

PROPOSED ACQUISITION OF EVER RICH 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 the Company has today entered into a sale and purchase agreement (the “**SPA**”) with Ang Jee Soon, Chua Chay Jin Eusebius, Leong Ming Thek, Peh Seok Hoon, Tan Ai Meng (collectively, the “**Vendors**”) and Ang Hock Chwei (“**AHC**”) (the Company, the Vendors, AHC and ERP (as defined in paragraph 1.2 below) shall be collectively referred to as the “**Parties**” and each a “**Party**”).
- 1.2 Pursuant to the SPA, the Company will acquire from the Vendors in aggregate 49% of the issued and paid-up share capital of Ever Rich Pte. Ltd. (“**ERP**”) (the “**Sale Shares**”) (the “**Proposed Acquisition**”).

2. BACKGROUND INFORMATION OF ERP¹

- 2.1 As at the date of this announcement, the Vendors and AHC are the legal and beneficial owners of the entire issued and paid-up share capital of ERP. Each of the Vendors, and AHC, is an independent third party unrelated to any of the Directors or controlling shareholders of the Company.
- 2.2 ERP is a private company limited by shares and incorporated in Singapore in 1994, with its registered address at 6A Senoko South Road, Singapore 758092. As at the date of this announcement, ERP has an issued and paid-up share capital of S\$2,815,000 comprising 2,815,000 ordinary shares.

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



- 2.3 As at the date of this Announcement, ER Marketing (S) Pte. Ltd. (“**ERM**”) is wholly owned by ERP (ERP and ERM collectively referred to as the “**ER Group**”).
- 2.4 The ER Group is principally engaged in the general wholesale trade (including importing and exporting) and the manufacturing of food products (including processing and packaging of food, warehousing, repacking and transporting) details are as follows:
- (a) import and export of food products such as raw condiments as well as fruits and vegetables, with garlic, onions, potatoes and dried chillies as its core products.
 - (b) sale and distribution of food products such as raw condiments as well as fruits and vegetables, with garlic, onions, potatoes and dried chillies to wholesalers and retailers.
 - (c) operation of warehouses and cold rooms of various temperatures for the storage of food products such as garlic, onions, potatoes and dried chillies.
- (The above businesses shall be collectively referred to as the “**Business**”).
- 2.5 Based on the unaudited financial statements of ERP for FY2019, the net tangible asset (“**NTA**”) value was approximately S\$1,114,000 and the profit before tax (excluding any extraordinary gain) was approximately S\$4,000.²
- 2.6 Based on the unaudited financial statements of ERM for FY2019, the net tangible asset (“**NTA**”) value was approximately S\$971,000 and the profit before tax (excluding any extraordinary gain) was approximately S\$358,000.³
- 2.7 Upon completion of the Proposed Acquisition, the shareholding structure of ERP will be as follows:

² Due to a change in ERP’s financial year end from 31 December to 31 March, the unaudited financial statements for the financial period ended 31 March 2019 covered a period of 15 months from 1 January 2018 to 31 March 2019.

³ Due to a change in ERM’s financial year end from 31 December to 31 March, the unaudited financial statements for the financial period ended 31 March 2019 covered a period of 15 months from 1 January 2018 to 31 March 2019.



Shareholders	No. of Shares before Completion	No. of Shares after Completion
Neo Group Limited	Nil	1,379,350 (49%)
Ang Hock Chwei	1,187,237 (42.18%)	1,435,650(51%)
Ang Jee Soon #	368,421 (13.09%)	Nil
Chua Chay Jin Eusebius	370,395 (13.16%)	Nil
Leong Ming Thek	121,608 (4.32%)	Nil
Peh Seok Hoon	148,158 (5.26%)	Nil
Tan Ai Meng	619,181 (22%)	Nil
TOTAL	2,815,000 (100%)*	2,815,000 (100%)*

*Does not add up due to rounding off

#At Completion (as defined in paragraph 3.3 below), AJS will simultaneously sell 248,413 ERP shares (approximately 8.82%) to AHC.

3. SALIENT TERMS OF THE PROPOSED ACQUISITION

3.1 Purchase Consideration

The aggregate consideration for the Proposed Acquisition is S\$3.43 million (the “**Purchase Consideration**”). The Purchase Consideration shall be fully paid by the Company to the Vendors entirely in cash by way of a cheque issued in favour of each of the Vendors and in the following tranches:

- S\$0.86 million of the Purchase Consideration within 30 business days after the Completion Date (as defined in paragraph 3.3 below) (“**Tranche 1**”);
- S\$1.0 million of the Purchase Consideration on or before the first anniversary of the Completion Date (as defined in paragraph 3.3 below) (“**Tranche 2**”); and
- remaining S\$1.57 million of the Purchase Consideration on or before the date which is 18 months from the Completion Date (as defined in paragraph 3.3 below) (“**Tranche 3**”),

in the proportions stated below:

Name of Vendor	Tranche 1 Amount (S\$)	Tranche 2 Amount (S\$)	Tranche 3 Amount (S\$)
Ang Jee Soon	74,820	87,000	136,590
Chua Chay Jin Eusebius	230,910	268,500	421,545
Leong Ming Thek	75,852	88,200	138,474
Peh Seok Hoon	92,364	107,400	168,618
Tan Ai Meng	386,054	448,900	704,773
TOTAL	860,000	1,000,000	1,570,000

3.2 Basis of the Purchase Consideration

The Purchase Consideration is based on an agreed valuation of the ER Group at S\$7.0 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 the ER Group.

The Proposed Acquisition will be financed by a combination of internal cash resources and bank borrowing.

