



ISOTEAM LTD.

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

PROPOSED DIVESTMENT IN A SUBSIDIARY FOR ESTABLISHING A JOINT VENTURE WITH AN OVERSEAS PARTNER

1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of ISOTeam Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 13 February 2018 relating to the entry into a non-binding term sheet with Taisei Oncho Co., Ltd. ("**TOC**") for the purpose of establishing a joint venture through the sale by the Company of a 34.1% stake (the "**Sale Shares**") in ISO-Integrated M&E Pte. Ltd. ("**IME**"), a wholly-owned subsidiary of the Company, to TOC at a premium on the initial cost of investment (the "**Proposed Divestment and Joint Venture**").

Pursuant to the term sheet, the Company and TOC have on 21 March 2018, entered into a sale and purchase agreement (the "**SPA**") and shareholders' agreement (the "**SHA**") in relation to the Proposed Divestment and Joint Venture.

2. INFORMATION ON IME AND TOC

2.1 IME

IME is a company incorporated in Singapore and has an issued and paid-up share capital of S\$500,002 comprising of 500,002 ordinary shares. It is 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 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 not related to the Company and any of its Directors or controlling shareholders and their respective associates.

3. SALE CONSIDERATION

The sale consideration for the sale of the Sale Shares is S\$3,000,000 (the "**Sale Consideration**"), which was arrived at on a willing buyer and willing seller basis between the

Company and TOC based on the valuation conducted by an independent valuer. Using the report as a guideline, both parties mutually agreed on the valuation of IME to be at S\$8,800,000.

The Sale Consideration shall be payable by way of cashier's order or by remittance into such bank account as directed by the Vendor (or in any other form to be agreed by the relevant Parties) upon completion of Proposed Divestment and Joint Venture ("**Completion**").

4. RATIONALE FOR THE PROPOSED DIVESTMENT AND JOINT VENTURE

As TOC and IME are in complementary businesses with synergistic capabilities, the Board decided to undertake the Proposed Divestment and Joint Venture with TOC as a strategic investor. The Board is of the view that the Proposed Divestment and Joint Venture will allow the Group to strengthen its M&E and energy management capabilities, and further expand its services in the region by leveraging on TOC's M&E expertise and overseas network.

Taking into account the return on investment of S\$ 1,070,778 based on the aggregate purchase consideration of IME (formerly known as Rong Shun Engineering & Construction Pte. Ltd.) of S\$6,450,000 when the Company acquired IME, as set out in the Company's announcement dated 5 January 2017.

5. SALIENT TERMS

5.1 The sale of the Sale Shares is conditional upon the fulfilment of, *inter alia*, the following conditions precedent:

- (i) TOC being satisfied with the results of the due diligence investigations (whether legal, financial, contractual, tax or otherwise) carried out by TOC in respect of IME, including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of IME;
- (ii) the Company having obtained all consents, approvals and authorisations of bankers, financial institutions, relevant third parties, government or regulatory authorities which are necessary or desirable in connection with the transfer of the Sale Shares from the Company to TOC and TOC having obtained legal and beneficial title to the Sale Shares (including waivers of pre-emption rights by the existing shareholders of IME and consents from existing bankers), and if subject to conditions, on such conditions acceptable to TOC, prior to the date of Completion, and such consents and approvals remaining in full force and effect and not being revoked;
- (iii) the Company and/or TOC not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated under the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;
- (iv) there being no material adverse change in the operations or financial condition of IME; and
- (v) no material contract, lease, licence or other similar commercial arrangement of IME would be terminated or adversely affected as a result of a change in the legal and beneficial title to the Sale Shares.

5.2 Completion shall take place at the Company's office (or such place as the parties may agree in writing) and at such time on 6 April 2018, or as the parties may agree after the conditions precedent referred to in paragraph 5.1 above are either fulfilled or waived by the parties. The

parties shall fulfil the conditions precedent within six (6) months from the date of the SPA or such other date to be extended by the parties upon mutual agreement.

6. SHAREHOLDERS' AGREEMENT

6.1 Pursuant to the SPA, the Company and TOC have entered into the SHA to regulate the parties' relationship *inter se* as shareholders of IME.

6.2 Put Option

The SHA grants TOC an option ("**Option**") to require the Company to purchase all of the shares held by TOC in IME, exercisable at any time commencing from three years after Completion ("**Option Exercise Date**").

The purchase consideration for the shares held by TOC in IME shall be:

- (i) based on a valuation of IME determined by an independent reputable third-party valuer from a 1st or 2nd tier firm, to be appointed by TOC, subject to the prior written notice to the Company;
- (ii) subject to certain conditions precedent, satisfied by such number of shares in the capital of the Company ("**Shares**"), at the price per Share of a premium of 5% of the 30-day volume weighted average price ("**VWAP**") of the Shares last traded on the Catalist immediately prior to the Option Exercise Date ("**Consideration Shares**"); and
- (iii) such Consideration Shares may either be in the form of new Shares to be allotted and issued to TOC or existing Shares to be transferred out of treasury by the Company to TOC, to be determined at the sole and absolute discretion of the Company.

