Natural Cool Holdings Limited

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

PROPOSED ACQUISITION OF 51.0% OF THE SHARES IN THE CAPITAL OF IFOCUS PTE LTD

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 17 January 2022 entered into a sale and purchase agreement ("**Agreement**") with Ng Choon Tiong ("**NCT**") and Kuo Wen Siang ("**KWS**") (collectively, the "**Vendors**"), pursuant to which, each of the Vendors has respectively agreed to sell, and the Company has agreed to purchase, in aggregate 142,216 ordinary shares ("**Sale Shares**") representing 51.0% of the issued and paid-up share capital of iFocus 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 2 February 1999 and is a communications product development and engineering company with experience in developing train-borne communications systems, estate monitoring systems and Internet of Things application design and manufacturing.

The Target's historical audited financial performance for the last two (2) financial years were as follows:

Income Statement	**31 December 2019**	**31 December 2020**
Revenue	S$ 3,257,403	S$ 2,472,882
Profit after tax	S$ 394,552	S$ 313,079

Based on the unaudited financial statements of the Target for 6 months financial period ended 30 June 2021, the net book value and net tangible asset of the Target are approximately S$3,786,122. As set out in paragraph 4.2(d) below, it should be noted that the completion of the Proposed Acquisition ("**Completion**") is conditional upon, *inter alia*, the Target having a net asset value (including the cash balance of not less than S$790,000 in its bank account) of not less than S$1,000,000 as at the date of Completion.

As at the date of this announcement, the Target has an issued and paid-up share capital of S$500,000 comprising 278,855 ordinary shares in the proportion as set out below:

Shareholder	Number of Shares in the Target	Percentage of Share Capital of the Target[(1)]
NCT	117,306	42.07%
KWS	83,789	30.05%
Phuay Yong Hen	27,885	10.00%
Xia Run Long	25,996	9.32%
Thong Kok Wah Philip	13,950	5.00%
Yau Kim Teck	9,929	3.56%
Total	**278,855**	**100.00%**

Note:

(1) Rounded up/down to the nearest two (2) decimal places.

The Target intends to undergo a restructuring exercise immediately preceding the completion of the Proposed Acquisition such that the entire issued and paid-up share capital of the Target shall only be held by each of the Vendors in the proportions as set out below:

Shareholder	Number of Shares in the Target	Percentage of Share Capital of the Target[(1)]
NCT	162,666	58.33%
KWS	116,189	41.67%
Total	**278,855**	**100.00%**

Note:

(1) Rounded up/down to the nearest two (2) decimal places.

Following completion of the Proposed Acquisition by the Company of the Sale Shares, the Target shall be held in the proportions as set out below:

Shareholder	Number of Sale Shares in the Target	Percentage of Share Capital of the Target[(1)]
NCT	79,706	28.58%
KWS	56,933	20.42%
Company or its nominee	142,216	51.00%
Total	**278,855**	**100.00%**

Note:

(1) Rounded up/down to the nearest two (2) decimal places.

As at the date of this announcement, the Vendors are directors and shareholders of the Target. None of the Vendors are related to any of the Directors, controlling shareholders of the Company and/or their respective associates. As at the date of this announcement, none of the Vendors hold shares, directly or indirectly, in the Company.

3 RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Group's strategy to (i) integrate the use of technology in its operations and pivot away from the traditional form involving labour intensive services towards a business form with a greater focus on engineering and technology; (ii) allow the Group to enter into the green and sustainable technology market; (iii) increase the Group's revenue base and profile of customers; and (iv) offer additional solutions to the Group's customers.

Furthermore, the Proposed Acquisition will complement the Group's digital ambitions, and support its core digital team formed under the support of the Digital Leaders Programme ("**DLP**"), a programme jointly run by the Infocomm Media Development Authority and Enterprise Singapore that aims to help promising local companies to integrate digital into their core business strategy to develop new capabilities and business models, and capture new growth opportunities. The Group's subsidiary, Natural Cool Airconditioning & Engineering Pte Ltd ("**NCAE**") has been selected in October 2021 as one of nine companies to participate in the inaugural batch of the DLP. Post Completion, the Group's head of innovation and sustainability will spearhead the use of the Target's technological expertise for NCAE.

The Proposed Acquisition is not expected to result in a change in the risk profile of the Company, as (i) the audited revenue of the Target for the financial year ended 31 December 2020 represents less than 5.0% of the audited revenue of the Group for the financial year ended 31 December 2020 and the Proposed Acquisition is expected to contribute positively to the net asset value and net profit of the Group upon Completion, (ii) the Target is incorporated in Singapore and does not have any significant operations outside of Singapore, (iii) the Proposed Acquisition will not result in a change in control of the Company as no shares in the Company are issued in connection with the Proposed Acquisition, and (iv) the Proposed Acquisition will not result in a change in the Board

composition of the Company as no new Directors will be appointed to the Board of the Company in connection with the Proposed Acquisition.

As part of the Proposed Acquisition, NCT and KWS will on Completion enter into service agreements with the Target. Upon Completion, the business will be overseen by the Company's Executive Director and Group Chief Operating Officer and the Group's head of innovation and sustainability, who is proposed to be appointed as a director of the Target at Completion, and he will be assisted by the Group's core digital team. There will be no change in the key management of the Company arising from the Proposed Acquisition.

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$3,060,000 ("**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 following:

(a) the Target's background, track record and long operating history.

