



ISOTEAM LTD.

(Company Registration No: 201230294M)
(Incorporated in the Republic of Singapore on 12 December 2012)

PROPOSED ISSUE OF WARRANTS AND SHARES TO TAISEI ONCHO CO., LTD

1. INTRODUCTION

1.1 The Board of Directors (the “**Board**” or the “**Directors**”) of ISOTeam Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 17 December 2019 entered into a binding term sheet (the “**Term Sheet**”) with Taisei Oncho Co., Ltd (“**TOC**”). Pursuant to the Term Sheet, the parties have agreed to, subject to the execution of definitive agreements within 30 days from the date of the Term Sheet:

- (a) Allot and issue 27,500,000 unlisted and non-transferable warrants to TOC for an aggregate consideration of S\$1, each carrying the right to subscribe for one ordinary share in the share capital of the Company (“**Warrant Shares**”) at an exercise price of S\$0.24 (each a “**First Tranche Warrant**”);
- (b) Allot and issue 12,500,000 unlisted and non-transferable warrants to TOC for an aggregate consideration of S\$1, each carrying the right to subscribe for one Warrant Share at an exercise price equal to the 10 business days’ volume weighted average price (“**VWAP**”) of the Company’s shares (“**Shares**”) as traded on the Catalist prior to the day of exercise (each a “**Second Tranche Warrant**”); and
- (c) Amend the shareholders’ agreement dated 21 March 2018 among the Company, TOC and ISO-Integrated M&E Pte. Ltd. (“**IME**”) such that:
 - (i) The put option granted to TOC over the shares of IME held by TOC (“**Option Shares**”) to require the Company to purchase the shares of IME from TOC (“**Put Option**”) shall be exercisable at any time in TOC’s discretion after shareholders’ approval has been sought at the EGM (as defined in Section 2.2 of this announcement);
 - (ii) The purchase consideration for the Option Shares shall be S\$3,000,000; and
 - (iii) The purchase consideration of S\$3,000,000 shall be satisfied by the issue of 12,500,000 new Shares at the issue price of S\$0.24 for each Share (“**Consideration Shares**”),

(collectively, the “**Proposed TOC Issue**”).

1.2 No prospectus or offer information statement will be issued in connection with the Proposed TOC Issue as the Proposed TOC Issue will be made pursuant to exemptions under Sections 274 and/or 275 of the Securities and Futures Act (Cap 289) of Singapore.

2. THE PROPOSED TOC ISSUE

2.1 Background of TOC

TOC is headquartered in Tokyo, Japan and listed on the JASDAQ Securities Exchange. It is an established mechanical and electrical (“**M&E**”) engineering firm that is primarily involved in design and contract work for air conditioning, plumbing, electrical installation work, maintenance and renovation services. TOC’s clients comprise both the general and industrial sectors. It has 25 sales offices in Japan and across six other markets including the United States of America, China, Hong Kong, Vietnam, India and Australia. Over the years, TOC has expanded its capabilities to include helping its clients with electricity and energy saving, and renewable power generation measures.

TOC is a joint venture partner of the Company pursuant to the Company’s sale to TOC of 34.1% of the shares in IME announced on 21 March 2018. IME is a subsidiary of the Company principally engaged in the provision of building construction, renovation and electrical related services, including electrical installation work, installation and maintenance of fire alarm systems and all wire related works in Singapore.

2.2 Shareholders’ Approval

The Company intends to seek specific shareholders’ approval at an extraordinary general meeting (“**EGM**”) to be convened for the Proposed TOC Issue. A circular setting out, *inter alia*, the details of the Proposed TOC Issue will be despatched to shareholders in due course.

Assuming all the First Tranche Warrants and Second Tranche Warrants are exercised, the aggregate number of 52,500,000 Warrant Shares and Consideration Shares comprise approximately 18.42% of the Company’s issued share capital of 285,068,122 Shares as at the date of this announcement and approximately 15.55% of the Company’s enlarged issued share capital of 337,568,122 Shares.

The Warrant Shares and Consideration Shares, when fully paid and issued, shall rank *pari passu* with and shall carry all rights similar to the existing Shares except that they will not rank for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Warrant Shares or the Consideration Shares (as the case may be).

2.3 Terms of the First Tranche Warrants

Number of First Tranche Warrants	27,500,000 unlisted non-transferable warrants
Exercise Price	S\$0.24, subject to adjustment(s) in accordance with the terms and conditions of the First Tranche Warrants to be set out in the definitive agreements
Exercise Period	The First Tranche Warrants may be exercised at any time from the date of issue of the First Tranche Warrants until 30 June 2020, unless such date is a date on which the Register of Warranholders of the Company is closed or is not a day on which the Singapore Exchange Securities Trading Limited (“ SGX-ST ”) is open for trading (“ Market Day ”), in which event the exercise period shall end on the Market Day prior to the closure of the Register of Warranholders or the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Warranholders may be closed pursuant to the terms and conditions of the First Tranche Warrants.

