NATURAL COOL®
HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 200509967G

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not 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 accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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CLARIFICATION OF THE STRAITS TIMES ARTICLE ON 26 NOVEMBER 2016

1. INTRODUCTION

The Board of Directors (the "**Board**" and "**Directors**") of Natural Cool Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to its announcements dated 20 October 2016, 30 October 2016 and 24 November 2016 in relation to, amongst others, the Requisition Notice, the Proposed Subscription and the writ of summons in HC/S 1128/2016 and the summons for injunction in HC/SUM 5146/2016 filed against the Company and Mr. Joseph Ang Choon Cheng ("**Mr. Joseph Ang**"), the Executive Chairman of the Company (the "**Outstanding Claims**") (the "**Previous Announcements**"). Unless otherwise defined, capitalised terms and references used herein shall bear the same meaning ascribed to them in the Previous Announcements.

The Board further refers to the article published in The Straits Times on 26 November 2016 with the headline "Natural Cool tussle: SGX approves share placement" (the "**Article**"), which included a number of material inaccuracies which are clarified below.

2. CLARIFICATION OF THE ARTICLE

This clarification should be read in conjunction with the Previous Announcements and the Company's circular to Shareholders dated 25 November 2016 (the "**Circular**").

The Board wishes to clarify the following with respect to the Article:

(A) The Subscriber was introduced to Mr. Joseph Ang by another Director and the Proposed Subscription was proposed before the Requisition Notice was received by the Company

It is not true, as the Article suggests, that Mr. Joseph Ang introduced the Subscriber as a new investor to influence the outcome of the upcoming extraordinary general meeting of the Company (the "EGM") to be held on 12 December 2016[1].

The Board wishes clarify to the Shareholders that the Subscriber was introduced to Mr. Joseph Ang by another Director slightly more than three (3) months prior to the date of this announcement and discussions for the Subscriber's potential employment and

[1] Please refer to the Circular dated 25 November 2016 for more information on the EGM.

investment into the Company began from that point in time. The lawyers for the Proposed Subscription were appointed in early September 2016 to draft the subscription agreement and the Subscriber's service agreement, subject always to formal approval by the Board. The subscription agreement was finalised by 4 October 2016 and the service agreement was being prepared by the lawyers. Accordingly, the Proposed Subscription was not engineered as a response to the Requisition Notice dated 13 October 2016, which was received by the Company on 14 October 2016.

The Company notes that the Requisition Notice was received after the Board had, by way of majority resolutions on 29 September 2016, resolved to divest the Company's oil and gas business stake through its 16.0% shareholding interest in HMK Energy. Please refer to the Company's announcement dated 20 October 2016 on the Proposed Subscription and the letter dated 25 November 2016 from Mr. Joseph Ang to the Company setting out his representations with respect to, amongst others, his removal as Executive Chairman, a copy of which is appended as Appendix B to the Circular, for further information.

(B) Mr. Joseph Ang's remuneration was for FY2015[2] and his remuneration for FY2016 has not yet been published

The Article erroneously states that "Mr Ang had headed the group's switchgear business and continued to draw at least $1.25 million in remuneration even after that business was sold off last year".

The Board would like to clarify that Mr Joseph Ang, as Executive Chairman (since November 2014), has oversight over the Group's overall operations, management, strategic planning and business development; not just the Group's switchgear operations. He has been with the Group for almost twelve (12) years, having joined Natural Cool Airconditioning & Engineering Pte. Ltd., a wholly-owned subsidiary of the Company ("**Natural Cool**") in January 2005 as Manufacturing Director, promoted to Managing Director of Natural Cool in March 2006 and was appointed to the Board as an Executive Director in June 2007. He served as Chief Executive Officer of the Company from September 2009 to November 2014, before assuming the role of Group Advisor to the Company from October 2013 to November 2014.

The Board wishes to further clarify that the sale of the Group's switchgear business was completed on 30 November 2015 and Mr. Joseph Ang's remuneration of between S$1,250,000 to S$1,499,999 was for FY2015. Mr. Joseph Ang's remuneration for FY2015 comprised a basic annual remuneration of below S$600,000 and an incentive bonus of approximately 60.0% based on the Group's achievement of certain profit targets for FY2015. Mr. Tsng Joo Peng and Mr. Eric Ang Choon Beng, both Executive Directors of the Company, received similar remuneration as Mr. Joseph Ang for FY2015. Please refer to the annual report of the Company for FY2015 for further information.

