

NEO GROUP LIMITED
(Company Registration No.: 201207080G)
(Incorporated in the Republic of Singapore)

(A) INCORPORATION OF A NEW WHOLLY-OWNED SUBSIDIARY

(B) PROPOSED ACQUISITION AND INVESTMENT IN THONG SIEK GROUP

(A) INCORPORATION OF A NEW WHOLLY-OWNED SUBSIDIARY

The board of directors (the “**Board**”) of Neo Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce the incorporation of a new wholly-owned subsidiary in Singapore, known as Thong Siek Holdings Pte. Ltd. (“**TSH**”) on 12 May 2015. TSH has an initial issued and paid-up share capital of S\$1 comprising 1 share. The principal activity of TSH is investment holding.

The above incorporation was funded through internal resources and is not expected to have any material financial impact on the earnings per share or the net tangible assets per share of the Group for the current financial year ending 31 March 2016.

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the incorporation of TSH, other than through their shareholdings in the Company.

(B) PROPOSED ACQUISITION AND INVESTMENT IN THONG SIEK GROUP

1. Introduction

Further to the announcement made on 12 February 2015, the Board wishes to announce that TSH has on 13 May 2015 entered into a sale and purchase agreement (“**SPA**”) with Lim Boon Chay (“**BC Lim**”), Tan Soo Seng, Lim Chee Tet, Wong Teng San, Ng Teck Khim, Lim Yun Na Rachel, Tan Poon Pho, Lim Siow Sze, Tan Chiew Boon, Ching Ting Soon, Lim Siow Yin and Lim Li Yang (collectively the “**Vendors**”) in respect of the proposed acquisition by TSH from the Vendors of the entire issued and paid-up share capital of 4 entities, namely Thong Siek Food Industry Pte Ltd, Dodo Marketing Pte. Ltd., TSF Engineering Pte. Ltd. and TS Food Industry Sdn Bhd (each a “**Target Company**” and collectively the “**Thong Siek Group**”) for an aggregate purchase consideration of S\$7,350,000 (the “**Proposed Acquisition**”).

In addition, the Company and TSH have on 13 May 2015, entered into an investment and shareholders’ agreement (“**ISA**”) with BC Lim, Lim Siow Sze, Lim Siow Yin, Lim Xiaofei and Chong Meng Hoe (collectively the “**Investors**”) in respect of the following:

- (i) Subscription of a total of 999,999 ordinary shares in the share capital of TSH (the “**Subscription Shares**”) at a total subscription consideration of S\$10,349,999 by the Company and the Investors (the “**Proposed Subscription**”), to be settled in cash; and
- (ii) Sale of 60,000 ordinary shares in the share capital of TSH at an aggregate sale consideration of S\$900,000 by BC Lim to the Company (the “**Proposed Sale**”), to be settled in Consideration Shares (as defined in paragraph 3.3 of this announcement).

Upon completion of the Proposed Acquisition, Proposed Subscription and Proposed Sale (collectively the “**Proposed Transactions**”), TSH will become a 55%-owned subsidiary of the Company.

2. Information on Thong Siek Group

Thong Siek Group is involved in the manufacturing and sale of seafood based products such as fish balls, crabsticks and other surimi based products through two production facilities operating in Senoko, Singapore and Johor Bahru, Malaysia. Its products are sold in Singapore, Malaysia, and distributed overseas to other parts of Asia and many other countries (including Australia, Europe and United States of America).

3. Consideration for Proposed Transactions

3.1 Proposed Acquisition

Pursuant to the terms and conditions of the SPA, the aggregate purchase consideration of S\$7,350,000 (the “**Acquisition Consideration**”) is payable in the following manner:

- (i) S\$1,350,000 to BC Lim in cash which will be retained by TSH to be utilised for BC Lim’s payment for the cash subscription of 510,000 ordinary shares in the share capital of TSH (representing 51% of the total issued share capital of TSH following completion of such subscription) as described in paragraph 3.2 of this announcement; and
- (ii) the balance Acquisition Consideration shall be payable to such persons and according to the amounts as directed by the Vendors according to the provisions in the SPA.

The Acquisition Consideration is payable by TSH following completion of the Proposed Acquisition (the “**Acquisition Completion**”) according to the relevant provisions in the SPA.

