

## **PROPOSED ACQUISITION OF 51.0% OF THE SHARES IN THE CAPITAL OF NAM FANG CO PTE LTD.**

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### **1 INTRODUCTION**

The board of directors (“**Board**” or “**Directors**”) of Natural Cool Holdings Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 20 December 2021 entered into a sale and purchase agreement (“**Agreement**”) with Mr. Chew Kiat Keong Andrew (“**Vendor**”), pursuant to which, the Vendor has agreed to sell, and the Company has agreed to purchase 591,600 ordinary shares (“**Sale Shares**”) representing 51.0% of the issued and paid-up share capital of Nam Fang Co Pte Ltd. (“**Target**”), upon the terms and subject to the conditions in the Agreement (“**Proposed Acquisition**”).

### **2 INFORMATION ON THE TARGET AND VENDOR**

The Target is a private company limited by shares incorporated in Singapore on 15 November 1975 and it is a plumbing and sanitary contractor based in Singapore. As at the date of this announcement, the Target has an issued and paid-up share capital of S\$1,160,000 comprising 1,160,000 ordinary shares.

As at the date of this announcement, the Vendor is the sole director and shareholder of the Target and owns the entire issued and paid-up share capital of the Target. The Vendor is not related to any of the Directors, controlling shareholders of the Company and/or their respective associates. As at the date of this announcement, the Vendor does not hold shares, directly or indirectly, in the Company.

Based on the latest audited financial statements of the Target for the financial year ended 30 June 2021, the net tangible asset and net book value of the Target are approximately S\$463,315.

### **3 RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION**

The Proposed Acquisition will allow for the expansion of the Group’s in-house capabilities to include plumbing and sanitary works. The Proposed Acquisition is expected to lead to synergies that will result in better operational efficiency and increased cost savings.

The Board has considered the terms of the Proposed Acquisition and the prospects of the Target and is of the view that the Proposed Acquisition is in the best interests of the Company.

## 4 PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

### 4.1 Consideration

The purchase consideration payable for the Sale Shares is S\$472,600 (“**Consideration**”), which shall be satisfied wholly in cash on the date of completion of the Proposed Acquisition.

The Consideration was determined based on arm’s length negotiations between the Company and the Vendor and arrived at on a willing-buyer and willing-seller basis, after taking into account, *inter alia*, the business experience, technical expertise, recent financial performance and earnings potential of the Target.

### 4.2 Conditions Precedent

Pursuant to the Agreement, completion of the Proposed Acquisition (“**Completion**”) is conditional upon the fulfilment and satisfaction (or waiver by the Company) of, *inter alia*, the following (“**Conditions Precedent**”):

- (a) completion of a business, legal and financial due diligence exercise on the Target by the Company and its representatives and advisers, and the results of such exercise being satisfactory to the Company in its absolute discretion;
- (b) compliance with all applicable requirements as prescribed under the Listing Manual: Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Catalist Rules**”) in relation to the Proposed Acquisition and if necessary, obtaining approval from the shareholders of the Company and SGX-ST in relation to the Proposed Acquisition;
- (c) the Vendor owning 100% of the issued and paid-up share capital of the Target prior to Completion;
- (d) the Target having a net asset value of not less than S\$463,315 as at the date of Completion;
- (e) the Target being in a net current asset position as at the date of Completion;
- (f) the Target being in a net profit before taxation and having a positive cashflow from operating activities for the period commencing from the beginning of its current financial year to the date of Completion;
- (g) finalisation of the service agreements to be entered into between the Target and certain key employees of the Target, including the Vendor, with a term of at least three (3) years, in form and substance acceptable to the parties;
- (h) execution of the shareholders agreement in relation to the Target to be entered into by the Company, the Vendor and the Target (“**Shareholders’ Agreement**”);
- (i) adoption of the new constitution of the Target duly amended to reflect the terms of the Agreement and the Shareholders Agreement, in form and substance satisfactory to the parties, in substitution for and to the exclusion of the existing constitution of the Target;

- (j) receipt by the Company of such approvals, consents and waivers as may be necessary to enable the Company to be registered as holders of the Sale Shares; and
- (k) all other necessary approvals, consents, waivers, licences, authorisations, orders, grants, confirmations, permissions and/or registrations (“**Approvals**”), for the Proposed Acquisition and the transactions contemplated under the Agreement and which are material for the carrying on of the business of the Target immediately after Completion from all third parties including all governmental authorities being obtained, and the provision of a copy of such Approvals to the Company, and such Approvals not being withdrawn or amended, on or before Completion Date (as defined below), and if such Approval(s) is subject to any condition(s) or restriction(s), such condition(s) or restriction(s) being acceptable to the Company in its absolute discretion.

If any of the Conditions Precedent is not fulfilled or waived by the Company on or before 28 December 2021 or such other date as the parties may mutually agree in writing (the “**Completion Date**”), the Agreement shall *ipso facto* cease and determine and none of the parties to the Agreement shall have any claim against the other party for costs, damages, compensation or otherwise, save for, amongst others, any claim by the Company against the Vendor arising from a breach of its undertaking to procure fulfilment of certain Conditions Precedent.

As at the date of this announcement, the Conditions Precedents set out in paragraphs (a) to (c) above have been fulfilled.

#### 4.3 Completion

Subject to the fulfilment and satisfaction (or waiver by the Company) of the Conditions Precedent, Completion is expected to take place on the Completion Date, or such other date as the parties may mutually agree in writing.

