NATURAL COOL®
HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 200509967G

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MEMORANDUM OF UNDERSTANDING WITH EMIRATES TARIAN CAPITAL (S) PTE LTD FOR THE SALE AND LEASEBACK OF THE PROPERTY AT 29 TAI SENG AVENUE

The Board of Directors of Natural Cool Holdings Limited ("Company" or "Group") wishes to announce that its wholly-owned subsidiary Natural Cool Investments Pte. Ltd. ("NCI") has on 13 January 2010 entered into a Memorandum Of Understanding ("MOU") with Emirates Tarian Capital (S) Pte Ltd and/or its nominees ("ETC") for the proposed sale and leaseback ("Proposed Sale and Leaseback") of the land and building at 29 Tai Seng Avenue, Singapore 534119 ("Property").

1. Proposed Sale and Leaseback

The Proposed Sale and Leaseback is subject to several conditions precedent, including, *inter alia*:

(a) the approval of the shareholders of the Company and ETC, if required;

(b) the entry into definitive documentation including Option Agreement, a Sale & Purchase Agreement, a Lease Agreement and any other necessary agreements ("Definitive Documentation"); and

(c) ETC being satisfied with the results of its legal and building due diligence on the Property.

2. Terms of the MOU

The MOU sets out the following proposed terms of the Proposed Sale and Leaseback:-

(a) The Property will be sold to ETC for the price of S$53 million (exclusive of goods and services tax and subject to valuation);

(b) NCI will, at conclusion of the aforesaid sale, leaseback the Property from ETC for ten years at the following annual rental:-
    (i) Year 1 S$4,330,737
    (ii) Year 2 S$4,417,351
    (iii) Year 3 S$4,505,699

(iv) Year 4 S$4,595,812
(v) Year 5 S$4,687,729
(vi) Year 6 S$4,781,483
(vii) Year 7 S$4,877,113
(viii) Year 8 S$4,974,655
(ix) Year 9 S$5,074,148
(x) Year 10 S$5,175,631

(c) NCI will be responsible for maintenance and all outgoings.

Shareholders are urged to note that the final terms of the Proposed Sale and Leaseback are subject to negotiation and may therefore vary from the terms in the MOU.

Under the terms of the MOU, ETC is granted a 12 weeks exclusivity period ("Exclusivity Period") during which NCI will refrain from engaging in any discussions or negotiations with any person with respect to the sale of the Property or any transaction in connection with the Property that will or is likely to impair, prevent or be competitive with, the Proposed Sale and Leaseback. Under the terms of the MOU, the parties will in good faith use all reasonable endeavours to negotiate and conclude within the Exclusivity Period, the Definitive Documentation.

The proposed sale price of S$53 million for the Property is based on a willing buyer, willing seller basis.

The MOU contains the following additional terms:

(1) the Company will use its best endeavours to obtain shareholders' approval for the Proposed Sale and Leaseback within 3 months of the signing of the Option Agreement;

(2) the Option Agreement will grant to the Company and ETC the option to require the purchase, or the sale by the other party of the Property respectively; and

(3) upon exercise of the aforesaid option, completion will take place within 2 weeks from date of such exercise, with full payment upon completion.

Under the terms of the MOU, Steven Chen Choon Khee, Joseph Ang Choon Cheng, Eric Ang Choon Beng and Tsng Joo Peng who collectively hold approximately 37.01% of the shares in the Company as at 31 December 2009 will give undertakings to ETC to vote in favour of the Proposed Sale and Leaseback of the Property at the Extraordinary General Meeting of the Company to be convened for this purpose.

3. Financial effects of the Proposed Sale and Leaseback

The proforma financial effects of the Proposed Sale and Leaseback of the Property on the Group are set out below. The objective of the proforma financial effects is to illustrate what the historical financial information of the Group might have been had the Proposed Sale and Leaseback of the Property been completed at an earlier date. Given that the proforma financial effects set out below are theoretical in nature and only for illustrative purposes, they do not represent the actual financial position and/or results of the Group's operations after the completion of the Proposed Sale and Leaseback of the Property and are not indicative of the future financial position and earnings of the Group.

