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REVIEW OF TRANSACTIONS IN THE PAINT DIVISION OF THE COMPANY

Natural Cool Holdings Limited (the "Company" and together with its subsidiaries, the "Group") wishes to announce that it has recently come to the attention of the Board that there may have been irregular transactions and activities ("Irregularities") entered into and conducted by certain subsidiaries in its Paint Division, namely Cougar Paint Pte Ltd, Loh & Sons Paint Co (S) Pte Ltd and Cougar Paint Industries Sdn Bhd (collectively the "Paint Entities").

The nature of these Irregularities mainly relate to companies set up by employees (including persons that may be connected to the Company's former directors) to operate a competing business using the assets and resources of the Paint Entities, and the incurrence and payment of unsupported expenses.

The Irregularities were uncovered by the new management of the Paint Entities who were recently appointed to manage the business, after receiving feedback from several whistle-blowers.

The Board has since formed an internal investigation committee to review the Irregularities. Prior to the completion of such a review, the Board is unable to quantify the actual financial impact, if any, on the Group's results for the financial year ended 31 December 2016.

However it is noted that:

- a) For FY2016, the Paint Division recorded revenue of about S\$3.52 million, and a net loss of S\$2.20 million, representing 2.7% and 26.8% of the Group's total revenue and net loss, respectively;
- b) As at 31 December 2016, the Paint Division recorded total assets of about S\$10.14 million and net assets of S\$2.90 million, representing 12.5% and 10.0% of the Group's total assets and net assets, respectively on that balance sheet date;
- c) The main asset in the Paint Division consists of an industrial property situated at 38 Lok Yang Way (the "Property") with a book value of approximately S\$5.76 million as at 31 December 2016. The Board is also of the preliminary opinion that there will be no material impact to the carrying value of the Property;
- d) Given that the acquisition of Loh & Sons Paint Co (S) Pte Ltd was only completed on 1 September 2015, the Board is of the preliminary opinion that there will be no material impact to the financials of FY2015 and as such no prior year adjustments are expected; and

- e) The Paint Division currently remains operational and all relevant bank signatories have been or are being changed. All other internal control improvements noted currently will be implemented in due course. Based on its preliminary assessment of the situation, the Board presently does not expect any material operational impact to the Group.

The Company will update shareholders of any material developments on this matter. Shareholders are reminded to exercise caution when dealing in the shares of the Company. In the event that shareholders are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

BY ORDER OF THE BOARD

Leaw Wei Siang
Company Secretary
28 February 2017

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 airconditioning business.