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## **RESPONSES TO QUESTIONS RECEIVED FOR ANNUAL GENERAL MEETING (“AGM”) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (“FY2019”)**

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The board of directors (“**Board**” or “**Directors**”) of Natural Cool Holdings Limited (“**Company**”, and together with its subsidiaries, “**Group**”) refers to the publishing of its annual report and related documents on the SGXNET on 7 April 2020. As at 9.30 am on 23 April 2020, the Company has received several queries from shareholders which substantively relate to the following, and to which the Company wishes to provide its responses:

*Q1. What is the impact of COVID-19 on the Group’s business, and what is the Company’s response to this outbreak?*

The Company has previously provided an update on the impact of the COVID-19 outbreak on the Group’s businesses on 10 April 2020 and 23 April 2020, the salient points for which are set out below:

1. A substantial portion of the Group’s workforce remain intact and unaffected by the COVID-19 virus.
2. The Singapore Ministry of Trade and Industry (“**MTI**”) has approved the following businesses as essential services and/or support an essential service supply chain:
  - (i) Air Conditioning and Mechanical Ventilation (“**ACMV**”) services, Mechanical and Electrical services, Fire Protection services, Cleaning and Disinfecting services, and Facility Management services to commercial buildings, public and private infrastructure;
  - (ii) ACMV equipment and materials, hardware and chemical wholesale and distribution (“**Trading Business**”);
  - (iii) Paint wholesale and distribution; and
  - (iv) Food manufacturing, wholesale, distribution and delivery.
3. However, certain of the Group’s other businesses have not been able to continue, including those involving supply and installation of ACMV systems at construction sites (which remain closed), and residential installation and maintenance services.
4. On 24 April 2020, the Company received notification that the Paint Division’s Malaysian manufacturing subsidiary has obtained approval from the Malaysian Ministry of International Trade and Industry to resume production, subject to conditions including a reduction of workforce deployed by 50% during the Movement Control Order period, which is currently extended up to 12 May 2020.
5. Despite approvals from MTI, the Singapore Government’s Circuit Breaker measures have resulted in declines in business volumes and sales enquiries. In particular, the Group’s Trading Business’ sales volumes have been adversely affected since the implementation of the Circuit Breaker measures as demand has declined substantially.
6. On Saturday, 18 April 2020, the Ministry of Manpower (“**MOM**”) and the Building and Construction Authority (“**BCA**”) announced that all foreign employees that are construction sector work permit and S pass holders and their dependents, must be served with a Stay-Home-Notice (“**SHN**”), to be effective from Monday, 20 April 2020.

In respect of this directive, two of the Company's subsidiaries, Natural Cool Airconditioning and Engineering Pte Ltd ("**NCAE**") and JAD Solutions Pte Ltd ("**JAD**") submitted applications to BCA for certain of its foreign employees to be allowed to continue to provide essential services.

Though not successful initially, BCA has, on appeal, granted exemption to certain foreign employees for both companies from having to comply with the SHN. This exemption was received in the evening of 23 April 2020, after the Company's COVID-19 latest business update was provided on SGXNet earlier that day.

Even with this exemption, a substantial portion of the Group's construction sector work pass holders will not be able to be deployed at work.

All these factors, plus the unprecedentedness of the nature and uncertainty over timing of the outbreak is expected to have an adverse impact on the revenue and financial performance of the Group in the financial year ending 31 December 2020.

Since the second half of FY2019 and due to the then escalating global trade tensions and weak domestic economy, the Group had already started implementing steps to reduce its operating costs. These steps include the non-replacement of resignees where possible, freezing of new hires, and freezing of wage and salary increases.

Furthermore, in the last six months, the Group has been closely monitoring its trade collections and trimming its inventory levels. Many of these initiatives will be stepped up in response to the COVID-19 situation. In addition, the Group had taken active steps to safeguard the availability, safety and health of its employees such as:

- (i) Enhancing safe distancing, hygiene practices and mandatory stay at home requirements even before authorities' directives;
- (ii) Arranging temporary accommodation for Malaysian employees unable to commute due to Malaysia's Movement Control Order;
- (iii) Arranging temporary accommodation for foreign employees living in commercial workers accommodation before widespread outbreak in those areas; and
- (iv) Providing company transport to employees commuting to and from office for essential work.

Further to the Singapore Government's Unity, Resilience and Solidarity budgets proposed by the Finance Minister in Parliament, the Group has actively engaged with its principal bankers to seek additional loans and to discuss the restructuring of its existing loans. The Company notes that its principal bankers have expressed strong support for the Group's efforts, and we have already received letters of offers for additional financing.

In addition, the Group will also be reviewing all of its financial obligations and commitments against measures introduced by the various budgets proposed by the Finance Minister, as well as the COVID-19 (Temporary Measures) Act 2020 to avail itself of as many areas of business and financial relief as possible.

Shareholders are advised to refer to the Company's announcements on 10 April 2020 and 23 April 2020 for further details.

**Q2. Your Regional Business Division has done remarkably well in the last two years. What is the reason for this success? Do you see this as being sustainable?**

Our Regional Business Division was started as a partnership between our subsidiary, Natural Cool Asia Pte. Ltd. ("**NCA**") and a group of veterans from a globally renowned ACMV brand who successfully grew that brand in the South Asia and South East Asia region over about a 20 year period. They are now replicating that success for us with their knowledge of these markets and relationship with customers. NCA had also expanded its range of products to include water chillers and airside products (AHU and FCUs) and this enable the division to provide a complete range of air conditioning products for its regional customers.

The Company believes that the COVID-19 situation and global trade tensions will have a medium term impact on international trade, and therefore this business. However, we are confident that with the leadership demonstrated by this group of managers, the division has good long term potential.

## **BY ORDER OF THE BOARD**

Tsng Joo Peng  
Chief Executive Officer

24 April 2020

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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 prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.*

*This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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