For the purpose of illustration and based on the consolidated financial statements of the Group for the financial year ended 31 December 2008 and half-year ended 30 June 2009, the financial effects of the Proposed Sale and Leaseback of the Property are set out below:-

	Before the Proposed Sale and Leaseback of the Property	After the Proposed Sale and Leaseback of the Property
Net tangible asset per share (assuming the Proposed Sale and Leaseback of the Property was effected as at 31 December 2008)	24.25	32.30
Net tangible asset per share as at 30 June 2009 (assuming the Proposed Sale and Leaseback of Property was effected as at 30 June 2009)	24.05	29.71
Earnings per share (assuming the Proposed Sale and Leaseback of the Property was effected on 1 January 2008)	2.16	7.79

4. Listing Manual Computations

The relative figures computed on the basis set out in Rule 1006 of the Listing Manual, Section B: Rules of Catalist for the Proposed Sale and Leaseback of the Property are as follows:-

		(A) S$	(B) S$	Relative Figures (A)/(B) (%)
Rule 1006(a)	Net asset value of the Property to be disposed of (A) as compared with the Group's net asset value as at 30 June 2009 (B).	30,288,200	26,820,400	112.93
Rule 1006(b)	Net profit attributable to the Property disposed of (A) compared with the Group's net profits/(loss) as at 30 June 2009 (B).	9,621,700	-2,134,600	-450.75#
Rule 1006(c)	The aggregate value of the consideration received (A) compared with the market capitalization (B)	53,000,000	27,330,700*	193.92
Rule 1006(d)	The basis prescribed under this rule is not applicable to the Proposed Sale and Leaseback of the Property as there is no issue of the Company's shares in connection with the Proposed Sale and Leaseback of the Property	NA	NA	NA

Notes:

#The negative is due to losses incurred in HY2009 result.

**Based on average price on 12 January 2010, the market day preceding the date of the signing of the MOU.*

As at 31 December 2009, the book value of the Property is S$30,288,300. Based on the valuation of the Property carried out in January 2010 by GSK Global Group, the Property was valued at approximately S$40 million. The valuation was carried out on a Direct Comparison Approach. Closer to the completion of the Proposed Sale and Leaseback, the Company will commission another valuation report of the Property. The proposed sale price of the Property represents an excess of S$22,711,700 above the book value of the Property as at 31 December 2009. This would be a gain of S$9,621,700 upon disposal.

As the figures set out in 1006 (a) and (c) exceed 50%, the Proposed Sale and Leaseback of the Property constitutes a major transaction as defined in Chapter 10 of the Listing Manual, Section B: Rules of Catalist.

The sale of the Property is in line with the Group's efforts to adopt an asset-light strategy. The Company has yet to determine the use of the proceeds from the sale of the Property at this juncture, and such proceeds may be utilised as working capital, repay existing indebtedness, distributed to the shareholders as dividends and/or used for any other purpose as the Directors may deem fit. The Company will determine and make announcements on the intended use of the said proceeds at an appropriate time in future.

None of the Directors or the controlling shareholders of the Company has any interest, direct or indirect, in the aforesaid transaction.

By Order of the Board
Yun Chee Keen
Company Secretary
13 January 2010

About Natural Cool Holdings Limited

Established in 1989 and listed on Catalist (formerly known as SESDAQ) in May 2006, Natural Cool provides installation, maintenance, repair and replacement services for air-conditioning systems to the residential segment, both public and private; and commercial sectors, which include factories, offices, condominiums, schools and hospitals, in Singapore. In addition, the Group sells air-conditioning components and tools used for the installation and servicing of air-conditioning business.
The Group also manufactures and sells switchgears through mechanical and electrical ("M&E") contractors to public and private property developments. Started in 2003, the Group's switchgear division designs and manufactures switchgear products customised to meet specific requirements of its customers.

The Group has extended its geographical reach into the region since 2005 and now has a presence in China, India, Cambodia and Vietnam. Its subsidiary, VNS Manufacturing (S) Pte Ltd, the Group's switchgear division that specialises in the design, manufacture and sale of switchgear products, was awarded an exclusive distributorship by Indian-based, Larsen & Toubro Limited ("L & T") for the exclusive marketing of L & T's electrical standard products in Singapore. Founded in 1938, L & T is India's largest engineering and construction conglomerate with interests in electrical, electronics and information technology