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 in paragraph 3.6 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 conditions:

Conditions to be fulfilled by Vendors and AHC

- (a) there being no outstanding amounts due and owing to each of the companies in the ER Group by the Vendors, all shareholders of the respective companies in the ER Group and/or any of the directors of such companies in the ER Group and their associates, save for the outstanding loan of S\$445,000 owing to AHC by ERP, more particularly described in paragraph 3.5(a) below;
- (b) the transfer of the remaining 248,413 ERP shares held by AJS to AHC whereupon AJS shall no longer hold any share in the capital of ERP;
- (c) the signing of a service agreement between AHC and each of ERM and ERP respectively for a fixed period of three years with effect from the Completion Date;
- (d) all licences, permits, consents, approvals, authorisations, waivers and exemptions which are required for the purposes of conducting and carrying on the Business (“**Licences and Permits**”) remaining in force and not having expired or been revoked, and there being no occurrence of which could result in any of such Licences and Permits being revoked, as at Completion;
- (e) all necessary bank consents (including without limitation consent of the United Overseas Bank Limited) having been obtained by the ER Group on terms and conditions acceptable to the Company for the sale and purchase of the Sale Shares and such 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 ER Group to or with any bank, financial institution, third party or authority;
- (f) the execution by the Vendors of a deed of indemnity and a warranty certificate, to be in such form as may be agreed upon by the Parties;

Conditions to be fulfilled by the Company

- (g) if required, the requisite approvals being granted by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the Proposed Acquisition;
- (h) the completion of legal and financial due diligence investigations being conducted by the Company and its advisers on the ER Group, the results of such investigations being

satisfactory to the Company in its sole and absolute discretion; and

- (i) the completion of a financial review on the entities in the ER Group conducted by the Company to ensure that all issues highlighted in the financial due diligence report issued pursuant to the aforesaid financial due diligence investigation have been adequately and appropriately addressed, the results of such financial review being satisfactory to the Company, in its sole and absolute discretion, including without limitation (A) each of the entities in the ER Group having adequate working capital, (B) the business of the ER Group being profitable (excluding exceptional or one-off gains) and (C) each of the entities in the ER Group generating positive cashflow from operating activities.

3.5 Key Conditions Subsequent

The Company and AHC have agreed, *amongst others*, as follows:-

- (a) out of the total amount of S\$445,000 owing to AHC by ERP as at the date of the SPA, AHC shall capitalise an amount of S\$300,000 into new ordinary shares in the capital of ERP at the issue price of S\$1 per new ERP shares within six calendar months of the Completion Date, and the balance S\$145,000 shall remain as an interest-free shareholder's loan which AHC and the Company agree shall be fully repaid no later than three months after the date AHC ceases to hold any shares, directly or indirectly, in ERP; and
- (b) the Company shall capitalise the full amount of S\$300,000 owing to the Company by ERP as at the date of the SPA into new ordinary shares in the capital of ERP at the issue price of S\$1 per new ERP share within six calendar months of 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 March 2020, 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 either the Vendors or the Company, as the case may be, if the other party (A) is not forthcoming with the delivery of the relevant documents required on Completion or (B) has not complied with its obligation to do all acts and things and execute all documents as shall be necessary or expedient to give effect to the Proposed Acquisition; or
- (iii) 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; or
- (iv) by mutual written consent of the Parties.

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 2019 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 1 April 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 2018;
- (c) 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)	21,447	21,589
Number of Shares	147,350,959	147,350,959
NTA per Share (S\$ cents)	14.56	14.65

4.2 EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to owners of the Company (S\$'000)	5,398	5,540
Weighted average number of Shares	146,659,654	146,659,654
EPS (S\$ cents)	3.68	3.78

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 profits attributable to the assets acquired compared with the Group's net profits ⁽¹⁾	2.3%
Rule 1006(c)	

The aggregate value of the consideration given or received compared with the Company's market capitalisation on 20 January 2020 (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⁾	5.01%
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	<i>Not applicable</i>
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 net profits before income tax of the ER Group of approximately S\$0.29 million for FY2019 and the net profits before income tax of the Group of approximately S\$6.24 million for the financial year ended 31 March 2019.
- (2) The aggregate value of the Purchase Consideration given for the Proposed Acquisition is S\$3.43 million, compared to the Company's market capitalisation of S\$68.52 million (based on 147,350,959 shares in issue and the volume weighted average price of S\$0.465 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 20 January 2020).

As the relative figure computed based on Rule 1006(c) of the Catalist Rules exceeds 5% but is less than 75%, the Proposed Acquisition constitutes a "disclosable transaction" under Chapter 10 of the Catalist Rules.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that the Proposed Acquisition would provide the following commercial



benefits to the Group:

- (a) The Board is of the view that the Proposed Acquisition represents a strategic advancement of the Group's business into the upstream supply chain and provides a vertical integration that would complement and support the Group's existing catering and manufacturing businesses and operations.
- (b) The Proposed Acquisition would also allow the Group to ensure consistency in the quality and timely delivery of a portion of its raw material supplies to its catering operations. This would in turn allow the Group to enhance the overall quality of its products and services.
- (c) The business of the ER Group is profitable. The Proposed Acquisition would therefore provide the Company with the opportunity to acquire a profitable entity and would hopefully be earnings accretive with opportunities for growth.

7. 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).

8. 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.

9. 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.

10. 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.

11. 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.

12. FURTHER ANNOUNCEMENTS

The Company will make further announcements where necessary as and when there are any material developments in relation to the Proposed Acquisition.

By Order of the Board

Neo Kah Kiat
Chairman and Chief Executive Officer
Neo Group Limited
22 January 2020



*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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