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PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN LOH & SONS PAINT CO (S) PTE LTD

1. INTRODUCTION

The Board of Directors (the "**Board**") of Natural Cool Holdings Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce that its wholly owned subsidiary, Natural Cool Energy Pte. Ltd. (the "**Purchaser**"), has on 30 July 2015 entered into a sale and purchase agreement (the "**Agreement**") with Loh Soi Lam and Loh Choo Huie (collectively, the "**Vendors**") for the acquisition by the Company of the entire issued and paid-up share capital ("**Sale Shares**") of Loh & Sons Paint Co (S) Pte Ltd (the "**Target**") for an aggregate consideration ("**Consideration**") of approximately S\$7 million ("**Proposed Acquisition**").

The Consideration payable for the Sale Shares will be satisfied by cash.

2. INFORMATION ON THE TARGET AND VENDORS

2.1. Information on the Target

The Target is a company incorporated with limited liability under the laws of the Singapore on 1 April 1998 and has, at the date hereof, an issued and paid-up share capital of S\$50,000 comprising 50,000 ordinary shares.

The principal activity of the Target is the business of manufacturing of paint and basic chemicals in Singapore.

As at 31 December 2014 the net tangible asset value of the Target was approximately S\$1,307,780.

For the financial year ended 31 December 2014, the net profit of the Target was S\$474,344.

The shareholding of each of the Vendors in the Target is as follows: Loh Soi Lam (50%) and Loh Choo Huie (50%).

2.2. Information on the Vendors

The Vendors are both the directors and shareholders of the Target. None of the Vendors is related to any of the Company's Directors, substantial shareholders, controlling shareholders or their respective associates. As at the date of this announcement, none of the Vendors holds shares in the Company. The Company understands that Loh Choo Huie is the father of Loi Soi Lam.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1. Sale Shares

The Proposed Acquisition involves the acquisition of the Sale Shares, free from all encumbrances.

3.2. Consideration

The Consideration of S\$7 million comprises:

- (i) an initial deposit in the sum of S\$50,000 which was paid to and is now held by the Vendors ("**Initial Deposit**")
- (ii) the remaining S\$6,950.00 shall be payable at Completion of which:
 - (A) S\$3,475,000 shall be made payable to the First Vendor; and
 - (B) S\$3,475,000 shall be made payable to the Second Vendor.

The Purchaser shall be entitled in its discretion, by notice to the Vendor, not to proceed with the purchase and/or to unwind the Purchaser's acquisition of the Sale Shares and demand the repayment by the Vendor of the Initial Deposit on such terms and in such manner as the Purchaser deems fair and equitable, if:

- (i) the Agreement has been terminated before Completion or there has not been Completion by the Long Stop Date (defined as 30 August 2015);
- (ii) results of the due diligence review (including but not limited to legal, financial, contractual, tax, valuation or otherwise) conducted in respect of information and documents arising after the date of the Agreement pertaining to the Target being unsatisfactory to the Purchaser in its sole discretion; and
- (iii) the Vendors fail to provide any information and documents to the Purchaser as the Purchaser may reasonably require for purposes of its due diligence.

The Consideration was arrived based on arm's length negotiations between the parties after an assessment by the Company of the Target, taking into consideration the prevailing market conditions, business prospects of the Target and the industrial property value of the Target situated at 38 Lok Yang Way (the "**Property**") which was valued at

S\$5.87 million based on the valuation report done by Asia Integrated Property Services Pte. Ltd. on 17 April 2015 ("**Valuation Report**").

Under the terms of the Sale and Purchase Agreement, all accounts receivables of the Target arising in respect of sales for which goods has been delivered to and accepted by the Customers up to and including the Cut Off Date shall be due to and belong to the Vendors, and the Vendors shall be entitled to receive collections from such accounts receivables even after Completion. In turn, all accounts payables and other liabilities of the Target up to and including the Cut Off Date shall be assumed and discharged by the Vendors.

