
PROPOSED ACQUISITION OF YE LIANG HOW CATERING SERVICE 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**”) wishes to announce that it has today entered into a sale and purchase agreement (“**SPA**”) with Ong Hwi Hwi (Wang HuiHui), Ong Pei Pei (Wang BeiBei) and Loh Chee Hua Lyor (Luo Zhihua) (collectively, the “**Vendors**”).
- 1.2. Pursuant to the SPA, the Company will acquire from the Vendors an aggregate of 51% of the issued and paid-up share capital of Ye Liang How Catering Service Pte. Ltd. (“**YLHCS**”) (the “**Sale Shares**”) (the “**Proposed Acquisition**”). The Company, Vendors and YLHCS shall be referred to collectively as the “**Parties**” and “**Party**” means any one of them.

2. BACKGROUND INFORMATION OF HOW’S 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 YLHCS. Each Vendor is an independent third party unrelated to any of the Directors or controlling shareholders of the Company.
- 2.2. YLHCS is a private company limited by shares and incorporated in Singapore in 31 May 2004 with its registered address at 8A Admiralty Street, #03-21, Food Xchange @ Admiralty, Singapore 757437. YLHCS is principally engaged in the provision of catering services. Its sole proprietorship, How’s Catering (“**HC**”), was registered in 2013 with its registered address at 8A Admiralty Street, #03-21, Food Xchange @ Admiralty, Singapore 757437. YLHCS carries on its catering business under the name of How’s Catering (the “**Business**”).
- 2.3. YLHCS and HC shall collectively be known as “**How’s Group**”. How’s Group is principally engaged in the provision of catering services with a focus on targeting corporate clientele. Apart from corporate catering, How’s Group’s other offerings include catering for thematic and festive events, weddings as well as healthier choice gourmet spreads.

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

- 2.4. Based on the unaudited financial statements of the How's Group, its book value and net tangible asset (“NTA”) value as at 31 May 2018 was approximately S\$3.1 million and net profit before tax (excluding any extraordinary gain) for the financial year ended 30 November 2017 was approximately S\$1.2 million.
- 2.5. Upon completion of the Proposed Acquisition (“**Completion**”), the shareholding structure of YLHCS will be as follows:

Shareholders	No. of shares before Completion	No. of shares after Completion
Company	Nil	270,300 (51.00%)
Ong Hwi Hwi (Wang HuiHui)	185,000 (34.91%)	90,650 (17.10%)
Ong Pei Pei (Wang BeiBei)	185,000 (34.91%)	90,650 (17.10%)
Loh Chee Hua Lyor (Luo ZhiHua)	160,000 (30.19%)	78,400 (14.80%)
	530,000 (100%)*	530,000 (100%)*

** may 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 shall be:

- an aggregate amount of S\$4,131,371 (the “**Completion Consideration**”) to be payable to the Vendors in accordance with paragraph 3.2; and
- an aggregate amount of S\$255,000 (the “**Earn Out Consideration**”), which shall be payable to the Vendors in accordance with paragraph 3.3,

(the Completion Consideration and Earn Out Consideration shall be collectively known as the “**Purchase Consideration**”)

3.2. Completion Consideration

The Completion Consideration shall be payable in the following manner:

- by cashier’s order amounting to a total of S\$3,631,371 issued in favour of the Vendors in the same proportion as each of their Sale Shares bear to one another on the date of Completion (“**Completion Date**”) (“**Relevant Proportion**”); and



- (b) for the remaining S\$500,000 of the Completion Consideration, an allotment and issuance of a total of 877,193 new ordinary Shares (as defined below) in the ordinary share capital of the Company ("**Consideration Shares**") to the Vendors (or their nominees) in the Relevant Proportion, at an agreed issue price of S\$0.57 per Consideration Share ("**Issue Price**") within seven (7) Business Days after the Completion Date.

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 ("**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 5.2% to the volume weighted average price ("**VWAP**") of the Shares traded on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 29 August 2018, being the last full trading day on which the Shares were traded prior to the signing of the SPA.

