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ENTRY INTO A SALE AND PURCHASE AGREEMENT IN RELATION TO THE PROPOSED DISPOSAL BY THE COMPANY OF 3,780,001 SHARES IN GATHERGATES GROUP PTE. LTD. (THE "TARGET COMPANY") REPRESENTING 100% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY ("THE PROPOSED DISPOSAL")

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 the Company has on 16 September 2015 entered into a sale and purchase agreement ("**Agreement**") with Nitto Kogyo Corporation ("**Purchaser**"), an independent third party, in respect of the proposed disposal by the Company of 3,780,001 ordinary shares ("**Sale Shares**") in Gathergates Group Pte. Ltd. ("**Target Company**"), representing 100% of the issued share capital of the Target Company (the "**Proposed Disposal**").

2. Information on the Target Company

- 2.1 The Target Company is a company with limited liability, incorporated in Singapore on 25 November 2008. The Target Company has an issued share capital of S\$3,780,001 comprising 3,780,001 fully paid ordinary shares, all of which are owned by the Company. The Target Company is an investment holding company, which holds shares either, directly or indirectly (through Gathergates Switchgear Pte. Ltd.), in the following companies:

Held directly by Target Company	Place of Incorporation	Shareholding (%)
Gathergates Switchgear Pte. Ltd.	Singapore	100
Titans Power System Pte. Ltd.	Singapore	100
Gathergates Industries (M) Sdn. Bhd.	Malaysia	100
Lorentz Asia Pte. Ltd.	Singapore	65
Held indirectly through Gathergates Switchgear Pte. Ltd.		
Gathergates Switchgear (M) Sdn. Bhd.	Malaysia	100
Gathergates Elektrik Sdn. Bhd.	Malaysia	100
VNS Manufacturing Pte. Ltd.	Singapore	81
VNS Switchgear (India) Pvt. Ltd.	India	19

(collectively with the Target Company, the “**Target Group**”, and each, a “**Target Group Company**”).

- 2.2 The Target Group is in the business of switchgear design and manufacturing, with its switchgear and controlgear products being marketed and sold under the brand “Gathergates”.

3. **Information of the Purchaser**

The Purchaser is a public company limited by shares, incorporated in 1948 in Japan, and is currently listed on the first section of the Tokyo Stock Exchange and Nagoya Stock Exchange. The Purchaser is mainly engaged in the designing, manufacturing and distribution of switchboard and controlling boards related products, and has been supporting the electrical and information infrastructure in various forms through the development of electrical equipment, machines and proposals since its incorporation.

4. **The Proposed Disposal**

- 4.1 The Company shall sell, and the Purchaser shall purchase, the entire legal and beneficial ownership in the Sale Shares, representing 100% of the issued share capital of the Target Company, free from all encumbrances and with all rights and advantages attaching to them as from Completion (as defined below).
- 4.2 The consideration payable by the Purchaser for the Sale Shares is an aggregate of S\$33,888,888 (“**Consideration**”), payable in cash by way of wire transfer in immediately available funds to the bank account nominated by the Company, on Completion Date (as defined below). The Consideration was arrived at on a willing buyer willing seller basis after arm’s length negotiations, taking into account the unaudited net asset value and profit after tax of the Target Group of approximately S\$18.8 million and S\$0.6 million respectively for the 6 months financial period ended 30 June 2015, together with the consolidated unaudited accounts of Target Company’s profit after tax of approximately S\$0.6 million for the financial year ended 31 December 2014 (“**FY2014**”).