The Company will announce the date of expiry of the First Tranche Warrants and send a notice of such expiry to TOC at least one month prior to the date of expiry.

Subscription Rights

Each First Tranche Warrant shall entitle TOC, at any time during the exercise period, to subscribe for one Warrant Share at S\$0.24.

Status of Warrant Shares

The Warrant Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the record date for which falls on or after the date of allotment and issue of the Warrant Shares.

Adjustment Events

The number of Warrant Shares issued pursuant to the exercise of the First Tranche Warrants are subject to adjustment in the event of, *inter alia*, consolidation, subdivision, capitalisation issues, rights issues, bonus issues and certain capital distributions to be provided for in the definitive agreements. Any such adjustments shall (unless otherwise provided under the Listing Manual Section B: Rules of Catalist of the SGX-ST (“**Catalist Rules**”) from time to time) be announced by the Company.

2.4 Terms of the Second Tranche Warrants

Number of Second Tranche Warrants

12,500,000 unlisted non-transferable warrants

Exercise Price

10 business days' VWAP of the Shares as traded on the Catalist prior to the day of exercise, subject to adjustment(s) in accordance with the terms and conditions of the Second Tranche Warrants to be set out in the definitive agreements

Exercise Period

The Second Tranche Warrants may be exercised at any time from the date of issue of the Second Tranche Warrants until the date falling 24 months from such issue date, unless such date is a date on which the Register of Warrantholder of the Company is closed or is not a Market Day, in which event the exercise period shall end on the Market Day prior to the closure of the Register of Warrantholders or the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Warrantholders may be closed pursuant to the terms and conditions of the Second Tranche Warrants.

The Company will announce the date of expiry of the Second Tranche Warrants and send a notice of such expiry to TOC at least one month prior to the date of expiry.

Subscription Rights

Each Second Tranche Warrant shall entitle TOC, at any time during the exercise period, to subscribe for one Warrant Share at the abovementioned exercise price.

Status of Warrant Shares

The Warrant Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares for

any dividends, rights, allotments or other distributions, the record date for which falls on or after the date of allotment and issue of the Warrant Shares.

Adjustment Events

The number of Warrant Shares issued pursuant to the exercise of the Second Tranche Warrants are subject to adjustment in the event of, *inter alia*, consolidation, subdivision, capitalisation issues, rights issues, bonus issues and certain capital distributions to be provided for in the definitive agreements. Any such adjustments shall (unless otherwise provided under the Catalyst Rules from time to time) be announced by the Company.

2.5 The Exercise Price and the Issue Price

The exercise price of S\$0.24 for the First Tranche Warrants and the issue price of S\$0.24 for the Consideration Shares were arrived at pursuant to discussions with TOC, taking into account, among others, the prevailing market price of the Shares, and represents a discount of approximately 1.72% to the volume weighted average price of S\$0.2442 for trades done on the Shares on Catalist on 17 December 2019 being the full market day on which the Term Sheet was signed.

The exercise price of the 10 business days' VWAP of the Shares as traded on the Catalist prior to the day of exercise for the Second Tranche Warrants was arrived at pursuant to discussions with TOC, taking into account, among others, potential fluctuations in the prices of trades done on the Shares prior to exercise of the Second Tranche Warrants.

2.6 Conditions

The Proposed TOC Issue is conditional upon, among others:

- (a) Completion of the due diligence investigations into the Company, Company's business, operations and affairs ("**Due Diligence**") to TOC's satisfaction;
- (b) Compliance by the Company with all requests from TOC for disclosure of any relevant information in order to complete Due Diligence;
- (c) The Company having obtained the necessary consents and/or approvals from third parties (including relevant regulatory bodies such as the SGX-ST) and shareholders in relation to the Proposed TOC Issue, and where subject to any other terms and/or conditions, such terms and/or conditions being satisfactory to TOC at its absolute discretion;
- (d) There being no material adverse change in the operations of the Company or financial conditions of the Company, market conditions and market price of the Shares as traded on the SGX-ST;
- (e) There being no material non-compliance by the Company in relation to material applicable laws; and
- (f) The provision by the Company to TOC with a business plan in relation to the proceeds from the exercise of all the warrants issued to TOC.

As at the date of this announcement, TOC has confirmed that the conditions precedent (a) and (b) above have been satisfied.

