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24 November 2016

ASX Announcement

NEON CAPITAL LIMITED TO DE-LIST FROM THE ASX

Listed investment company (LIC), Neon Capital Limited (ACN 002 796 974) (**NEN or the Company**) advises that subject to other conditions set out below it will de-list its shares from trading on the Australian Securities Exchange (**ASX**) and consequently will be removed from the official list of that exchange approximately one month following the receipt of shareholder approval. Further information on the de-listing will be contained in the Notice of Meeting which the Company expects to despatch to shareholders within the next fortnight. The Company notes it has been advised by its largest shareholder, Evoworld Corporation Pty Ltd which has a shareholding of approximately 41.6%, that it supports the de-listing and intends to vote in favour of it at the shareholder meeting.

Reasons for de-listing

The Company's directors have proposed the removal of the Company from the ASX for the following reasons:

- (a) **Restrictions on investments:** Despite the Company realising trading profits in excess of \$1 million within the short time it has been relisted as a LIC, its Board believes that it will be difficult to maintain or improve these profits whilst being listed on the ASX.

This is because the Board is of the view that the restrictions imposed on it by the ASX, as a LIC, will not enable it to provide maximum value to shareholders. For example, it recently had to decline what it saw as an attractive gold investment opportunity due to an inability to satisfy these regulations without undertaking a full re-compliance with the ASX Listing Rules. Undertaking a re-compliance would not only preclude the Company from entering into the transaction, the Board did not believe such action would be in the best interests of shareholders.

The Board would like to advance such opportunities for the benefit of shareholders should these types of opportunities present themselves in the future and believes that de-listing the Company is the only way in which to achieve this.

Additionally, the ASX has informed the Company that it may not be in compliance with Listing Rule 12.3, as more than half of its total assets are in cash or cash equivalents. As a result, ASX has required Neon to invest at least half of its cash assets within 3 months or the ASX would consider suspending quotation of the Company's securities.

At the time of pursuing the gold asset, the company had traded out of the majority of its positions as the Board believed the market had minimal upside and that its shareholders were better served with the funds in a bank deposit until a suitable investment arose.

- (b) **Lack of Liquidity:** the Company has experienced a lack of liquidity in trading of the Company's shares on ASX. Recent trading history shows only small volume trading of shares.
- (c) **Disproportionate Impact on Price:** As only small numbers of the Company's shares are being traded, this has on occasion had a disproportionate impact on the share price. A low value trade or a trade in a small number of Company shares could have a marked impact on the official reported market price, and there is a risk that a trade of only a few Company shares could cause the reported price to change significantly as some recent trades have proved. This potential volatility could make it difficult for investors to make an accurate assessment of the actual value of their Company shares and increase exposure to a person effecting trades with the intention of manipulating the reported price.

- (d) **Disproportionate value:** in addition to paragraph (c) above, the directors of the Company consider that the prices at which its shares are trading on ASX are materially lower than the underlying value of its net assets.
- (e) **ASX and Related Costs:** Maintaining an ASX listing adds additional costs to the Company's business. The Board estimates that costs attributable to the Company's ASX listing were in excess of \$201,000 for the 2015 calendar year and as at the date of this letter were \$156,350. In addition, there are indirect costs associated with the need to devote management time attending to matters relating to the listing which could be directed elsewhere if the Company was unlisted.

Application to de-list

As a result of the above reasons, the Company submitted a request to the ASX for In-principle Advice (**In-principle Advice**) in relation to its proposed removal from the official list under listing Rule 17.11. ASX advised that based on the information provided, ASX would likely agree to the Company's removal from the official list subject to compliance with the following conditions:

- (a) the request for removal of the Company from the official list of ASX is approved by an ordinary resolution of shareholders of the Company;
- (b) the removal will not take place any earlier than one month after the date on which the resolution to approve the removal is passed; and
- (c) the notice of general meeting that seeks shareholder approval for the removal sets out:
 - (i) information a reasonable person would expect to affect the price of the Company's securities;
 - (ii) information a reasonable person would expect to be disclosed, or has not been previously disclosed; and
 - (iii) the timetable that will be followed for the removal.

Consequences of de-listing

Please note that if the de-listing resolution is successful the shares of the Company will continue to trade on the ASX until a date to be decided by the ASX which must be at least 1 month from the date of the meeting and shareholders will be able to continue to sell their shares until this date. At this stage the Company anticipates that, assuming shareholder approval is received, the de-listing will occur in early February 2017.

Once the Company's shares are de-listed from trading, shareholders will no longer have the ability to buy and sell shares on the ASX. Further information will be included in the relevant Notice of Meeting which the Company expects to despatch to shareholders in the next fortnight with the shareholders meeting expected to be held in early January 2017.

The Company currently has a 10% buyback capacity and will use this at its discretion in the event de-listing is approved at the shareholders meeting.

Any questions in respect of this proposed transition should be directed to the Company Secretary and Chief Financial Officer, Amanda Burgess on 08 6144 4840.

Yours faithfully



ROSS WILLIAMS
NON-EXECUTIVE CHAIRMAN
NEON CAPITAL LIMITED (ACN 002 796 974)