#### 4.4 Shareholders’ Agreement

In connection with the Proposed Acquisition, the Company will be entering into the Shareholders’ Agreement with the Vendor and the Target to govern their respective rights and obligations, and regulate their relationship *inter se* in the conduct of the business and related affairs of the Target after the completion of the Proposed Acquisition.

The Shareholders’ Agreement contains customary provisions relating to the management and governance of the Target including without limitation, drag and tag along rights, the voting rights of the shareholders and directors, constitution of the board of directors and pre-emptive rights.

## 5 **SOURCE OF FUNDS**

The Proposed Acquisition will be funded by internal resources of the Group.

## 6 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition are set out below strictly for illustrative purposes, and do not necessarily reflect the actual financial performance and position Group following the Proposed Acquisition. The figures presented below are based on the Group's audited consolidated financial statements for the financial year ended 31 December 2020 ("FY2020") and the Target's latest available audited financial statements for the financial year ended 30 June 2021.

### (a) Net Tangible Assets ("NTA") per Share

Assuming that the Proposed Acquisition had been effected on 31 December 2020, the Proposed Acquisition would have had the following financial effects on the Group's NTA per share as at 31 December 2020:

|  | <b>Before the Proposed Acquisition</b> | <b>After the Proposed Acquisition</b> |
|--|--|---------------------------------------|
| Net tangible assets (S\$'000)            | 17,934                                 | 18,170                                |
| Number of shares ('000)                  | 250,448                                | 250,448                               |
| Net tangible assets per share (SG cents) | 7.16                                   | 7.26                                  |

### (b) Earnings per Share ("EPS")

Assuming that the Proposed Acquisition had been effected on 1 January 2020, the Proposed Acquisition would have had the following financial effects on the Group's EPS for FY2020:

|   | <b>Before the Proposed Acquisition</b> | <b>After the Proposed Acquisition<sup>(1)</sup></b> |
|---|--|---|
| Profit attributable to shareholders (S\$'000) | 1,271                                  | 1,196   |
| Weighted average number of shares ('000)      | 250,448                                | 250,448   |
| Earnings per share (SG cents)                 | 0.51                                   | 0.48  |

#### Note:

- (1) The proforma financial effects on the EPS of the Company for FY2020 are determined based on certain assumptions such as depreciation charges, stamp duty, and professional cost incurred for the Proposed Acquisition.

## 7 RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures computed on the basis set out in Rule 1006 of the Catalist Rules for the Proposed Acquisition are as follows:

|   |  |
|---|--|
| Rule 1006(a) – the net asset value of the assets to be disposed of, compared with the Group’s net asset value   | Not applicable as this is not a disposal.  |
| Rule 1006(b) – the net profits (loss) attributable to the assets acquired or disposed of, compared with the Group’s net profits (loss)  | 7.1% <sup>(1)</sup>  |
| Rule 1006(c) – the aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares | 4.2% <sup>(2)</sup>  |
| Rule 1006(d) – the number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue             | Not applicable as no equity securities are issued as consideration for the Proposed Acquisition. |
| 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                          | Not applicable as the Company is not a mineral, oil and gas company.                             |

Notes:

- (1) This has been computed based on the net profits attributable to the Group and the Target based on the Group’s audited consolidated financial statements for FY2020 and the Target’s latest audited financial statements for the financial year ended 30 June 2021. The Group had in its latest announced financial statements for the six months financial period ended 30 June 2021 (“**HY2021**”) disclosed a net profit of S\$569,000. However, financial statements for the Target for the most recent six months financial period are not available. Accordingly, the Company is unable to compute and ascertain the relative figure under Rule 1006(b) based on the Group’s net profits for HY2021.
- (2) Computed based on the Consideration of S\$472,600 and the market capitalisation of S\$11,270,159, which was determined by multiplying 250,447,985 ordinary shares in issue as at the date of this announcement by the volume-weighted average price of the Company’s shares of approximately S\$0.045 per share on 17 December 2021, being the last market day of trading in the Company’s share preceding the date of the Agreement.

Having regard to the above, the relative figure computed under Catalist Rule 1006(b) in respect of the Proposed Acquisition, exceed 5% but does not exceed 75%, the Proposed Acquisition constitutes a discloseable transaction as defined in Chapter 10 of the Catalist Rules. Accordingly, approval from shareholders is not required.

**8 DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN THE PROPOSED ACQUISITION**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect in the Proposed Acquisition, save for their interests by virtue of their shareholdings and/or directorships, as the case may be, in the Group.

**9 SERVICE AGREEMENTS**

No new directors are proposed to be appointed to the Board in connection with the Proposed Acquisition. As such, no service agreements will be entered into with any new director of the Company in connection with the Proposed Acquisition.

**10 DOCUMENT FOR INSPECTION**

A copy of the Agreement and the Shareholders' Agreement are available for inspection during normal business hours at the registered office of the Company at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 for a period of three (3) months from the date of this announcement.

**11 FURTHER ANNOUNCEMENTS**

The Company will make further announcements to keep shareholders informed, as and when there are further material updates and developments in respect of the Proposed Acquisition.

**12 CAUTIONARY STATEMENT**

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. In particular, shareholders and potential investors should note that completion of the Proposed Acquisition is subject to fulfilment of various conditions as set out in the Agreement. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.

**BY ORDER OF THE BOARD**

Tsng Joo Peng  
Group Chief Executive Officer  
20 December 2021

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## 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 includes 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 is also engaged in manufacturing and sale of industrial paints and solvents, principally under the 'Cougar' brand.

In addition, the Group has a food and beverage division which manufactures, distributes and retails cooked dim sum and soya bean beverages in Singapore.

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*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

*The contact person for the Sponsor is Ms Lim Hui Ling, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.*

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