



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Natural Cool Holdings Limited

Security: Natural Cool Holdings Limited

Meeting details:

Date: 29 April 2019

Time: 10.00 a.m.

Venue: 10 Eunos Road 8, Singpost Centre, #13-07, Singapore 408600

Company Description

Natural Cool Holdings Limited is a Singapore-based investment holding company. The Company, through its subsidiaries, is engaged in manufacturing and trading of paint and basic chemicals. The Company operates in two segments: Air-conditioning (Aircon) and Investment. The Aircon segment is involved in trading of air-conditioners, air-condition components, systems and units, air-condition installation, servicing and re-conditioning. The Investment segment is engaged in properties investment holding. The Company's subsidiaries include Natural Cool Airconditioning & Engineering Pte Ltd, which is engaged in trading and supplying air-conditioners and parts, including the manufacturing of air-conditioner ducts, and the installation, repair and maintenance of air-conditioners; Natural Cool Investments Pte. Ltd., which holds investment property, and Natural Cool Energy Pte. Ltd. and Gathergates Group Pte. Ltd., which are investment holding companies.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5IF)

Q1. On 18 February 2019, the company announced the proposed acquisition of the food businesses for \$980,000.

- (i) Can the board help shareholders understand if this is synergistic to the group's core business?**
- (ii) Why is the group diversifying into a new area of business when it has just bought a new premise (87 Defu Lane 10), presumably to grow the core business?**
- (iii) Would the new food business alter the risk profile of the group?**
- (iv) Can the independent directors let shareholders know the level of their involvement for the deal, especially in the due diligence and approval process?**

Q2. The group acquired the 6-storey light industrial building at 87 Defu Lane 10 from ESR-REIT for \$17.5 million. The transaction was completed on 16 November 2017.

With the new premise at Defu, depreciation has increased to \$2.29 million.

- (i) What is the level of business activity required to support the larger space? Is there space to be rented out at the new location?**

On 23 April 2019, the company announced that it has entered into a new lease at Natural Cool Lifestyle Hub (29 Tai Seng Avenue) for a period of 5 years commencing 18 August 2020. The master lease (following a sale and leaseback arrangement) will expire in August 2020.

- (ii) Can management clarify if this is only for the space required for its own business and not for the entire building (as a master lease)?**

Q3. As disclosed in Note 31 (page 95 - Acquisition of subsidiary), the company acquired 51% of the shares and voting interests in JAD on 1 August 2018.

For the five months ended 31 December 2018, JAD contributed revenue of \$2,878,000 and profit of \$21,000 to the group's results. At the date of acquisition, JAD's total identifiable net assets amounted to \$144,000, including intangible assets of \$188,000. Without the intangible assets (which arose due to order backlogs), JAD's total identifiable net assets would be a negative \$(44,000).

As a result of the acquisition, the company recognised a goodwill of \$1.427 million from the acquisition.

- (i) Can management elaborate further on the expected synergies from the acquisition of JAD, which is in the business of high containment facility engineering?**
- (ii) Would the company also help shareholders understand the strategic growth plans of JAD after the acquisition?**
- (iii) Has the integration of JAD been completed? Has JAD performed up to management's expectations for the five months since its acquisition?**
- (iv) What was the level of involvement by the independent directors in the deal structuring and due diligence process? Did the independent director review and evaluate the purchase consideration, especially as JAD had net assets of \$144,000 (which would be negative once the intangible is removed)?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Natural%20Cool%20Holdings%20Ltd&cid=6423,4465,4234>

The company's response could be found here: -----