid-up share capital of La Bonnie and Lavish Dine has an issued and paid-up capital of S\$60,000 comprising 60,000 ordinary shares, whilst La Bonnie has an issued and paid-up share capital of S\$120,000 comprising 120,000 ordinary shares. The remaining 20% of the share capital of La Bonnie is held by an unrelated third party individual.

2.4 Based on the audited financial statements of Lavish Dine for the 15-month period from 1 January 2016 to 31 March 2017 (“**FP2017**”), the net tangible asset (“**NTA**”) value was approximately S\$1.4 million and the loss before tax (excluding any extraordinary gain) was approximately S\$77,000.

Based on the unaudited financial statements of La Bonnie for FP2017, the NTA value was approximately S\$35,000 and the loss before tax (excluding any extraordinary gain) was approximately S\$16,800.

2.5 Upon completion of the Proposed Acquisition, the shareholding structure of Lavish Dine will be as follows:

Shareholders	No. of Shares before Completion	No. of Shares after Completion
Neo Group Limited	Nil	30,600 (51%)
Wong Yuk Yan	10,000 (16.67%)	4,900 (8.17%)
Ling Boon Yew	10,000 (16.67%)	4,900 (8.17%)
Neo Bee Hoe	10,000 (16.67%)	4,900 (8.17%)
Chew Kim Hong	15,000 (25%)	7,350 (12.25%)
Lin Chih-Fen	15,000 (25%)	7,350 (12.25%)
	60,000 (100%)	60,000 (100%)

* does not add up due to rounding off

3. SALIENT TERMS OF THE PROPOSED ACQUISITION

3.1 Purchase Consideration

The aggregate consideration for the Proposed Acquisition is S\$1.785 million (the “**Purchase Consideration**”). The Purchase Consideration shall be paid by the Company on Completion Date (defined below) in the following manner:

- (a) by cashier’s order amounting to a total of S\$1.428 million issued in favour of the Vendors in the same proportion as each of their Sale Shares bear to one another (“**Relevant Proportion**”); and
- (b) for the remaining S\$357,000 of the Purchase Consideration, an allotment and issue of a total of 566,666 new shares in the ordinary share capital of the Company (“**Consideration Shares**”) to the Vendors in the Relevant Proportion, at an agreed issue price of S\$0.63 per Consideration Share (“**Issue Price**”).

The Issue Price was determined and mutually agreed with reference to the average of (i) the volume weighted average price (“**VWAP**”) of the Company’s shares traded on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the one-month period before the date of the SPA, (ii) the VWAP for the three-month period before the date of the SPA and (iii) the VWAP for the six-month period before the date of the SPA.

The Issue Price also represents a premium of 4.1% to the volume weighted average price (“**VWAP**”) of the Company’s shares traded on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 10 April 2018, being the full trading day on which the SPA is signed.

Each of the Vendors has undertaken that, for a period of one year commencing from Completion Date (defined below), each of the Vendors will not directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of his/her Consideration Shares.

NGL will be making an application to the SGX-ST via its sponsor as soon as reasonably practicable after the signing of the SPA for the listing of, and quotation for, the Consideration Shares on Catalist and will make the relevant announcements upon receipt of the listing and quotation notice from the SGX-ST.

3.2 Basis of the Purchase Consideration

The Purchase Consideration is based on an agreed valuation of the Lavish Group at S\$3.5 million and was arrived at, on a willing-buyer willing-seller basis, after arms' length negotiations, and taking into consideration the goodwill in the branding of the Business and the prospective business and operational synergies arising from the Proposed Acquisition. No independent valuation was conducted on Lavish Group.

3.3 Completion Date

Completion of the sale and purchase of the Sale Shares pursuant to the SPA ("**Completion**") of the Proposed Acquisition shall take place no later than 10 business days after the fulfilment or waiver of the last of the conditions precedent as set out in the SPA (the "**Completion Date**"), in any event no later than the Long-Stop Date (as defined below), or such other date as the Parties may mutually agree in writing.

3.4 Key Conditions Precedent

Unless waived by the Company in its sole and absolute discretion, Completion of the SPA by the Company is conditional upon, *amongst others*, the following:

- (a) the due completion of the sale of the properties owned by Lavish Dine at 20 Bukit Batok #11-13 Enterprise Centre Singapore 658080 ("**Property 1**") to an unrelated third party and at 20 Bukit Batok #09-01 Enterprise Centre Singapore 658080 ("**Property 2**" and collectively, the "**Relevant Properties**") by Lavish Dine to L 5 Organization Pte. Ltd. (an entity wholly-owned by the Vendors) ("**L 5 Organization**");
- (b) a valid and legal leaseback of the Relevant Properties to Lavish Dine at the monthly rental rate of up to an aggregate of S\$11,000 for both Property 1 and Property 2, the date of expiry of such leases should fall no earlier than 31 March 2020;
- (c) the aggregated net tangible assets of the Lavish Group (as determined based on the management accounts of the Lavish Group for the financial period from 1 January 2018 and ending on the last day of the full calendar month immediately preceding the Completion Date ("**Management Accounts**") which shall be final and conclusive) being not less than S\$250,000 as at the last day of the period covered under the Management Accounts;
- (d) the approval of the Board for the transactions contemplated in the SPA to be completed in

accordance with the terms and conditions set out in the SPA (including the allotment and issue of the Consideration Shares);