2.7 Other Material Terms

The Company has given the following undertakings to TOC to:

- (a) Procure a nominee of TOC to be appointed to the Board within 30 days from the completion of the placement announced by the Company on 17 December 2019 (the “**Placement**”), subject to such nominee being fulfilling the requirements of the SGX-ST or any other applicable regulatory bodies; and
- (b) Ensure that, save for the Placement, there will be no change to the share capital of the Company for the period commencing from the date of the Term Sheet until the date of the EGM for the Proposed TOC Issue has been convened at which shareholders’ approval for the same is obtained.

2.8 Listing and Quotation Notice (“LQN”)

Hong Leong Finance Limited, acting as sponsor to the Company, will be submitting the additional listing confirmation(s) to the SGX-ST on behalf of the Company for the listing of and quotation for the Warrant Shares and Consideration Shares on the Catalist. An announcement will be made in due course to notify the shareholders of the Company when the LQN is obtained.

3. FINANCIAL EFFECTS OF THE PROPOSED TOC ISSUE

The table illustrates the financial effects of the Proposed TOC Issue on (i) the net tangible asset per Share of the Group (assuming the Proposed TOC Issue had been completed at the end of that financial year); and (ii) the earnings per Share of the Group (assuming that the Proposed TOC Issue had been completed at the beginning of that financial year) based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2019 are set out below:

	Before the Proposed TOC Issue (Singapore cents) ⁽¹⁾	After the Proposed TOC Issue (Singapore cents) ⁽²⁾
Effect of the Proposed TOC Issue on the net tangible asset per Share	18.49	18.42
Effect of the Proposed TOC Issue on the earnings per Share	2.37	2.12

Notes:

- (1) Based on 285,068,122 Shares in issue as at the date of this announcement.
- (2) Based on 337,568,122 Shares assuming the full allotment and issue of 52,500,000 Warrant Shares and Consideration Shares.

4. USE OF PROCEEDS

- 4.1 Assuming that the Proposed TOC Issue is fully subscribed, the net proceeds to be raised by the Company from the Proposed TOC Issue (after deducting estimated expenses of S\$0.12 million) are approximately S\$9.5 million (“**Net Proceeds**”). The Company intends to use S\$4.8 million or 50.5% of the Net Proceeds for business expansion (such as mergers and acquisitions, joint ventures and/or strategic alliances as and when the opportunities arise) and the balance of S\$4.7 million or 49.5% of the Net Proceeds for general working capital purposes.
- 4.2 Pending the deployment of the Net Proceeds, the Company intends to place the Net Proceeds from the Proposed TOC Issue with banks and/or financial institutions or use the Net Proceeds for any other purposes on a short-term basis, as the Directors may deem fit.

- 4.3 The Company will make periodic announcements on the utilisation of the Net Proceeds as and when the funds are materially disbursed and whether such use is in accordance with the stated use and in accordance with the percentage allocated. The Company will also provide a status report on the use of the Net Proceeds in the Company's quarterly and full year financial statements and the Company's annual report. Where the Net Proceeds are used for working capital purposes, the Company will provide a breakdown with specific details on how the Net Proceeds have been applied in the announcements and the annual report. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation.

5. SHAREHOLDERS' UNDERTAKING

- 5.1 The Company has been informed that ADD Investment Holding Pte Ltd, Anthony Koh Thong Huat, David Ng Cheng Lian, Danny Foo Joon Lye, and three minority shareholders, who are directly or indirectly interested in an aggregate of 164,512,110 Shares representing approximately 57.71% of the Company's Shares as at the date of this announcement, have given undertakings to TOC to:

- (a) Vote in favour of the Proposed TOC Issue at the EGM; and
- (b) Ensure that they shall not sell, transfer or otherwise deal with any of the abovementioned Shares with any other third party until the date of the EGM.

- 5.2 In addition, Anthony Koh Thong Huat, David Ng Cheng Lian and Danny Foo Joon Lye, who are Directors, have further undertaken to TOC to procure the Company to convene the EGM within 90 days subsequent to the completion of the Placement.

6. CONFIRMATION BY DIRECTORS

The Directors are of the opinion that after taking into consideration the present bank facilities available to the Group and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in Section 5 of this announcement, none of the Directors or substantial shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed TOC Issue, other than through their shareholdings (if any) in the Company.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Term Sheet is available for inspection at the Company's registered office at 8 Chang North Street 1, ISOTeam Building, Singapore 498829 during normal business hours for three months from the date of this announcement.

By Order of the Board

Anthony Koh Thong Huat
Executive Director and Chief Executive Officer
17 December 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance Limited ("**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

This announcement has not been examined or approved by the SGX-ST and 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.

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, Telephone (65) 64159886.