7. USE OF PROCEEDS

The Company expects to receive net proceeds of approximately S\$2,950,000 (after deducting estimated expenses of approximately S\$50,000) from the Proposed Divestment and Joint Venture. The Company intends to utilise the net proceeds to fund future business expansions, investments and acquisitions when suitable opportunities arise and general working capital requirements of the Group.

Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may deem appropriate in the interests of the Group.

8. FINANCIAL EFFECTS OF THE PROPOSED DIVESTMENT AND JOINT VENTURE

The financial effects of the Proposed Divestment and Joint Venture set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion.

The financial effects of the Proposed Divestment and Joint Venture were calculated based on the audited consolidated financial statements of the Group and IME for the financial year ended 30 June 2017 ("**FY2017**").

8.1 NTA

The effect of the Proposed Divestment and Joint Venture on the NTA per Share of the Group for FY2017, assuming that the Proposed Divestment and Joint Venture had been effected at the end of FY2017 is as follows:

As at 30 June 2017	Before the Proposed Divestment and Joint Venture	After the Proposed Divestment and Joint Venture
NTA (S\$'000)	50,452	51,523
Number of issued Shares (excluding treasury shares)	284,387,041	284,387,041
NTA per share (Cents)	17.74	18.12

8.2 Earnings per Share

The effect of the Proposed Divestment and Joint Venture on the earnings per Share of the Group for FY2017, assuming that the Proposed Divestment and Joint Venture had been effected at the beginning of FY2017 is as follows:

FY2017	Before the Proposed Divestment and Joint Venture	After the Proposed Divestment and Joint Venture
Profits/ (loss) after tax and minority interests (S\$'000)	6,454	6,329
Weighted average number of issued Shares	284,205,736	284,205,736
Earnings/ (loss) per share (Cents)	2.27	2.23

9. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Divestment and Joint Venture computed on the bases set out in Rule 1006 of Section B: Rules of Catalist of the listing manual of the SGX-ST ("**Listing Manual**") are set out below:

Rule	Basis	Relative Figure	
1006 (a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	3.21% ⁽¹⁾	
1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	5.04% ⁽²⁾	
1006 (c)	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	3.14% ⁽³⁾	3.05% ⁽⁴⁾
1006 (d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	2.98% ⁽⁵⁾	

1006(e)	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
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Notes:

- (1) Based on the Group's net asset value of S\$60,093,000 as at 31 December 2017 and IME's net asset value of S\$5,658,000 as at 31 December 2017.
- (2) Based on the Group's net profit before tax of S\$ 2,944,000 for the six months ended 31 December 2017 and IME's net profit before tax of the assets to be disposed of S\$ 435,000 for the six months ended 31 December 2017.
- (3) Based on the Sale Consideration of S\$3,000,000 and the Company's market capitalisation of approximately S\$95,500,000 (being the Company's issued ordinary share capital of 285,130,562 Shares (excluding treasury shares) and the VWAP of the Shares on Catalist of S\$0.335 on 20 March 2018 (being the market day preceding the date of the SPA)).
- (4) Based on 8,955,223 Consideration Shares (assuming that the Option is exercised and Shares are issued and allotted to TOC), the market value of the Consideration Shares being S\$3,000,000 using the share price of S\$0.335 (being the VWAP of the Shares on Catalist on 20 March 2018, being the market day preceding the date of the SPA) and the Company's market capitalisation of approximately S\$98,500,000.
- (5) Based on 8,484,162 Consideration Shares (assuming a valuation of IME at S\$8.8 million and that the Option is exercised and Shares are issued and allotted to TOC), the transfer price of the Consideration Shares at S\$0.3536 per share, being the premium of 5% of the 30-day VWAP of the Shares on Catalist of S\$0.3368 on 20 March 2018 (being the market day preceding the date of the SPA), and the Company's issued ordinary share capital of 285,130,562 Shares (excluding treasury shares).

As the relative figures for the Proposed Divestment and Joint Venture computed under Rule 1006 of the Listing Manual are all less than 50%, the Proposed Divestment and Joint Venture is not subject to the approval of the Company's shareholders at a general meeting.

10. SERVICE CONTRACT

There are no directors proposed to be appointed to the Company in connection with the Proposed Divestment and Joint Venture.

11. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Divestment and Joint Venture, other than through their respective shareholdings (if any) in the Company.

12. DOCUMENTS FOR INSPECTION

A copy of the SPA and SHA is available for inspection at the registered office of the Company at No. 57 Kaki Bukit Place, Eunos Techpark, Singapore 416231 during normal business hours for three (3) months from the date of this announcement.

By Order of the Board

Anthony Koh Thong Huat
 Executive Director and Chief Executive Officer
 21 March 2018

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Hong Leong Finance Limited for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

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.

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