Natural Cool Holdings Limited

(Incorporated in the Republic of Singapore)
Company Registration No. 200509967G

RESPONSE TO SGX-ST QUERIES

The board of directors ("**Board**" or "**Directors**") of Natural Cool Holdings Limited ("**Company**") refers to the queries received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 21 December 2021 in relation to the Company's announcement dated 20 December 2021 ("**Announcement**") regarding the proposed acquisition of 51.0% of the shares in the capital of Nam Fang Co Pte Ltd. ("**Nam Fang**") and wishes to respond to the queries as follows.

Unless otherwise defined, all capitalized terms used herein shall have the same meaning as in the Announcement.

1 SGX-ST's Query 1:

Please provide more information and basis in arriving on the purchase consideration of S$472,600 for the Proposed Acquisition. Was a valuation conducted on the Target? If yes, please provide details on the valuer and valuation. Otherwise, please provide reasons why a valuation is not required.

Company's Response:

In arriving at the purchase consideration, the Company had considered, *inter alia*, the following:

(i) the audited book value of the Target of S$463,000 as at 30 June 2021;

(ii) the financial performance of the Target for the financial year ended 30 June 2021 ("**FY2021**"), in particular, its FY2021 audited revenue of S$4.8 million and audited profit before tax of S$146,000;

(iii) the Target's order book of S$9.5 million as at 30 September 2021;

(iv) the Target's background, long operating history (the Target having been incorporated on 15 November 1975) and track record in the plumbing and sanitary works industry; and

(v) the background and experience of the Vendor and the Target's technical staff. The Vendor, who is the sole director of the Target, has 22 years of experience in the plumbing and sanitary works industry. The Vendor is a Public Utilities Board ("**PUB**") licensed plumber and gas service worker, and is also a registered earthworks supervisor. The Target has a team of managers who each has between 20 and 36 years of experience in the industry, and who are all also PUB licensed plumbers and/or hold other certifications including being licensed electricians.

Based on the foregoing, the Company believes that it has sufficient basis to negotiate with the Vendor and agree on the purchase consideration, without separately commissioning a third party valuation. The Proposed Acquisition is deemed a discloseable transaction under Chapter 10 of the Catalist Rules.

2 SGX-ST's Query 2:

The Company's core business is in the trading of air-conditioning units and spare parts, installation services for commercial air-conditioning systems and mechanical ventilation, and maintenance services. The Target's business is a plumbing and sanitary contractor. It was announced that 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.

Does the Company have the expertise in running the plumbing and sanitary business?
Does the Company intend to appoint key management in the Target to run this new business segment?

Company's Response:

The Company's subsidiary, Natural Cool Airconditioning & Engineering Pte Ltd, holds a ME15 Integrated Building Services certification issued by the Building and Construction Authority, which allows it to provide services relating to, *inter alia*, air-conditioning, refrigeration and ventilation works, mechanical engineering, plumbing and sanitary and fire prevention and protection systems.

Whilst the Group does not directly carry out such works, it has worked with the Target since 2012, either as a customer of the Target or as a sub-contractor of the Target. Accordingly, the Company believes that the Proposed Acquisition will complement the Group's business, and lead to synergies that will result in better operational efficiency and increased cost savings.

The plumbing and sanitary works undertaken by the Target will be integrated with and categorised under the Group's Aircon segment, which is overseen by Mr Tsng Joo Peng, Group Chief Executive Officer. It will not be a new business segment of the Group.

As part of the Proposed Acquisition, the Vendor and another key employee of the Target, the latter having at least 20 years of experience in the plumbing and sanitary works industry, will enter into service agreements with Nam Fang. Please refer to the responses to query 1 above on the Vendor's experience and qualifications in this business. There will be no change in the key management of the Company arising from the Proposed Acquisition.

3 SGX-ST's Query 3:

Who introduced the Vendor to the Company for the Proposed Acquisition?

Company's Response:

The Target and the Vendor have been known to the Group since 2012 and the Group has worked with them as a customer of the Target or as a sub-contractor of the Target, on various projects.

BY ORDER OF THE BOARD

Tsng Joo Peng
Group Chief Executive Officer
23 December 2021

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.