3.2 Proposed Subscription

Pursuant to the terms and conditions of the ISA, the issued and paid-up share capital of TSH will be increased from S\$1 divided into 1 ordinary share to S\$10,350,000 divided into 1,000,000 ordinary shares (the “**Enlarged Share Capital**”) by way of allotment and issuance of 999,999 Subscription Shares at a total subscription consideration of S\$10,349,999 (the “**Subscription Consideration**”) in the following manner:

Investor	Number of Subscription Shares	Percentage of Shareholding	Subscription Consideration
Company	489,999	49%	S\$8,999,999
BC Lim	390,000	39%	S\$1,032,352 ⁽¹⁾
Lim Siow Sze	30,000	3%	S\$79,412 ⁽¹⁾
Lim Siow Yin	30,000	3%	S\$79,412 ⁽¹⁾
Lim Xiaofei	30,000	3%	S\$79,412 ⁽¹⁾
Chong Meng Hoe	30,000	3%	S\$79,412 ⁽¹⁾
Total	999,999	100%	S\$10,349,999

Note:

- (1) Aggregate Subscription Consideration of S\$1,350,000 payable by BC Lim to TSH from his entitlement to the Acquisition Consideration.

3.3 Proposed Sale

Pursuant to the terms and conditions of the ISA, BC Lim will sell 60,000 ordinary shares, constituting 6% of the Enlarged Share Capital of TSH to the Company at a sale consideration of S\$900,000 (the “**Sale Consideration**”). As a result, the Company will hold 55% of the Enlarged Share Capital of TSH while BC Lim will hold 33% upon completion of the Proposed Sale (the “**Sale Completion**”).

The Sale Consideration will be settled through the allotment and issuance of such number of ordinary shares in the share capital of the Company (the “**Consideration Shares**”) to BC Lim at the issue price of S\$0.90 per Consideration Share or the volume weighted average price (the “**VWAP**”) of the Company’s shares traded on Catalist on the date of Sale Completion, whichever is lower, provided that the issue price of each Consideration Share shall not be lower than 90% of the VWAP on the market day preceding the date of the ISA.

Assuming that 1,078,632 Consideration Shares are issued to BC Lim at the issue price of S\$0.83439, being 90% of the VWAP of the Company’s shares on Catalist of S\$0.9271 on 30 April 2015 (being the last market day where the shares of the Company were traded preceding the date of the ISA), the number of issued shares in the capital of the Company will increase from 144,000,000 shares to 145,078,632 shares. The Consideration Shares of 1,078,632, represent approximately 0.75% and 0.74% of the existing and enlarged issued and paid-up share capital of the Company, respectively. Accordingly, BC Lim will not be a controlling shareholder of the Company.

The Consideration Shares shall be issued pursuant to the general share issue mandate granted by the shareholders of the Company at the annual general meeting held on 30 May 2014.

An application will be made for the listing of and quotation for the Consideration Shares on Catalist. An appropriate announcement will be made by the Company upon receipt of the listing and quotation notice from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing of and quotation for the Consideration Shares on Catalist. The Consideration Shares when allotted and issued, shall rank *pari passu* in all respects with the then existing issued shares of the Company.

3.4 **Basis of the Consideration**

The consideration for the Proposed Transactions was arrived at on a willing buyer and willing seller basis, after taking into account, *inter alia*, the net tangible assets value of Thong Siek Group of S\$4.08 million as at 31 December 2014 and the prospective earnings of Thong Siek Group.

4. **Value of Thong Siek Group**

The net tangible assets of Thong Siek Group as at 31 December 2014 was approximately S\$4.08 million and the net loss of Thong Siek Group for the financial year ended 31 December 2014 was approximately S\$0.56 million.

The Company had commissioned a valuation to assess the value of Thong Siek Group. The value of Thong Siek Group, based on the discounted cash flow method, was in the range of S\$11.6 million to S\$24.0 million as at 31 December 2014, subject to the assumptions stated in the valuation report.

5. **Conditions Precedent for Proposed Transactions**

5.1 **Proposed Acquisition**

The Acquisition Completion is conditional upon the fulfilment of, *inter alia*, the following conditions precedent:

- (i) the completion of the Proposed Subscription (the “**Subscription Completion**”) having occurred;
- (ii) TSH being satisfied in its sole and absolute discretion with the results of the due diligence investigations (whether legal, financial, contractual, tax or otherwise), including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of Thong Siek Group, in its sole and absolute discretion;

