



SOO KEE GROUP LTD.

(Company Registration No.: 201214694Z)

(Incorporated in the Republic of Singapore on 13 June 2012)

**NON-BINDING MEMORANDUM OF UNDERSTANDING IN RELATION TO
THE PROPOSED ACQUISITION OF SHARES IN DK BULLION PTE LTD**

1. INTRODUCTION

The board of directors (the "**Board**") of Soo Kee Group Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to announce that the Company has on 16 February 2016 entered into a non-binding memorandum of understanding (the "**MOU**") with Dai Keng Trading Pte Ltd ("**Dai Keng**"), Kwek Chew Bong ("**KCB**") and Kwek Seow Ean ("**Ean**", and together with KCB, the "**Warrantors**") (collectively, the "**Parties**").

Pursuant to the execution of the MOU, the Parties intend for Dai Keng to transfer to DK Bullion Pte Ltd ("**DK Bullion**") all of Dai Keng's rights, interests and title, free from all encumbrances, liens and charges, in assets which are relevant to the business of distributing precious metals, including distribution agreements, customer and supplier lists, office equipment, and intellectual property rights relating to the said business (the "**Relevant Business Assets**"). Upon completion of the transfer of the Relevant Business Assets, KCB will procure that his wife and a shareholder of DK Bullion, Tang Mee Keng ("**TMK**") sells to the Company such number of shares in DK Bullion comprising 70.00% of the total issued and paid-up share capital of DK Bullion (the "**Proposed Share Acquisition**").

2. INFORMATION ON DAI KENG AND THE WARRANTORS

Dai Keng is a limited exempt private company incorporated in Singapore on 4 May 1994. At the date of this announcement, it has an issued and paid-up share capital of S\$2,200,000 comprising 2,200,000 ordinary shares of which 95.46% is held by KCB, 2.27% is held by Ean (who is the son of KCB and TMK) and 2.27% is held by TMK. KCB, TMK and Ean are the directors of Dai Keng.

The primary business of Dai Keng is the distribution of precious metals, with customers who are based in Singapore, Malaysia and Indonesia, as well as the provision of storage services for precious metals. For the financial year ended 30 June 2015, Dai Keng recorded a net profit of S\$55,554 and as at 30 June 2015, it had a net tangible asset value of S\$3,584,056.

3. PRINCIPAL TERMS OF THE MOU

3.1 Proposed Transfer of the Relevant Business Assets

- (a) KCB has procured the incorporation of DK Bullion on 11 February 2016, with an issued and paid-up share capital of S\$100 comprising 100 ordinary shares which are registered in the following names:

TMK : 95 ordinary shares
Ean : 5 ordinary shares
- (b) Pursuant to the execution of the MOU, Dai Keng will transfer to DK Bullion all of Dai Keng's rights, interests and title in the Relevant Business Assets, in each case free from all encumbrances, liens and charges. The consideration for the transfer of the Relevant Business Assets will be S\$1.00.
- (c) DK Bullion will not assume or have any liability, responsibility or obligation, directly or indirectly and whether known, fixed, contingent, matured or otherwise, arising from or in connection with any liability, responsibility or obligation of Dai Keng or which in any way relate to or arise from the Relevant Business Assets or otherwise up and including the date of effective transfer of the Relevant Business Assets (the "**Excluded Liabilities**"). The Excluded Liabilities will remain Dai Keng's sole and exclusive responsibility.
- (d) Under the MOU, it is intended for the agreement for the transfer of the Relevant Business Assets (the "**Asset Transfer Agreement**") to be finalised for execution by Dai Keng and DK Bullion within 30 days from the date of execution of the MOU.

3.2 Proposed Share Acquisition and Consideration

Following the execution of the Asset Transfer Agreement, it is intended for a definitive sale and purchase agreement relating to the Proposed Share Acquisition (the "**SPA**") to be finalised for execution by the Company and TMK within 5 working days from the date of effective transfer of the Relevant Business Assets from Dai Keng to DK Bullion pursuant to the Asset Transfer Agreement.

The completion of the Proposed Share Acquisition under the SPA ("**Completion**") will be subject to the conditions precedent, *inter alia*, as follows:

- (a) Completion of transfer of the Relevant Business Assets from Dai Keng to DK Bullion.
- (b) Satisfactory due diligence on DK Bullion and the Relevant Business Assets by the Company.
- (c) Receipt of all requisite consents, approvals and waivers required to be obtained by the Company under any applicable laws and regulations in

respect of the Proposed Share Acquisition, and where any consent or approval is subject to any condition, such condition being satisfactory to the Company.

- (d) The articles of association (or the constitution) of DK Bullion have been revised to ensure consistency with the provisions of the SPA in respect of matters relating to the management and operations of DK Bullion after Completion.
- (e) There will be no change, whether individually or in the aggregate, that can reasonably be expected to have a material adverse effect on the financial condition, results, operations or prospects of the business of DK Bullion as contemplated by the parties under the SPA.

On Completion, the Company will pay the following payments in consideration of the transfer to the Company of 70.00% of the total issued and paid-up share capital of DK Bullion:

- (a) S\$300,000 will be payable in cash to TMK (being the transferor and nominee of KCB).
- (b) S\$500,000 will be payable in cash to TMK (being the transferor and nominee of KCB) if DK Bullion achieves an aggregated net profit after tax of no less than S\$1,200,000 (the "**Minimum NPAT**") at any time within 3 financial years from Completion (the "**Performance Period**"). For purposes of determining if the Minimum NPAT has been met, the Company will only be obliged to rely solely on the audited annual financial statements of DK Bullion during the Performance Period.

