
UPDATES IN RELATION TO THE PROPOSED ACQUISITIONS OF U-MARKET PLACE ENTERPRISE PTE. LTD. AND JOO CHIAT KIM CHOO PTE. LTD.

All capitalised terms used and not defined herein shall have the same meanings given to them in the announcement dated 13 June 2016 and 28 October 2016 (the “**Announcements**”).

1. The board of directors (the “**Board**”) of Neo Group Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to the Announcements in respect of the Proposed Acquisitions of U-Market and JCKC and wishes to announce that the Company has today signed a termination agreement with the Sellers to formally terminate the Term Sheet (the “**Termination**”).
2. The Parties have agreed that the Sellers shall collectively bear half of all professional and incidental costs and expenses incurred by the Company in connection with the Proposed Acquisitions.
3. The termination of the Term Sheet is not expected to have a material financial impact on the financial performance of the Company for the financial year ending 31 March 2017.
4. The Company and the Sellers have decided to terminate the Term Sheet and have decided on a new structure for the Proposed Acquisitions as described in greater detail below. The Company will not be acquiring JCKC as the Sellers have undertaken to procure the striking off of JCKC.

Capitalisation of Debt and Acquisition of New Subsidiary

5. U-Market will be issuing and allotting 1,500,000 shares to the Company for a total consideration of S\$2,500,000, which will be satisfied in full by the capitalisation of a debt of S\$2,500,000 due and owing from U-Market to the Company (the “**Capitalisation**”). The number of shares to be issued and allotted to the Company was agreed upon between U-Market and the Company after negotiations which were conducted at arm’s length between the parties and takes into account, *amongst others*, the prospective earnings of U-Market and the trademarks of its “Joo Chiat Kim Choo” rice dumpling business.
6. The Capitalisation will be subject to the approval of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). If such approval is granted or obtained subject to any conditions, such conditions are to be reasonably acceptable to the Company for the Capitalisation to be completed.

MEMBERS OF NEO GROUP



7. Subsequent to the Capitalisation, U-Market will be a subsidiary of the Company with an issued and paid-up capital of S\$3,000,000 comprising 2,000,000 ordinary shares. The shareholding structure of U-Market subsequent to the Capitalisation will be as follows:

Shareholders	No. of Shares held in U-Market
Neo Group Limited	1,500,000 (75.0%)
Oh Beng Soon	350,000 (17.5%)
Oh Geok Cheng	150,000 (7.5%)
Total	2,000,000 (100%)

8. Pursuant to the Capitalisation, the existing shareholders of U-Market (the “**Existing Shareholders**”), Oh Beng Soon (“**OBS**”) and Oh Geok Cheng, have also provided the Company with a deed (“**Deed**”) containing representations, warranties and undertakings in relation to U-Market and have agreed to indemnify and keep the Company harmless from, *amongst others*, any losses that the Company may suffer in relation to any misrepresentation or breach of warranties or any failure by the Existing Shareholders to perform their obligations contained in the Deed.
9. In addition, the Company has also provided a loan to OBS amounting to an aggregate of S\$340,000 for him to repay indebtedness incurred in relation to, *amongst others*, the personal commitments on his personal business (the “**Loan**”). The indebtedness incurred in relation to the personal business arose from personal guarantees and indemnities provided by OBS to one of its supplier.

Information on U-Market

10. U-Market was incorporated in January 2008 and is involved in the manufacturing of “Joo Chiat Kim Choo” rice dumplings. U-Market has branched into ready-to-eat food and currently has six (6) outlets selling BBQ products and various meat-related items. In September 2016, U-Market entered the business of general wholesale trade, processing and preserving of meat and meat products.
11. Based on the unaudited financial statements of U-Market for the financial year ended 30 September 2016, the net tangible liabilities value was approximately S\$3,729,000 and the net loss after tax was approximately S\$4,575,000. The net loss after tax was mainly due to a one-off trade receivables written off of approximately S\$3,946,000, and thus the normalised net loss after tax (“**Normalised LAT**”) was approximately S\$629,000.