- (iii) TSH being satisfied in its sole and absolute discretion that the due diligence investigations referred to in paragraph 5(ii) above does not reveal that the consolidated net tangible asset value of Thong Siek Group is less than S\$4,000,000;
- (iv) all consents, approvals and authorisations of bankers, financial institutions, relevant third parties (including the Jurong Town Corporation, if applicable), government or regulatory authorities which are necessary or desirable in connection with the transfer of the shares in the Target Companies from the Vendors to TSH and TSH having obtained legal and beneficial title to such shares (including waivers of pre-emption rights by the existing shareholders of each Target Company), and if subject to conditions, on such conditions acceptable to TSH, prior to the date of Acquisition Completion;
- (v) the approval of the shareholders of the Company in an extraordinary general meeting (where necessary) being obtained for the transactions contemplated in the SPA upon the terms and conditions set out in the SPA, including, *inter alia*, the Proposed Acquisition as a major acquisition and such other matters as are necessary in compliance with the relevant provisions of Section B: Rules of Catalist of the Listing Manual of the SGX-ST (the “**Catalist Rules**”);
- (vi) there has been no change in the shareholding or capital structure of each Target Company after the date of the SPA occurring on or before the date of Acquisition Completion;
- (vii) no material contract, lease, licence or other similar commercial arrangement of each Target Company would be terminated or adversely affected as a result of a change in the legal and beneficial title to the shares in each Target Company;
- (viii) all representations, warranties and undertakings of the Vendors and TSH under the SPA being complied with, and being true, accurate and correct in all respects as at the date of Acquisition Completion, as if repeated at Acquisition Completion and at all times between the date of the SPA and the Acquisition Completion;
- (ix) each of the parties having performed all of the covenants and agreements required to be performed or caused to be performed by it under the SPA on or before the date of Acquisition Completion;
- (x) the Vendors or TSH not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;
- (xi) there being no material adverse change (as reasonably determined by TSH in its sole and absolute discretion) in the corporate structure, management team, principal activities, prospects, operations, assets, business, profits, financial condition of each Target Company occurring on or before the date of Acquisition Completion;
- (xii) Each of BC Lim, Lim Siow Yin, Lim Siow Sze, Lim Xiaofei, Chong Meng Hoe and any other person(s) identified by the Company having entered into a service agreement for a period of 3 years commencing from the date of Acquisition Completion with TSH on such terms and conditions to be acceptable to TSH; and
- (xiii) The execution of the shareholders’ agreement in respect of each Target Company on terms to be mutually agreed upon by the relevant parties.

5.2 Proposed Subscription

The Subscription Completion is conditional upon the fulfilment of, *inter alia*, the following conditions precedent:

- (i) all representations, warranties and undertakings of the parties under the ISA having been complied with, and being true, accurate and correct in all material respects as at the date of Subscription Completion, as if repeated on the date of Subscription Completion and at all times between the date of the ISA and the date of Subscription Completion;
- (ii) each of BC Lim, Lim Siow Yin, Lim Siow Sze, Lim Xiaofei and Chong Meng Hoe having entered into a service agreement with TSH for a period of 3 years commencing from the date of Subscription Completion on terms mutually acceptable to the said parties; and
- (iii) TSH having obtained the necessary consents from third parties and waivers of pre-emption rights from its existing shareholder (if any) in connection with the issue of the Subscription Shares.

5.3 Proposed Sale

The Sale Completion is conditional upon the fulfilment of, *inter alia*, the following conditions precedent:

- (i) all representations, warranties and undertakings of the parties under the ISA having been complied with, and being true, accurate and correct in all material respects as at the date of Sale Completion, as if repeated on the date of Sale Completion and at all times between the date of the ISA and the date of Sale Completion;
- (ii) the Subscription Completion having occurred; and
- (iii) the approval of the shareholders of the Company in an extraordinary general meeting (where necessary) having been obtained for the transactions contemplated in the ISA upon the terms and conditions set out in the ISA, including, *inter alia*, the purchase of the 60,000 Subscription Shares from BC Lim as a major acquisition and such other matters as are necessary in compliance with the relevant provisions of the Catalist Rules.

6. Other Material Terms

6.1 Moratorium

BC Lim undertakes that he shall not directly or indirectly sell, transfer, create a pledge or charge over or otherwise dispose of the Consideration Shares (or any part thereof), or enter into an agreement to grant an option or any such rights in respect of the Consideration Shares (or any part thereof) for a period of 12 months after the date of Sale Completion or until TSH has achieved a consolidated net profit after tax of at least S\$900,000, as evidenced from the consolidated audited accounts of TSH, whichever is later.

6.2 Shareholder Loan

If the board of TSH determines that borrowing from a bank or other similar source is not desirable, it shall issue to the Company a written notice, requiring the Company to extend a shareholders' loan to TSH and/or Thong Siek Group (or any of them), provided that the aggregate amount of such shareholders' loans extended by the Company to TSH and/or Thong Siek Group (or any of them) within the first 3 years from the date of the ISA is not expected to exceed an aggregate sum of S\$5,000,000. At the expiry of the 3-year period from the date of the ISA, shall TSH and/or Thong Siek Group (or any of them) be unable to

maintain a healthy cash flow, the shareholders' loans by the Company to TSH and/or Thong Siek Group (or any of them) have not been repaid in full to the Company and the board of TSH determines that TSH and/or Thong Siek Group (or any of them) require(s) additional working capital for its business or operations, TSH shall be entitled to raise funds by issuing rights to buy shares in TSH to the Company.