3.3 Management of DK Bullion

Following Completion:

- (a) the share capital of DK Bullion will be held in the following proportions:

Company	:	70.00%
TMK	:	25.00%
Ean	:	5.00%
- (b) DK Bullion will carry on the business of distributing precious metals, including those supplied by refiners accredited by the London Bullion Market Association (the "**LBMA**") and minted product producers, and providing secure precious metal storage services;
- (c) the board of directors of DK Bullion will have the general overall power and authority to determine the strategy of the business, while the day-to-day operations of the business will be managed by Ean (who will be required to enter into a service contract with DK Bullion with respect to his employment

with DK Bullion on such terms to be agreed between the Company and Ean); and

- (d) Dai Keng will wind-down and cease any business activity that is similar to or identical to the business of DK Bullion, and will refer all business opportunities, potential or otherwise, relating to the business of DK Bullion which Dai Keng obtains or receives from a third party or knows about.

KCB further undertakes that upon Completion, he, TMK and Ean will not, either on their own account or in conjunction with or on behalf of any other person, firm or company, carry on or be engaged, concerned or interested, directly or indirectly (whether as shareholder, partner, agent or otherwise) in any business activity that is similar or identical to the business of DK Bullion, excluding their respective equity stake in, and control of, Dai Keng. KCB, TMK and Ean will ensure that their respective equity stakes in and control of Dai Keng will not result in any conflict with their duties and obligations to DK Bullion, and they will use best efforts to avoid any such conflict.

3.4 Option to Acquire Inventory from Dai Keng

KCB will procure that Dai Keng grants DK Bullion an option (the "**Relevant Option**") to require Dai Keng to sell to DK Bullion any or all of the items of inventory, whether raw materials, work-in-progress or finished goods that Dai Keng owns in connection with the Relevant Business Assets (the "**Relevant Inventory**"). The Relevant Option may be exercised by DK Bullion at any time within 36 months from Completion or such other period as may be agreed by Dai Keng and DK Bullion (the "**Relevant Option Period**").

During the Relevant Option Period, Dai Keng and DK Bullion will agree on a joint physical stock-take exercise to determine the mark-to-market valuation of each item of the Relevant Inventory to be so acquired by DK Bullion, and the purchase price payable by DK Bullion to Dai Keng for all or part only of the Relevant Inventory. Dai Keng will not, during the Relevant Option Period, subject any Relevant Inventory to any lease, mortgage, pledge, lien, charge, encumbrance security, interest or restriction.

3.5 Exclusivity

The Parties have agreed to an exclusivity period of 12 months commencing from the date of the MOU or such other period as may be agreed between the Parties (the "**Exclusivity Period**"), pursuant to which the Warrantors and Dai Keng will not, directly or indirectly, jointly or severally, solicit or enter into discussions, negotiations, understandings or documents of any nature with any third party in respect of any transaction of a similar nature to the transactions contemplated under the MOU. Dai Keng and the Warrantors will immediately terminate all and any discussions or negotiations with any third party relating to any investment in the share capital or business of Dai Keng, or acquisition of the whole or any part of the share capital of Dai Keng, or acquisition of any part of the Relevant Business Assets.

3.6 Termination

Save for certain provisions relating to exclusivity, confidentiality, and *inter alia*, costs, and governing law which will survive termination, the MOU will terminate and cease to have any effect on the earlier of the expiry of the Exclusivity Period, the execution of the SPA, and the Parties' mutual agreement to terminate the MOU.

4. **RATIONALE FOR THE PROPOSED SHARE ACQUISITION**

The Board believes that DK Bullion's primary business activities comprising distribution of precious metals, including those supplied by refiners accredited by the LBMA and minted product producers, and provision of secure precious metal storage service, will be a strategic fit to the Group's business expansion and product diversification plan, and has potential for growth which will benefit the Company and its shareholders.

5. **RULE 1008 OF THE CATALIST RULES**

The relative figures for the Proposed Share Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules do not exceed 5.00%. As such, the Proposed Share Acquisition is a non-discloseable transaction under Rule 1008 of the Catalist Rules but for the purpose of good practice and transparency, is disclosed hereto by the Company.

The total consideration for the Proposed Share Acquisition of up to S\$800,000 was arrived at taking into consideration, *inter alia*, the business prospects and a mutually-agreed forward price-earnings multiple of DK Bullion.

The Company will fund the Proposed Share Acquisition through internal resources. The Proposed Share Acquisition is not expected to have a material impact on the net tangible assets per share or earnings per share of the Group for the current financial year ending 31 December 2016.

6. **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 Share Acquisition, other than through their respective shareholdings and directorships (if any) in the Company.

7. **FURTHER ANNOUNCEMENTS**

The Company will make further announcements to keep the shareholders of the Company informed, as and when there are further material updates and developments in respect of the Proposed Share Acquisition in due course.

8. TRADING CAUTION

Shareholders and potential investors of the Company are advised to exercise caution when trading the shares of the Company as there is no certainty or assurance, as at the date of this announcement, that the SPA will be entered into on the terms and conditions set out in the MOU or that the Proposed Share Acquisition will be undertaken at all.

Shareholders and potential investors of the Company are further advised to read this announcement and any further announcements by the Company carefully, and should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Lim Yong Sheng
Executive Director and Chief Executive Officer
16 February 2016

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

The 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 persons for the Sponsor are Mr Khong Choun Mun, Managing Director, Equity Capital Markets and Mr David Tham, Senior Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, telephone: +65 6533 9898.