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WAIVER FROM SGX-ST FROM COMPLYING WITH RULE 1014(2) OF THE CATALIST RULES IN RELATION TO THE SALE OF PROPERTY LOCATED AT 20 BENOI CRESCENT SINGAPORE 629983

The Board of Directors (the "Board") of Natural Cool Holdings Limited (the "Company" and together with its subsidiaries, the "Group") refers to its earlier announcement on 16 April 2014 entitled "*Sale of Property Located at 20 Benoi Crescent Singapore 629983*" (the "Earlier Announcement"). Unless otherwise defined, the capitalized words and phrases used herein shall have the same meaning as ascribed to them in the Earlier Announcement.

The Company had on 28 April 2014 applied to the Singapore Exchange Securities Trading Limited ("SGX-ST") for a waiver from compliance with Rule 1014(2) of the SGX-ST Listing Manual Section B: Rules of Catalist (the "Catalist Rules") to seek approval by shareholders in a general meeting of the Proposed Sale of Property (the "Waiver").

The SGX-ST had on 12 May 2014 granted the Waiver to the Company, subject to the Company making an immediate announcement of the Waiver, disclosing (a) the reasons for seeking the Waiver, and (b) the Directors' opinion that the Proposed Sale of Property will not materially change the risk profile of the Company, including the basis for the opinion.

Reasons for seeking the Waiver

The Company sought the Waiver from the SGX-ST for the following reasons:

- (a) The Proposed Sale of Property falls under the guidelines set out under Practice Note 10.1 of the Catalist Rules. Paragraph 8(a) of Practice Note 10A states that "*(a) The disposal of an issuer's core business (or a substantial part of its core business) will usually result in a material change to the nature of the issuer's business. Thus, shareholders should have an opportunity to consider the future direction of the issuer, and Rule 1014 will be applied.*"
- (b) Paragraph 8(c) states that "*(c) Further, where an issuer proposes to dispose of a non-core business or a non-core asset (for example, a vacant factory) without affecting the nature of its*

main business, it is reasonable in normal circumstances to expect shareholders not to be overly concerned about the disposal. The Exchange may grant a waiver under such circumstances.”

- (c) The Proposed Sale of Property is made pursuant to the settlement agreement entered into with Toyochem (as announced by the Company on 19 March 2014). An earlier option granted to dispose the Property (as announced by the Company on 12 October 2009) was then not considered a major transaction requiring shareholders’ approval. While the value of the Property has since appreciated, the Property remains incidental to the Company and Group’s operations. As part of the proceeds from the sale will be paid over to Toyochem pursuant to the settlement agreement, only half of the consideration received from the Proposed Sale of Property will contribute towards net profit attributable to shareholders.
- (d) The Property has since 2 September 2008 been unutilised by the Group. From 2 September 2008, the Property was leased out to third parties. The Property is currently held for investment purposes.
- (e) The Group is currently operating at 29 Tai Seng Avenue Natural Cool Lifestyle Hub Singapore 534119, 81 Defu Lane 10 Natural Cool Building Singapore 539217 and 16 and 18 Taman Perindustrian Nusa Cemerlang 79200 Nusajaya, Johor Darul Takzim Malaysia. As at the date of the application to SGX-ST, the available floor area of the Property usable as a factory as compared to the total factory floor available to the Group in Singapore is as follows:

Factory floor area of Property	16,388.1 square metres
Total factory floor area available to the Group including that of the Property	53,631.2 square metres
Percentage of floor area of Property relative to the Group’s total available factory floor area	30.6%

- (f) The Proposed Sale of Property will therefore not have any material impact on the Group’s core business.
- (g) Separately, the Proposed Sale of Property will not have any adversely material impact on the Group’s financial position.

Impact on Revenue – Rentals from the Property for the last three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 amounted to approximately S\$1,152,000, S\$738,824 and S\$2,247,280 respectively and constituted approximately 0.84%, 0.52% and 1.45% respectively of the Group’s revenue for the corresponding financial years.

Impact on Net Tangible Asset – On the basis that the Proposed Sale of Property, based on the consideration received of S\$26,508,888, was carried out on 31 December 2013, the net tangible asset (“NTA”) per issued ordinary share (“Share”) of the Company would be 19.21 cents per Share instead of 16.09 cents per Share.

Impact on Profit – On the basis that the Proposed Sale of Property, based on the consideration received of S\$26,508,888, was carried out on 1 January 2013, the Group would recognise a gain on disposal of approximately S\$7,321,564 and the Group’s earnings per Share would be 3.56 cents per Share instead of 0.25 cents per Share.

Impact on Gearing – On the basis that the Proposed Sale of Property, based on the consideration received of S\$26,508,888, was carried out on 31 December 2013, the Group's gearing would be 0.67 times instead of 0.87 times.

On the above financial indicators, the Proposed Sale of Property would benefit and would not have any material adverse impact on the Group's financial position.

- (h) Use of Proceeds – The Proposed Sale of Property will enable the Group to unlock the value of the Property and re-deploy the resources as part of the net sale proceeds will be used to reduce the Group's bank borrowings thereby strengthening the balance sheet and reducing interest expense. The proceeds will also be used for working capital to generate future growth.
- (i) A majority of the Company's shareholders have undertaken to vote in favour of any shareholders resolution to approve the Proposed Sale of Property - The following persons, namely Mr Ang Choon Cheng, Mr Tsng Joo Peng, Mr Chia Puay Hwee, Mr Ang Choon Beng, Mr Tan Aik Kwong, Mr Ong Mun Wah, Ms Esther Ong, Ms Edi Ng and Mr Khwaja Asif Rahman who hold in aggregate 53.09% of the Company's shareholding have granted the aforesaid undertaking.

Directors' opinion

The Directors are of the opinion that the Proposed Sale of Property will not materially change the risk profile of the Company due to the reasons as detailed above and as the Property has a minimal impact on the revenue, net tangible asset value, profit and gearing of the Company.

By Order of the Board

Leaw Wei Siang
Company Secretary

12 May 2014

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.