- 3.3. The Sale and Purchase Agreement further provides that the Purchaser shall, within two months after Completion, pay to the Vendors the cost of the inventories of the Target as at the Cut Off Date, in respect only of inventories meeting certain criteria including but not limited to inventory that are not obsolete or spoilt, up to a limit of S\$500,000.

3.4. **Conditions Precedent**

The Proposed Acquisition is conditional upon the fulfillment and satisfaction (or waiver by the Company) of, *inter alia*, the following conditions ("**Conditions Precedent**"):

- (a) the results of the due diligence review (including but not limited to legal, financial, contractual, tax, valuation or otherwise) conducted in respect of the Target being satisfactory to the Purchaser in its sole discretion;
- (b) the Target having no liabilities or obligations (whether actual, contingent, deferred or potential) other than in the ordinary course of trade, save as disclosed in certain financial statements provided or in writing to the Purchaser in a disclosure letter and such additional liabilities incurred between execution of the Agreement and completion of the sale and purchase ("**Completion**") as are permitted under this Agreement;
- (c) there being no governmental or court act, decree or order of any applicable jurisdiction has been issued or enacted which in the Purchaser's reasonable view may materially hinder, limit or restrict the Completion, the transfer of the Sale Shares to the Purchaser or the performance by the Parties of their obligations under this Agreement;
- (d) there having been no loss of any material customer, material supplier, intellectual property rights, or material loss or diminution in value of assets of the Target, or litigation by or against the Target, or any facts or circumstances arising that any of the foregoing may arise even after Completion;
- (e) the approval by the board and the shareholders (if required) of the Purchaser having been obtained in relation to the Proposed Acquisition;
- (f) the approval of the board and the shareholders (if required) of the holding company of the Purchaser and the SGX-ST having been obtained in relation to the diversification of the business of the Purchaser to include the business that the Target is engaged in;
- (g) there not being at any time prior to Completion any restriction, limitation, prohibition or directive, whether written or verbal, from the SGX-ST limiting prohibiting the entry into or performance by the Purchaser of its obligations under this Agreement;

- (h) all necessary third party, governmental and regulatory consents, approvals and waivers where required for the transactions contemplated hereunder having been obtained, and such consents, approvals and waivers not having been revoked before Completion Date;
- (i) the Transaction Documents (as defined in the Agreement), if any, having been duly executed;
- (j) there being no written notice of compulsory acquisition or any written notice of intended compulsory acquisition or any gazette notification from any governmental or relevant competent authority under the applicable laws in Singapore for the acquisition of the Property;
- (k) there being no breach of any of certain warranties relating to title and in the event of any such breach, such breach being fully remedied by Completion or such breach being capable of being fully remedied by Completion;
- (l) the exceptions to the representations and warranties as set out in the disclosure letter being acceptable to the Purchaser;
- (m) there being no material damage to the Property;
- (n) the writing off, elimination, settlement and/or waiver of the amount of any amount owed by the Target to each of the Vendors;
- (o) a service agreement with Loh Soi Lam having been entered into (refer to Paragraph 9 of the Announcement for further details); and
- (p) as at the Cut Off Date (defined as 31 July 2015 11.59pm) the balances in the cash accounts maintained by the Target are sufficient to meet the accounts payable of the Target as at such time.

3.5. Completion

Subject to the satisfaction (or waiver) of the Conditions Precedent by the Company, completion of the Proposed Acquisition ("**Completion**") shall be such date set by the Company within 14 days of the satisfaction of the Conditions Precedent, or such other date as the parties may agree in writing (the "**Completion Date**"), in any event not later than the Long-Stop Date.

3.6. Cut off Date

14 August 2015, 11.59 p.m. or such other date and time as the Parties may agree in writing

4. RATIONALE AND BENEFITS FOR THE PROPOSED ACQUISITION

The Company is of the view that the Proposed Acquisition will result in better synergy for the Group. The Proposed Acquisition will also provide additional revenue stream for the Company.