7. Rationale for the Proposed Transactions

The Board is of a view that the Proposed Transactions represent a strategic advancement of the Group's business into the upstream of the supply chain and provide a vertical integration process that will enable the Group to expand into manufacturing business. The Proposed Transactions will also provide the Group with a platform to expand and grow its geographical footprint. In addition to the strong synergy between the Group's food catering business and Thong Siek Group's manufacturing and sale of seafood based products business, the Proposed Transactions will enable the Group to diversify its earnings base and enhance long-term shareholder value.

8. Financing

The consideration for the Proposed Transactions will be funded by the Group's internal resources, existing and new bank borrowings as well as the allotment and issue of new ordinary shares in the share capital of the Company.

9. Financial Effects of the Proposed Transactions

The financial effects of the Proposed Transactions on the Company set out below are purely for illustrative purposes only and do not reflect the future actual financial position of the Company or the Group after the completion of the Proposed Transactions.

9.1 Net Tangible Assets ("NTA")

The effect of the Proposed Transactions on the NTA per share of the Group for the financial year ended 31 January 2014 ("FY2014"), assuming that the Proposed Transactions had been effected at the end of FY2014 is as follows:

As at 31 January 2014	Before the Proposed Transactions	After the Proposed Transactions
NTA (S\$'000)	20,485	22,728
NTA per share (cents)	14.2	15.7

9.2 Earnings per Share ("EPS")

The effect of the Proposed Transactions on the EPS of the Group for FY2014, assuming that the Proposed Transactions had been effected at the beginning of FY2014 is as follows:

FY2014	Before the Proposed Transactions	After the Proposed Transactions
Profit attributable to owners of the parent (S\$'000)	6,398	6,089
EPS (cents)	4.44	4.20

10. Relative Figures computed based on Rule 1006 of the Catalist Rules

The relative figures for the Proposed Transactions computed on the relevant bases set out in Rule 1006 of the Catalist Rules are as follows:

1006 (a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	Not applicable
1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits	-6.43% ⁽¹⁾
1006 (c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation	7.49% ⁽²⁾
1006 (d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	0.75% ⁽³⁾
1006 (e)	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	Not applicable

Notes:

- (1) Based on Thong Siek Group's unaudited net loss before tax of S\$180,000 for the half year ended 30 June 2014 and the Company's unaudited consolidated profit before tax of S\$2.80 million for the half year ended 31 July 2014.
- (2) Based on the sum of approximately S\$10.00 million (being the value of the Consideration Shares assuming that 1,078,632 Consideration Shares are issued plus the cash consideration) and the Company's market capitalisation of approximately S\$133.50 million (being its issued ordinary share capital of 144,000,000 shares and the VWAP of its shares on Catalist of S\$0.9271 on 30 April 2015, which is the last market day where the shares of the Company were traded preceding the date of the SPA and the ISA).
- (3) Based on 1,078,632 Consideration Shares (assuming that the issue price of the Consideration Shares is S\$0.83439, being 90% of the VWAP of the Company's shares on Catalist of S\$0.9271 on 30 April 2015) and the Company's issued ordinary share capital of 144,000,000 shares.

The Consideration Shares will be issued at the issue price of S\$0.90 per Consideration Share or the VWAP of the Company's shares traded on Catalist on the date of Sale Completion, whichever is lower, provided that the issue price of each Consideration Share shall not be lower than 90% of the VWAP on the day preceding the date of the ISA. The actual number of the Consideration Shares will be announced by the Company at the date of Sale Completion.

As the relative figures computed on the bases set out in Rule 1006(b), (c) and (d) of the Catalist Rules are less than 75%, the Proposed Transactions are not subject to the approval of the Company's shareholders at a general meeting.

11. Service Agreement

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

12. Interest of Directors and Controlling Shareholders

None of the directors or controlling shareholders of the Company is related to any of the Vendors and/or the Investors.

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transactions, other than through their shareholdings in the Company.

13. Documents for Inspection

A copy of each of the SPA and ISA is available for inspection at the Company's registered office at 1 Enterprise Road Singapore 629813 for three months from the date of this announcement.

BY ORDER OF THE BOARD

Neo Kah Kiat
Chairman and Chief Executive Officer
Neo Group Limited
14 May 2015

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), this being 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.

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