The Target has been in operation since 1999 and has evolved into a full communications product development and engineering business. The company has designed embedded communication system solutions which are deployed in mass rapid transit systems in various countries in Asia. The company is also the contractor for lift closed-circuit television surveillance and monitoring system serving thousands of public residential buildings in Singapore;

(b) the business experience and technical expertise of the Vendors.

Both NCT and KWS hold post graduate degrees in engineering, and have spent many years in research and development and product development and engineering roles in large local enterprises as well as multi-national companies; and

(c) the historical financial performance and financial position of the Target.

The Company had outsourced the financial due diligence on the Target to an external professional firm which is also a qualified valuer. Whilst no formal valuation of the Target was conducted, as part of the financial due diligence, the external professional firm had reviewed the financial forecast of the Target. Based on the outcome of their review, they had commented that the Consideration falls within the range of values in respect of the Target. The Target has project order books of at least S$7.7 million as at 31 December 2021.

Based on the foregoing, the Company believes that it has sufficient basis to negotiate with the Vendors and agree on the purchase consideration, and a third-party valuation was not separately commissioned. As set out in paragraph 7 below, the Proposed Acquisition is deemed a discloseable transaction as defined under Chapter 10 of the Listing Manual: Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**").

4.2 Conditions Precedent

Pursuant to the Agreement, 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 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 Vendors owning 100% of the issued and paid-up share capital of the Target prior to Completion;

(d) the Target having an aggregate cash balance in its bank accounts of not less than S$790,000 which shall include the amount to be utilised by the Company as incentive payments and staff retention payments to certain employees to be specified by the Vendors and the refundable cash deposit paid by the Company to the Housing Development Board, and a net asset value (including the said cash balance) of not less than S$1,000,000 as at the date of Completion;

(e) finalisation of the service agreements to be entered into between the Target and each of the Vendors respectively with a term of at least three (3) years, in form and substance acceptable to the parties;

(f) execution of the shareholders agreement in relation to the Target to be entered into by the Company, the Vendors and the Target ("**Shareholders' Agreement**");

(g) 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;

(h) 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 this Agreement being obtained, and all Approvals which are material for the carrying on of the business of the Target immediately after Completion being granted by all third parties including all governmental authorities, to Company, the Vendors and the Target (as the case may be), and not withdrawn or amended, on or before the date of completion of the Proposed Acquisition, 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; and

(i) the disclosure letter disclosing information constituting exceptions to the representations, warranties and undertakings of the Vendors set out in the Agreement, delivered or to be delivered by the Vendors to the Purchaser on the date of the Agreement, being in form and substance satisfactory to the Purchaser in its absolute discretion.

If any of the Conditions Precedent is not fulfilled or waived by the Company on or before 31 January 2022 or such other date as the parties may mutually agree in writing, 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 Vendors 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 (b) and (i) 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 date falling three (3) days after fulfilment of the Conditions Precedent set out in paragraphs 4.2(a), (b), (c), (e), (f), (g), (h) and (i) above, 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 Vendors 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, the voting rights of the shareholders and directors, constitution of the board of directors, pre-emptive rights and deadlock provisions.

Following Completion, (i) the Vendors agree that for so long as any of them remains a shareholder of the Target and for a period of eighteen (18) months thereafter, they shall not, *inter alia*, be engaged as a shareholder, director, employee, partner, agent or otherwise directly or indirectly either on his own or in conjunction with or on behalf of any person, firm or company, carry on or be employed, engaged, concerned, provide technical expertise or be interested directly or indirectly in, any business similar to the business carried on by the Target in Singapore; and (ii) the Company agrees that for so long as it remains a shareholder of the Target and for a period of eighteen (18) months thereafter, it shall not, *inter alia*, directly or indirectly either on its own or in conjunction with or on behalf of any person, firm or company, carry on or be employed, engaged, concerned, provide technical expertise or be interested directly or indirectly in, the business of (A) designing and developing train-borne communications equipment and systems, and (B) designing and installation of lift monitoring and surveillance systems, to the extent that such business is in competition with the business of the Target in Singapore.

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 computed based on the Group's audited consolidated financial statement for the financial year ended 31 December 2020 ("**FY2020**") and the Target's audited financial statements for FY2020.

(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:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Net tangible assets (S$'000)	17,934	19,727
Number of shares ('000)	250,448	250,448
Net tangible assets per share (cents)	7.16	7.88

(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:

	Before the Proposed Acquisition	**After the Proposed Acquisition[(1)]**
Profit after tax (S$'000)	1,271	1,321
Weighted average number of shares ('000)	250,448	250,448
Profit per share (cents)	0.51	0.53

Note:

(1) The proforma financial effects on the EPS of the Group 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 are set out below :

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)	29.2%(1)
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	33.0%(2)
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 51% of the Target's net profit based on the unaudited financial statement for the six months financial period ended 30 June 2021 ("HY2021") of S$166,136 and the Group's unaudited consolidated net profit based on its latest announced financial statements for HY2021 of S$569,000.

(2) This has been computed based on the Consideration of S$3,060,000 and the market capitalisation of S$9,266,575, 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$0.037 per share on 14 January 2022, being the last market day of trading in the Company's share preceding the date of the Agreement.

Having regard to the above, as the relative figures computed under Catalist Rules 1006(b) and 1006(c) 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 is 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
17 January 2022

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.

*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.*

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