5. **Conditions precedent attached to the Proposed Disposal**

Completion of the Proposed Disposal is subject to conditions precedent (“**Conditions Precedent**”), including but not limited to:

- (a) the passing of a resolution by the shareholders of the Company (in terms reasonably satisfactory to the Purchaser) approving the Proposed Disposal and the transactions contemplated by the Agreement;
- (b) the delivery to the Purchaser of written consents (in terms satisfactory to the Purchaser) from certain persons to the effect that they consent to the sale and purchase of the Sale Shares and agree not to exercise any right (whether of termination or otherwise) arising by reasons of the Proposed Disposal, together with any other consents, approvals, notifications or clearances which are necessary or which the Purchaser has been advised that it is desirable to obtain (including from governmental or official authorities in Singapore, Malaysia, India or elsewhere for and in connection with the transactions contemplated by the Agreement);
- (c) there being no applicable laws that have the effect of prohibiting, delaying, making illegal or otherwise restraining Completion and none of the Company or any of the Target Group Company having received notice of any injunction or other order, directive, or notice restraining or prohibiting the consummation of the transactions hereby contemplated, there being no action seeking to restrain or prohibit the

consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;

- (d) there being no fact, matter or event which affects or is likely to affect in a materially adverse manner the business/operations, financial position or prospects of the Target Group;
- (e) each of Chia Puay Hwee and Tan Aik Kwong having entered into management or service agreements with Gathergates Switchgear Pte. Ltd. with effect from Completion;
- (f) certain key employees of the Target Group remaining in the employment with the relevant Target Group Company, and not having given any notice terminating his or her employment agreements; and
- (g) the Company having submitted to the relevant authorities, the documents required for the release and discharge of an open charge over the assets of Gathergates Switchgear (M) Sdn. Bhd. in favour of OCBC Bank (Malaysia) Berhad ("**OCBC Charge**"), on or before 30 September 2015.

6. Corporate Guarantees of the Target Group

As at the date of the Agreement, the Company has had provided certain corporate guarantees to secure certain credit facilities granted to the Target Group ("**Corporate Guarantees**").

The Purchaser has, in the Agreement, undertaken to the Company as follows:

- (a) to use its best endeavours to, within a reasonable time after the date of the Agreement and in any event within 60 days from Completion, procure and ensure the replacement or release of the Company from the Corporate Guarantees so as to discharge in full the obligations of the Company under such Corporate Guarantees;
- (b) subject to sub-paragraph (a) above, in respect of any Corporate Guarantees that are not released or discharged at Completion, the Purchaser shall, commencing from the Completion Date, ensure that the aggregate borrowings or drawings made by the Target Group Companies under the trade financing facilities secured by such Corporate Guarantees does not at any time exceed S\$12,000,000;
- (c) subject to sub-paragraph (a) above, in respect of any other Corporate Guarantees not covered by sub-paragraph (b) and that are not released or discharged at Completion, to cease as from Completion drawing down on or incurring any additional borrowings (including any additional borrowings on facilities that have been paid down) under the financing facilities secured by the Corporate Guarantees immediately upon Completion; and
- (d) for as long as the Company is not discharged from liabilities under the Corporate Guarantees, to, from the Completion Date:
 - (i) ensure that each of the Target Group Companies complies with all covenants and obligations under the loan or financing documents pursuant to which the respective Corporate Guarantees were granted under and not do anything that may prejudice the obligations of the Company under the Corporate Guarantees or result in a claim against the Company pursuant to such Corporate Guarantees, including but not limited to ensuring the proper conduct and maintenance of the bank accounts maintained with such financial institutions required under the relevant loan or financing documents; and

- (ii) indemnify the Company against (1) all amounts paid by the Company pursuant to any such Corporate Guarantees and (2) all demands, claims, actions, proceedings, payments, fines, penalties, costs, expenses, losses, damages or other liabilities suffered or incurred by the Company arising from any premature termination, acceleration of payment or suspension of, or other loss of use of the accommodations afforded to the Group under, the financing facilities pursuant to which the relevant Corporate Guarantees were granted under, and in the event the Company becomes liable to pay a lender of the Target Group under any of the Corporate Guarantees, pay or cause the relevant Target Group Company to pay within thirty (30) days of demand the amount(s) that the Company is liable for under such Corporate Guarantee.