- (e) the completion of legal and financial due diligence investigations being conducted by the Company and its advisers on the Lavish Group, and the results of such investigations being satisfactory to the Company in its sole and absolute discretion;
- (f) the signing of a service agreement between each of Ling Boon Yew, Lin Chih-Fen and Chew Kim Hong with Lavish Dine for a fixed period of three years with effect from the Completion Date;
- (g) Lavish Group records a profit after tax and positive cashflow for the three full calendar months immediately prior to the Completion Date (as determined based on the Management Accounts which shall be final and conclusive). For avoidance of doubt, the calculation of the consolidated net profit after tax shall exclude any exceptional gain;
- (h) the working capital of the Lavish Group as at the last calendar day of the calendar month immediately prior to the Completion Date is positive (as determined based on the Management Accounts which shall be final and conclusive); and
- (i) the listing and quotation notice being granted by the SGX-ST pursuant to the additional listing application by the Company's Catalyst sponsors for the listing and quotation of the Consideration Shares on the Catalyst.

3.5 Key Conditions Subsequent

- (a) The Vendors have agreed that within three business days after the Completion Date, they shall procure that their aggregate 49% shareholding stake in Lavish Dine be duly transferred to L 5 Organization in return for a pro-rata shareholding in L 5 Organization.
- (b) The Parties shall also procure that a shareholders' agreement be duly executed between the Company, L 5 Organization and Lavish Dine within five business days after the Completion Date.

3.6 Termination of the SPA

- (a) The SPA shall automatically lapse and terminate if Completion does not take place on or before 31 August 2018, or such later date as the Parties may mutually agree in writing ("**Long-Stop Date**").

- (b) The SPA shall automatically lapse and terminate at any time prior to the Long-Stop Date in the event that the outcome of the financial and legal due diligence investigations is not satisfactory to the Company, as determined by the Company in its sole discretion.
- (c) The SPA may be terminated by written notice prior to the Completion and prior to the Long-Stop Date in the following events, *amongst others*:
 - (i) at the election of either the Vendors 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) at the election of the Company, if any of the conditions precedent in the SPA are not satisfied by the Vendors or are not waived by the Company (as the case may be) 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 consolidated financial statements of the Group for the financial year ended 31 March 2017 (“**FY2017**”) based on the following assumptions:

- (a) the financial effects of the Proposed Acquisition on the NTA per share in the ordinary share capital of the Group (“**Share**”) are computed assuming that the Proposed Acquisition was completed on 31 March 2017;
- (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 2016;
- (c) the 566,666 Consideration Shares were issued on 1 April 2016;
- (d) the Issue Price of the Consideration Shares equals to the fair value of the Shares;

- (e) the Relevant Properties were divested before 1 April 2016 and the aggregated NTA of the Lavish Group as at 31 March 2017 was S\$250,000 (with reference to the condition precedent in paragraph 3.4(c) of this announcement);
- (f) no profits or losses were incurred by the Lavish Group for FP2017 (with reference to the condition precedent in paragraph 3.4(g) of this announcement);
- (g) provisional goodwill for the Proposed Acquisition amounted to approximately \$1.7 million; and
- (h) 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.

4.1 NTA per Share

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	19,213	17,556
Number of Shares	145,907,100	146,473,766
NTA per Share (S\$ cents)	13.17	11.99

4.2 EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to owners of the Company (S\$'000)	3,263	3,263
Weighted average number of Shares	145,907,100	146,473,766
EPS (S\$ cents)	2.24	2.23

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 losses attributable to the assets acquired compared with the Group's net profits ⁽¹⁾	-2.8%
Rule 1006(c)	
The aggregate value of the consideration given or received compared with the Company's market capitalisation on 10 April 2018 (based on the total number of issued shares excluding treasury shares), being the last market day on which the Company's shares were traded preceding the date of the SPA ⁽²⁾	2.0%
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	0.4%
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) Computed based on the consolidated net losses of the Lavish Group of approximately S\$0.09 million for FP2017 and the net profits attributable to owners of the Group of approximately S\$3.3 million for FY2017.
- (2) The aggregate value of the Purchase Consideration given for the Proposed Acquisition is S\$1.785 million, compared to the Company's market capitalisation of S\$88.3 million (based on 145,907,100 shares in issue and the volume weighted average price of S\$0.6054 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 10 April 2018).

As the consideration for the Proposed Acquisition is satisfied partly by the issuance of Consideration Shares, the Proposed Acquisition constitutes a "disclosable transaction" under Chapter 10 of the Catalist Rules.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition presents a good opportunity for the Company to extend its catering offering to the high-end market by adding a reputable and well-known brand with a good customer base to its stable of brands.

The Proposed Acquisition will also enable the Company and the Lavish Group to take advantage of synergies arising from shared marketing, procurement and operation functions while maintaining individual brand identities.

7. PROPOSED FINANCING

The Proposed Acquisition will be financed by a combination of internal cash resources, and issuance of new shares.

8. 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).

9. SERVICE AGREEMENT

There are no directors proposed to be appointed to the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between NGL and any such person.



10. 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.

11. 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.

12. 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 months after the date of this announcement.

By Order of the Board

Neo Kah Kiat
Chairman and Chief Executive Officer
Neo Group Limited
16 April 2018



*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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