Each of the Vendors has undertaken that, and shall procure their nominees to undertake that, for a period of one year commencing from Completion Date (defined below), each of the Vendors and its nominees (as may be applicable) 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.

The allotment and issue of the Consideration Shares to the Vendors (of their nominees) will be made pursuant to the general mandate granted by the shareholders of the Company ("**Shareholders**") at the annual general meeting of the Company held on 26 July 2018 ("**2018 AGM**") (the "**General Mandate**"). The General Mandate authorises the Directors to allot and issue new Shares not exceeding 100% of the total number of issued Shares (excluding treasury shares) as at the date of the 2018 AGM, of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing Shareholders shall not exceed 50% of the Company's total number of issued shares (excluding treasury shares).

As at the date of the 2018 AGM, the number of issued Shares was 145,907,100. The Company will be issuing 566,666 Shares under the General Mandate for the acquisition of Lavish Dine Catering Pte Ltd ("**Lavish Shares**") prior to the completion of this Proposed Acquisition. As such, the total number of shares that may be issued pursuant to the General Mandate (excluding the Lavish Shares) other than on a pro-rata basis is 72,386,884 Shares. The proposed allotment and issuance of an aggregate of 877,193 Consideration Shares will fall within the limits of the General Mandate.

Pursuant to the allotment and issuance of the Consideration Shares, the Company's issued and paid-up share capital will increase from 146,473,766 Shares (which includes the



issuance of the Lavish Shares) (“**Existing Share Capital**”), to 147,350,959 Shares (“**Enlarged Share Capital**”). The Consideration Shares represent 0.6% and 0.6% of the Existing Share Capital and the Enlarged Share Capital of the Company after the completion of the Proposed Acquisition, respectively.

The Company 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.

3.3. Earn Out Consideration

The Vendors shall also be entitled the Earn Out Consideration, which shall be payable to the Vendors provided that the aggregated consolidated net profit before tax for the financial period from 1 April 2018 to 31 March 2019 (“**FP2019**”), the financial year ended 31 March 2020 (“**NFY2020**”) and the financial year ended 31 March 2021 (“**NFY2021**”) is more than \$4,000,000 based on:

- (i) How’s Group’s consolidated unaudited financial statements for FP2019; and
- (ii) How’s Group’s consolidated audited financial statements for NFY2020 and NFY2021 respectively.

The Earn Out Consideration, if payable, shall be in paid by way of a cashier’s order issued in the names of the Vendors in proportion to their Relevant Proportion within three months of the auditors of YLHCS approving and signing the audited financial statements for NFY2021.

If the condition for the Earn Out Consideration set out in this paragraph 3.3 is not met, the Vendors shall not be entitled to receive any Earn Out Consideration that would have otherwise been payable by the Company.

3.4. Basis of the Purchase Consideration

The Purchase Consideration is based on an agreed valuation of approximately S\$4.4 million for 51% of How’s Group and was arrived at, on a willing-buyer willing-seller basis, after arms’ length negotiations. For the avoidance of doubt, the Completion Consideration takes into account the historical profits of How’s Group, the amount of cash held by How’s Group, the net book value of How’s Group, 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 How’s Group.

3.5. 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 Longstop Date (as defined below), or such other date as the Parties may mutually agree in writing.