The Company has, in the Agreement, undertaken to provide all necessary assistance as the Purchaser may reasonably require (such assistance not including the repayment of the facilities and loans secured by the Corporate Guarantees or the provision of substantiated security by the Company), to ensure the replacement or release of the Company from the Corporate Guarantees so as to discharge in full the obligations of the Company under such Corporate Guarantees.

7. Completion of Proposed Disposal

- 7.1 Completion of the Proposed Disposal ("**Completion**") shall take place on 30 November 2015 or such other date as the Company and the Purchaser may agree in writing ("**Completion Date**").
- 7.2 In the event that any of the Conditions Precedent are not fulfilled or waived by the Completion Date, the Company and the Purchaser shall mutually agree to defer Completion by a period of not more than 30 days, and if any of the Conditions Precedent are still not fulfilled by the end of the 30 days period from the Completion Date, the Company and the Purchaser shall not be bound to proceed with the Proposed Disposal and the Agreement shall cease to be of any effect, save for certain surviving clauses and save in respect of claims arising out of any antecedent breach of the Agreement.
- 7.3 In the event that any of the completion deliverables by the Company are not delivered on the Completion Date, the Company and the Purchaser shall mutually agree to defer Completion by a period of not more than 30 days, and if any of the completion deliverables are still not delivered by the Company at the end of the 30 days period from the Completion Date, the Purchaser shall not be obliged to complete the purchase of the Sale Shares or pay any of the Consideration, and may in its absolute discretion (in addition and without prejudice to any other right or remedy available to it) by written notice to the Company:
 - (a) waive all or any of the completion deliverables at its discretion (and without prejudice to its rights under the Agreement) and proceed to Completion so far as practicable; or
 - (b) terminate the Agreement without liability on its part.

8. Obligations post-Completion

Following Completion, the Company shall:

- (a) within 180 days from the Completion Date, release the and discharge the OCBC Charge;
- (b) in respect of Gathergates Industries (M) Sdn. Bhd., procure the issue of the manufacturing licence required pursuant to the Industrial Co-ordination Act 1975 of

Malaysia, or demonstrate that such licence is not required, within 180 days from the Completion Date; and

- (c) provide satisfactory evidence that each of Chia Puay Hwee and Tan Aik Kwong have terminated their existing service agreements with the Company as at 31 December 2015.

Within 30 days from Completion, the Purchaser shall, inter alia, pay to the Company the non-trade balances owing and due from the Target Group Companies to the Company (including inter-group management charges).

9. Rationale of the Proposed Disposal

- 9.1 The Proposed Disposal, being at a premium of approximately S\$15.1 million over the unaudited net asset value of the Target Group as at 30 June 2015, represents a good opportunity for the Company to unlock the value of the assets in the Target Group in cash and strengthen its financial and capital resources.
- 9.2 The Company is expected to recognise a net gain from the Proposed Disposal of approximately S\$14.9 million after deducting the net asset value, professional fees, Introducer Fee and disposal fees.
- 9.3 Following the Proposed Disposal, the Group's remaining business will include its air-conditioning business division and the newly acquired paint manufacturing business.

10. Use of Proceeds

The estimated net proceeds from the Proposed Disposal is S\$32.9 million after taking into consideration the Introducer's Fee and professional fees ("**Net Proceeds**"). The Company intends to utilize the Net Proceeds for general working capital purposes as well as other business and/or other investment opportunities as and when they arise.

11. Introducer's Fee

The Purchaser was introduced to the Company by Gateway Capital Group Pte Ltd ("**Gateway**"). The Company will be paying Gateway an introducer's fee of S\$788,000 in cash ("**Introducer's Fee**") for introducing the Purchaser to the Company. Gateway is an independent third party and its shareholders are not related to any of the Directors or controlling shareholders of the Company, and their respective associates.