5. SOURCE OF FUNDS FOR THE PROPOSED ACQUISITION

The proposed acquisition will be funded by bank financing and internal funds.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1. Financial Effects

Purely for illustrative purposes, the financial effects of the Group as set out below are prepared based on the unaudited financial statements of the Group for the financial year ended 31 December 2014 ("FY2014").

Net Tangible Asset Per Share

Assuming that the Proposed Acquisition had been effected on 31 December 2014, the effects of the Proposed Acquisition on the Group's net tangible assets ("NTA") per share would be as follows:

	Before Proposed Acquisition	After Proposed Acquisition
NTA (S\$)	34,928,672	36,236,452
Number of shares issued	205,447,985	205,447,985
NTA per share (Singapore cents)	17.00	17.64

Earnings Per Share

Assuming that the Proposed Acquisition has been effected on 1 January 2014, the effects of the Proposed Acquisition on the Group's earnings per share would be as follows:

	Before Proposed Acquisition	After Proposed Acquisition
Profit attributable to Shareholders (S\$)	3,098,607	3,533,071
Number of shares issued	205,447,985	205,447,985
Earnings per share (Singapore cents)	1.51	1.72

Gearing

Assuming the Proposed Acquisition had been effected on 31 December 2014, the effects of the Proposed Acquisition on the Group's gearing ratio would be as follows:

	Before Proposed Acquisition	After Proposed Acquisition
Gearing ratio	0.81%	0.92%

The Proposed Acquisition would not have any effect on the issued share capital of the Company.

7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Catalist Rules of the SGX-ST are as follows:

	Relative Figures (%)
Rule 1006 (a) The net asset value of the assets to be disposed of, compared with the group's net asset value	Not applicable.
Rule 1006 (b) The net profit before tax attributable to the Target of S\$474,344, compared with the Group's net profit before tax of S\$3,284,807 for FY2014	14.4
Rule 1006 (c) Aggregate value of the Consideration of S\$7,500,000 ⁽¹⁾ compared with the market capitalization of the Company as at 24 July 2015 of approximately S\$24,037,414 ⁽²⁾	31.2
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	Not applicable.
Rule 1006 (e) The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable.

Note:

(1) Aggregate consideration of S\$7,500,000 consists of S\$7,000,000 in cash consideration and cost of inventories of up to S\$500,000.

- (2) The Company's market capitalization of approximately S\$24,037,414 is determined by multiplying the issued share capital of the Company of 205,447,985 shares with the volume weighted average price of such shares transacted on 27 July 2015 of S\$0.117 per share.

Based on the above, the relative figures for the Proposed Acquisition, computed on the bases set out in Rule 1006(b) and (c) of the Catalist Rules, exceed 5% but are less than 75%. Accordingly, the Proposed Acquisition constitutes a "discloseable transaction" under Rule 1010 of the Catalist Rules. The Directors are of the opinion that there is no change in risk profile of the Group as Target will not form part of the core business of the Group as the revenue contribution from the Target is currently insignificant to the Group, accounting for approximately 2.7% of the Group.

8. INTERESTS OF THE VENDORS, DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, save through their respective shareholdings in the Company (if any).

9. SERVICE AGREEMENTS

Loh Soi Lam will enter into a service agreement with the Target on such terms to be agreed between Loh Soi Lam and the Company, provided that the service agreement shall be for a term of two (2) years with an option exercisable by the Target to extend said term for a further two (2) years thereafter.

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 the 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. INSPECTION OF DOCUMENTS

The Agreement and the Valuation Report are available for inspection during normal business hours at the registered office of the Company at 29 Tai Seng Avenue #07-01 Singapore 534119 for a period of three (3) months from the date of this announcement.

12. TRADING CAUTION

The Board would like to advise Shareholders that, although the Agreement has been entered into, completion of the Proposed Acquisition is subject to conditions precedents

being fulfilled and there is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. Accordingly, Shareholders are advised to exercise caution in dealings with the Shares. Shareholders are advised to read this announcement and any further update announcement(s) released by the Company in connection with the Proposed Acquisition carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Leaw Wei Siang
Company Secretary
30 July 2015

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.