3.6. Key Conditions Precedent

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

- (a) the completion of business, financial, legal and all other due diligence investigations being conducted by the Company and its advisers on How’s Group, and the results of such investigations being satisfactory to the Company and its advisers;
- (b) 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);
- (c) the listing and quotation notice being granted by the SGX-ST pursuant to the additional listing application by the Company’s Catalist sponsors for the listing and quotation of the Consideration Shares on the Catalist;
- (d) the approval of the board of directors of YLHCS for the transactions contemplated in the SPA to be completed in accordance with the terms and conditions set out in the SPA, including the change in the date of the financial year end of YLHCS to 31 March;
- (e) the signing of a service agreement between each of Ong Hwi Hwi (Wang HuiHui), Ong Pei Pei (Wang BeiBei), Loh Chee Hua Lyor (Luo Zhihua) and Francis Tan Yong Kwang with YLHCS;
- (f) a minimum aggregate cash balance of S\$2.5 million in the bank accounts of How’s Group as at Completion;
- (g) evidence satisfactory to the Company that the letter of guarantee facility/ long term letters of guarantee facility for a sum of S\$74,750 pursuant to the facility letter dated 1 April 2015 from DBS Bank Ltd. (“**DBS**”) to HC has been fully discharged by DBS and

that the corresponding charge registered against the Company has been fully discharged and released; and

- (h) evidence satisfactory to the Company that How's Group and/or the Vendors have written to all relevant governmental, statutory, regulatory and other competent authorities in Singapore, relevant banks and other financial institutions and any other third parties applicable to How's Group and/or any of the Vendors, as the case may be, to:
 - (i) obtain all waivers, approvals and consents required for the sale and purchase of the Sale Shares, the completion of the terms of the SPA and the transactions contemplated thereunder; and
 - (ii) seek confirmation that Completion will not constitute an event of default or a breach, or result in the acceleration of indebtedness, or constitute or give rise to a prescribed event or a change in condition or position or otherwise at the date of Completion, under the terms of any indebtedness or otherwise whatsoever in respect of the How's Group to or with any bank, financial institution, third party or authority,

as the case may be, including writing to Hong Leong Finance Limited and United Overseas Bank Limited ("**UOB**") in relation to the hire purchase agreements entered into with Hong Leong Finance Limited and UOB respectively.

3.7. Key Conditions Subsequent

Each of the Vendors jointly and severally irrevocably undertake to procure that, on or before the expiry of 30 Business Days from the Completion Date (or such other period as may be mutually agreed by the Company and Vendors in writing), all waivers, approvals and consents from all relevant governmental, statutory, regulatory and other competent authorities in Singapore, relevant banks and other financial institutions and any other third parties applicable to the How's Group and/or any of the Vendors, as the case may be, for:

- (a) the sale and purchase of the Sale Shares, the completion of the terms of the SPA and the transactions contemplated thereunder; and
- (b) confirmation that Completion will not constitute an event of default or a breach, or result in the acceleration of indebtedness, or constitute or give rise to a prescribed event or a change in condition or position or otherwise at the date of Completion, under the terms of any indebtedness or otherwise whatsoever in respect of the How's Group to or with any bank, financial institution, third party or authority,

as the case may be, will be granted or obtained and will continue to be in force and effect and have not been withdrawn, suspended, amended or revoked including consents from Hong Leong Finance Limited and UOB in relation to the hire purchase agreements entered into with Hong Leong Finance Limited and UOB respectively, and if such waivers, consents or approvals are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the How's Group.

3.8. Termination of the SPA

- (a) Save for excepted provisions, the SPA shall automatically lapse and cease to have effect if the conditions of the SPA, including, *amongst others*, those under paragraph 3.6 are not satisfied or waived in accordance with the SPA on or before four months from the signing of the SPA, or such later date as the Parties may mutually agree in writing ("**Longstop Date**").
- (b) If, after the Company has notified the Vendors of the date and time of Completion in accordance with the SPA and the Vendors' obligations at Completion are not or will foreseeably not be complied with by such the date and time, the Company may:
 - (i) defer Completion until such time as the Company shall specify;
 - (ii) proceed to Completion as far as practicable (without limiting its rights under the SPA); or
 - (iii) terminate the SPA.
- (c) If between the time of the SPA and Completion:
 - (i) the Company becomes aware that any warranty was when given untrue, inaccurate or misleading or that there has been a breach of any other provision of the SPA; or
 - (ii) any matter or circumstance occurs which would render any of the warranties untrue inaccurate or misleading if repeated at any time during that period by reference to the circumstances then subsisting and those matters or circumstances are fully, fairly and immediately disclosed by the Vendors to the Company,

the Company may at its option:

- (aa) terminate the SPA by writing in notice to the Vendors; or

(bb) proceed to Completion.