MEMBERS OF NEO GROUP



Rationale for the Capitalisation and Acquisition of U-Market

12. The Board is of the view that the Capitalisation and acquisition of U-Market, notwithstanding that it is currently in a net tangible liability position and was loss making for the financial year ended 30 September 2016, is in the best interests of the Group for the following reasons:
- a) U-Market achieved an audited net profit after tax of approximately S\$240,000 for the financial year ended 30 September 2015. Its financial position deteriorated as of 30 September 2016 mainly due to one-off trade receivables written off as well as financial distress costs incurred which diminished the value of the business. After the completion of the Capitalisation and acquisition of U-Market, the Group would provide the requisite management and administrative support to U-Market and would also allow the latter to leverage on the market knowledge and expertise of the Group.
 - b) The Capitalisation and acquisition of U-Market is a good opportunity for the Group as it represents a strategic investment into the upstream of the supply chain and provides vertical integration to support the Group's existing catering and manufacturing businesses. As with the acquisition of CT Vegetables & Fruits Pte Ltd by the Group in late 2015, the acquisition of U-Market is in line with the Group's expansion strategies and growth plans for the core businesses of the Group. The Board is confident that through synergies, cross-selling and other efficiencies in operations and logistics, U-Market would provide a steady source of revenue and profit for the Group. The Group would also be able to tap on the existing customer and supplier base and business network of U-Market to expand its existing core business. This would in turn enhance shareholder value over the long term, and therefore is in the interests of the Group.
 - c) The Capitalisation and acquisition of U-Market is also in line with the Group's operational strategies as it would allow the Group to have direct control over and 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 enable the Group to enhance the overall quality of its products and services and enhance its competitive advantage in the industry.
 - d) The Capitalisation and acquisition of U-Market would also add to the Group's brand portfolio and offerings, particularly with the addition of the well-known Singapore homegrown brand of "Joo Chiat Kim Choo" rice dumplings and other complementary products.

MEMBERS OF NEO GROUP



Financial Effects of the Capitalisation

13. The pro forma financial effects of the Capitalisation have been computed based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2016 and the unaudited financial statement of U-Market for the financial year ended 30 September 2016 and based on the following assumptions:

- (a) the financial effects of the Capitalisation on the aggregated net tangible asset value (“NTA”) per Share of the Group are computed assuming that the Capitalisation was completed on 31 March 2016;
- (b) the financial effects of the Capitalisation on the earnings per Share (“EPS”) of the Group are computed assuming that the Capitalisation was completed on 1 April 2015; and
- (c) transactional costs incurred for the Capitalisation are insignificant and have not been taken in account in the computation of the financial effects.

14. NTA per Share

	Before the Capitalisation	After the Capitalisation
NTA (S\$'000)	30,597	29,675
Number of Shares	145,907,100	145,907,100
NTA per Share (S\$ cents)	20.97	20.34

15. EPS

	Before the Capitalisation	After the Capitalisation
Profit attributable to owners of the Company (S\$'000)	6,062	5,590 ⁽¹⁾
Weighted average number of Shares	145,170,084	145,170,084
EPS (S\$ cents)	4.18	3.85

Notes:

- (1) The loss attributable to the owners of the Company was approximately \$472,000 which was based on the 75% equity interests in the unaudited Normalised LAT of U-Market for the financial year ended 30 September 2016 of approximately S\$629,000.

16. Gearing

There is no material impact on the gearing ratio of the Group arising from the Capitalisation.

MEMBERS OF NEO GROUP

Relative Figures under Rule 1006

17. The relative figures computed on the relevant bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalyst in respect of the Capitalisation are as follows:

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⁾	-14.87%
Rule 1006(c)	
The aggregate value of the consideration given or received compared with the Company's market capitalisation on 19 January 2017, being the last market day on which the Company's Shares were traded preceding the date of this announcement ⁽²⁾	3.45%
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) The unaudited Normalised LAT attributable to U-Market for the financial year ended 30 September 2016 of approximately S\$629,000, compared with the Group's audited net profits of approximately S\$4,229,000 for the financial year ended 31 March 2016.
- (2) The aggregate value of the consideration of S\$2,840,000 for the Capitalisation, taking into account the S\$2,500,000 capitalised as well as the Loan of S\$340,000, compared to the Company's market capitalisation of S\$82,437,512 (based on 145,907,100 shares in issue and the weighted average price of S\$0.565 per Share of the Company on the last market day on which the Company's Shares were traded preceding the date of this announcement, namely 19 January 2017).

18. As the relative figure computed under Rule 1006(b) of the Catalyst Rules is a negative figure, the Company's sponsor, CIMB Bank Berhad, will consult the SGX-ST in accordance with Rule 1007(1) of the Catalyst Rules.

MEMBERS OF NEO GROUP



Interests of Directors and Controlling Shareholders

19. Save for their shareholdings in the Company, none of the directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Capitalisation.

Service Agreements

20. There are no directors proposed to be appointed to the Board in connection with the Capitalisation.

Directors' Responsibility Statement

21. 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 Capitalisation, 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.

MEMBERS OF NEO GROUP



Cautionary Statement

22. Shareholders of the Company are advised to exercise caution when trading in their shares as there is no certainty or assurance that the Capitalisation 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.

BY ORDER OF THE BOARD

Neo Kah Kiat
Chairman and Chief Executive Officer
Neo Group Limited
25 January 2017

This announcement has 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 Catalist. 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.

The contact person for the Sponsor is Mr. Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, telephone: +65 6337 5115.

MEMBERS OF NEO GROUP