(C) The trading price of the Shares was not S$0.07 in the days before the Subscription Agreement was signed and was only S$0.07 on 6 October 2016

The issue of the Subscription Shares and the Issue Price for each Subscription Share fell within the Share Issue Mandate approved by Shareholders at the 2016 AGM and was in compliance with the SGX Listing Manual Section B: Rules of Catalist (the "Catalist Rules") for an issuance of shares under general mandate.

Under Rule 811(1) of the Catalist Rules, an issue of shares under general mandate must not be priced at more than 10.0% discount to the volume weighted average price ("**VWAP**") for trades done on Catalist for the full Market Day[3] on which the subscription agreement is signed. The Issue Price of S$0.065 for each Subscription Share was at a discount of approximately 7.14% to the VWAP of S$0.07 for trades done on the Shares

[2] "**FY**" means the financial year ended or ending 31 December.
[3] "**Market Day**" means a day on which the SGX-ST is open for trading in securities.

on 6 October 2016, being the last Market Day preceding the date on which the Subscription Agreement was signed on 20 October 2016.

The Board would like to highlight to Shareholders that the volume of trades done on the Shares on 6 October 2016 of 202,000 Shares was not reflective of how the Shares had been trading. The VWAP and trading volume for trades done on the Shares on 20 September 2016 and 14 September 2016 (being the 2 Market Days prior to 6 October 2016 on which trades were done on the Shares, with no trades on the Market Days in-between) were S$0.065 and 6,000 Shares and S$0.065 and 20,000 Shares, respectively.

(D) ***<u>The Company does not currently sit on cash and cash equivalents of S$31.6 million</u>***

The Article incompletely states that "… Natural Cool sits on $31.6 million in cash and cash equivalents as at June 30…".

The Board would like to highlight that the cash and cash equivalent of the Company as quoted in the Article did not reflect the dividend of S$0.075 per Share for FY2015 declared by the Company on 12 May 2016 (the "FY2015 Dividends"). The Company had on 18 July 2016 paid out approximately S$16.8 million in aggregate for the FY2015 Dividends. Please refer to the Company's announcements dated 12 May 2016, 8 June 2016 and 10 August 2016 and circular to Shareholders dated 24 May 2016 for further information on the FY2015 Dividends.

As at the date of this announcement, based on unaudited management accounts of the Group and taking into consideration the aggregate cash consideration of S$1,755,000 from the Proposed Subscription (the "**Subscription Consideration**"), the cash and cash equivalent of the Group is approximately S$16.9 million. Of the S$16.9 million, approximately S$6.5 million is earmarked for short term and/or long term investments to generate returns. This amount cannot be used for working capital purposes. Approximately S$1.0 million is placed under fixed deposits which is not required for working capital. The cash balance of the Group as at the date of this announcement of approximately S$7.6 million, excluding the Subscription Consideration, is for working capital for the Group.

(E) ***<u>The Article fails to include Mr. Joseph Ang's reason for not providing his comments</u>***

When Mr. Joseph Ang was asked by the writer of the Article for certain comments and explanations which related to the subject matter of the Outstanding Claims, ***he had categorically informed her that he could not comment as the matter was before the High Court of Singapore and therefore, was sub judice. The Article did not include the reason provided by Mr. Joseph Ang for declining to comment.***

The Board would like to highlight that it is inappropriate for the Company and Shareholders to comment on on-going court proceedings with respect to the Outstanding Claims (the "Court Proceedings") which may be construed as *sub judice*. In this regard, the Board has refrained from providing any information in this announcement and to the press which may interfere with, or prejudice, the Court Proceedings.

(F) ***<u>There was no injunction in place when the Proposed Subscription was completed</u>***

The Board would like to bring to the attention of Shareholders that as at 24 November 2016, being the date of completion of the Proposed Subscription, there was no injunction granted by the High Court of Singapore prohibiting the issuance of the Subscription Shares in accordance with the terms of the Subscription Agreement.

In view of the Outstanding Claims, the Subscriber has provided a moratorium undertaking to the Company confirming that the Subscription Shares when issued will be subject to a moratorium until the later of:

(a) the date on which the High Court of Singapore makes any determination in respect of the Outstanding Claims; or

(b) 12 weeks from the date of the Subscription Agreement.

Please refer to paragraph 3 of the Company's announcement dated 24 November 2016 on the Notice received from the SGX-ST entitled "Moratorium Undertaking" for further information on the moratorium with respect to the Subscription Shares.

The Board would like to reiterate that all procedural requirements prescribed under the relevant regulations, including the Catalist Rules, were followed in respect of the issue and allotment of the Subscription Shares to the Subscriber.

3. FURTHER INFORMATION

The Board will provide further updates to Shareholders on the above as and when there are material developments. In the meantime, Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Leaw Wei Siang
Company Secretary
27 November 2016

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.