In event the Company opts to proceed to Completion although an event pursuant to paragraph 3.8(c)(i) has occurred, this shall not prejudice its right to claim for breach of the SPA or the warranties provided by the Vendors pursuant to the SPA (“**Warranties**”), provided that the Vendors shall not be liable for any breach of the SPA or the Warranties as a result of such circumstances that are not within the Vendors’ control.

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 Group 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 2018 (“**FY2018**”) 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 2018;
- (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 2017;
- (c) the 877,193 Consideration Shares were issued on 1 April 2017;
- (d) the Issue Price of the Consideration Shares equals to the fair value of the Shares;
- (e) provisional goodwill for the Proposed Acquisition amounted to approximately \$2.8 million; and
- (f) 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)	21,315	18,511
Number of Shares	145,907,100	146,784,293
NTA per Share (S\$ cents)	14.86	12.61

4.2. EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to owners of the Company (S\$'000)	3,630	4,225
Weighted average number of Shares	145,907,100	146,784,293
EPS (S\$ cents)	2.49	2.88

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	Not applicable ⁽¹⁾
Rule 1006(b)	
The net profits ⁽²⁾ attributable to the assets acquired compared with the Group's net profits ⁽²⁾	18.2% ⁽³⁾
Rule 1006(c)	
The aggregate value of the consideration given or received compared with the Company's market capitalisation on 29 August 2018 (based on the total number of issued Shares excluding treasury Shares), being the last market day on which the Shares were traded preceding the date of the SPA	5.5% ⁽⁴⁾
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 in issue	0.6% ⁽⁵⁾
Rule 1006(e)	

<p>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</p>	<p>Not applicable⁽¹⁾</p>
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Notes:

- (1) This basis is not applicable to the Proposed Acquisition.
- (2) Pursuant to Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit before income tax, minority interests and extraordinary items.
- (3) Based on the net profit attributable to 51% of YLHCS of approximately S\$0.6 million for the financial year ending 30 November 2017 and consolidated net profit of the Group of approximately S\$3.3 million for FY2018.
- (4) The aggregate value of the Purchase Consideration for the Proposed Acquisition assumes the maximum consideration to be paid for the Proposed Acquisition, being S\$4,386,371 comprising (i) Completion Consideration of S\$4,131,371; and (ii) Earn Out Consideration of \$255,000 being payable. The Company's market capitalization was approximately S\$79.1 million (based on 145,907,100 Shares in issue and the VWAP of S\$0.542 per Share of the Company on 29 August 2018 (being the last market day on which the Shares were traded preceding the date of the SPA).
- (5) Based on 145,907,100 Shares in issue and 877,193 new Shares to be issued by the Company as consideration for the Proposed Acquisition.

Based on the above figures, the Proposed Acquisition constitutes a "disclosable transaction" under Chapter 10 of the Catalist Rules.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition presents an opportunity for the Group to extend its catering brand options by adding a reputable brand with an established customer base to its stable of brands. As part of the Proposed Acquisition, experienced catering managers and staff would also join the Group to grow our catering segment further.

The Proposed Acquisition will also enable the Group and How's 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 resources, bank loans and issuance of new Shares.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

YLHCS is currently in a lease agreement with Twinkle Investment Pte Ltd, which is jointly owned by Neo Kah Kiat and Liew Oi Peng, in relation to the premises at #03-21 at Food XChange @ Admiralty. The lease agreement was entered into on 1 March 2017 and has a three year term from 1 March 2017 to 29 February 2020. Mr Neo Kah Kiat is the founder, executive chairman and chief executive officer of the Company. He is the spouse of Ms Liew Oi Peng, who is also the executive Director of the Company.

Aside from the above, 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 in relation to the Company is proposed to be entered into between the Company 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 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 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
10 September 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 (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("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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