12. Financial Effects of the Proposed Disposal

- 12.1 The financial effects have been prepared on a proforma basis based on the audited consolidated financial statements of the Group for FY2014 ("**FY2014 Results**"). The financial effects of the Proposed Disposal on the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the completion of the Proposed Disposal.
- 12.2 Effect of Proposed Disposal on Net Tangible Asset ("**NTA**") per Share

Assuming that the Proposed Disposal had been completed on 31 December 2014 and based on the FY2014 Results, the effect of the Proposed Disposal on the NTA per share of the Company ("**Share**") are as follows:

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
NTA (S\$'000)	34,929	50,471
Number of issued Shares	205,447,985	205,447,985
NTA per share (Singapore cents)	17.00	24.57

12.3 Effect of Proposed Disposal on Earnings per Share (“EPS”)

Assuming that the Proposed Disposal has taken place on 1 January 2014 and based on the FY2014 Results, the Proposed Disposal would have the following effects on the Group’s EPS as presented in the following table:

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
Consolidated net profit attributable to shareholders (S\$'000)	3,099	17,291
Weighted average number of Shares	205,447,985	205,447,985
EPS (Singapore cents)	1.51	8.42

13. Relative Figures under Rule 1006 of the Catalist Rules

13.1 Based on the unaudited consolidated financial statements of the Group for the six (6) months ended 30 June 2015, the relative figures in respect of the Proposed Disposal, as computed on the bases set out in Rule 1006 of Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited, are as follows:

	Target Company (S\$'000)	Group (S\$'000)	Relative Figures (%)
Rule 1006 (a) The net asset value of the assets to be disposed of, compared with the Group’s net asset value as at 30 June 2015.	18,795	43,214	43.49
Rule 1006 (b) The unaudited profit before income tax attributable to the assets disposed of, compared with the Group’s unaudited profit before income tax as at 30 June 2015.	427	288	148.26
Rule 1006 (c) Aggregate value of consideration received, compared with the market capitalisation of the Company as at 15 September 2015, being the last full market day immediately preceding the execution of the Agreement	33,889	26,503	127.87

<p>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.</p>	Not applicable	Not applicable	Not applicable
<p>Rule 1006 (e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas asset by a mineral, oil and gas company, but to an acquisition of such assets.</p>	Not applicable	Not applicable	Not applicable

Note:-

(1) The market capitalisation of the Company of approximately S\$26.5 million is determined by multiplying 205,447,985 Shares in issue by the volume weighted average price of S\$0.129 of such Shares transacted as at 15 September 2015, being the market day preceding the date of the Agreement.

- 13.2 As the relative figures calculated pursuant to Rule 1006(b) and Rule 1006(c) exceed 50%, the Proposed Disposal will be classified as a "major transaction" within the meaning of Rule 1014 of the Catalist Rules, and will be subject to the approval of the shareholders of the Company.

14. Shareholders' Approval and Despatch of Circular

As noted above, the Company will in due course convene an extraordinary general meeting ("EGM") to seek approval from its shareholders for the Proposed Disposal. A circular setting out further information and details of the Proposed Disposal, together with the notice of EGM to be convened, will be despatched by the Company to its shareholders in due course.

15. Interests of Directors and Controlling Shareholders

- 15.1 None of the Directors or controlling shareholders of the Company have any direct or indirect interest in the Agreement or the Proposed Disposal, other than through their respective shareholdings in the Company.
- 15.2 No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

16. 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 Agreement, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

17. Documents for Inspection

Shareholders should note that a copy of the Agreement will be available for inspection during normal business hours at the Company's registered office at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 for three (3) months from the date hereof.

18. Cautionary Statement

Shareholders of the Company should note that the terms of the Proposed Disposal as set out in the Agreement are indicative. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. Accordingly, shareholders of the Company are advised to exercise caution when trading in the Shares of the Company.

The Company will make the necessary announcements when there are further developments on the Proposed Disposal and other matters contemplated by this announcement. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Leaw Wei Siang
Company Secretary
16 September 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.