

LETTER TO SHAREHOLDERS DATED 10 APRIL 2017

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

This Letter is circulated to shareholders of Natural Cool Holdings Limited (the “**Company**”) together with the Company’s annual report for the financial year ended 31 December 2016 (“**Annual Report 2016**”). Its purpose is to provide shareholders of the Company with relevant information relating to, the proposed renewal of Share Buyback Mandate and seek shareholders’ approval for the same at the Annual General Meeting of the Company to be held at 55 Market Street #03-01, Raffles Place, Singapore 048941 on Tuesday, 25 April 2017 at 10.00 a.m.

If you have sold or transferred all your shares in the issued share capital of Natural Cool Holdings Limited (the “**Company**”), you should immediately forward this Letter together with the Notice of Annual General Meeting and the accompanying Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This Letter has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**”), for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this Letter.

This Letter has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Letter, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Letter.

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

Natural Cool
Holdings Limited
NATURAL COOL HOLDINGS LIMITED
(Incorporated in Singapore on 19 July 2005)
(Company Registration No.: 200509967G)

LETTER TO SHAREHOLDERS

in relation to

THE PROPOSED RENEWAL OF SHARE BUYBACK MANDATE

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Letter:

“2017 AGM”	:	The annual general meeting of the Company to be held on Tuesday, 25 April 2017, 10.00 a.m at 55 Market Street #03-01, Raffles Place, Singapore 048941
“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“Act” or “Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time
“AGM”	:	An annual general meeting of the Company
“Annual Report 2016”	:	The annual report of the Company for the financial year ended 31 December 2016
“Associate”	:	(a) in relation to any Director, Chief Executive Officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:- i) his immediate family; ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a Company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Board of Directors” or “Board” or “Directors”	:	The directors of the Company for the time being
“Business Day”	:	A day (other than a Saturday, Sunday and public holiday) on which commercial banks are generally open for business in Singapore
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, modified or supplemented from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Company”	:	Natural Cool Holdings Limited
“Constitution”	:	The constitution of the Company

DEFINITIONS

“Controlling Shareholder”	: A person who:- (a) holds directly or indirectly 15% or more of the nominal amount of voting shares in the Company; or (b) in fact exercise control over the Company
“Companies Act” or “Act”	: Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“EPS”	: Earnings per Share
“FY”	: Financial year ended or ending 31 December
“FY2016 Results”	: The audited consolidated financial statements of the Group for the financial year ended 31 December 2016
“Group”	: The Company and its subsidiaries as at the date of this Letter
“Latest Practicable Date”	: 20 March 2017, being the latest practicable date prior to the printing of this Letter
“Market Day(s)”	: A day or days on which the SGX-ST is open for securities trading
“NAV”	: Net Asset Value
“Notice of 2017 AGM”	: The notice of 2017 AGM dated 10 April 2017 as set out on pages 117 to 121 of the Annual Report 2016
“NTA”	: Net tangible assets
“SIC”	: The Securities Industry Council of Singapore
“Sponsor”	: PrimePartners Corporate Finance Pte. Ltd.
“Securities Account”	: A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Share(s)”	: Ordinary shares in the capital of the Company
“Share Buyback”	: The purchase or acquisition of issued Share(s) by the Company pursuant to the terms of the Share Buyback Mandate
“Share Buyback Mandate”	: The general and unconditional mandate given by the Shareholders to authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire, on behalf of the Company, issued Shares in accordance with the terms set out in this Letter as well as the rules and regulations set forth in the Act and the Catalyst Rules
“Shareholders”	: Persons who are registered as holders of the Shares in the Register of Members of the Company, or where CDP is the registered holder, the term Shareholders shall, in relation to such Shares, mean the Depositors who have Shares entered against their names in the Depository Register

DEFINITIONS

“Substantial Shareholders”	:	A Person who has an interest in voting Shares of the Company and the total votes attached to that Share, or those Shares, are not less than 5% of the total votes attached to all the voting Shares in the Company
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“Treasury Shares”	:	Issued Shares of the Company which were (or are treated as having been) purchased by the Company in circumstances which Section 76H of the Act applies and have since purchase been continuously held by the Company
“S\$” and “cents”	:	Singapore dollars and cents, the lawful currency of Singapore
“%” or “per cent.”	:	Percentage or per centum

Unless the context otherwise requires:

- (a) the terms **“Depositor”**, **“Depository Register”** and **“Depository Agent”** shall have the meanings ascribed to them respectively in Section 81SF of the SFA;
- (b) the terms **“subsidiary”**, **“related company”** and **“substantial shareholder”** shall have the meanings ascribed to them respectively under Section 5 of the Companies Act;
- (c) words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations;
- (d) any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Catalist Rules or any modification thereof and not otherwise defined in this Letter shall, where applicable, have the same meaning ascribed to it under the Companies Act, the Catalist Rules or such modification thereof, as the case may be, unless the context otherwise requires;
- (e) any reference to a time of a day in this Letter shall be a reference to Singapore time unless otherwise stated. Any reference to any enactment is a reference to that enactment as for the time being amended or re-enacted;
- (f) any discrepancies between the figures listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Letter may not be an arithmetic aggregation of the figures that precede them. Where applicable, figures and percentages are rounded to the nearest two decimal places; and
- (g) the headings in this Letter are inserted for convenience only and shall be ignored in construing this Letter.

LETTER TO SHAREHOLDERS

NATURAL COOL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 200509967G)

Directors

Mr Goh Teck Sia	Independent Non-Executive Chairman
Mr Tsng Joo Peng	Executive Director and Chief Executive Officer
Mr Wong Leon Keat	Executive Director and Chief Corporate Officer
Madam Lau Lee Hua	Independent Non-Executive Director
Mr Ronnie Tan Siew Bin	Independent Non-Executive Director

Registered Office

29 Tai Seng Avenue #07-01
Natural Cool Lifestyle Hub
Singapore 534119

10 April 2017

To: The Shareholders of Natural Cool Holdings Limited

Dear Sir/Madam

1 INTRODUCTION

The purpose of this Letter is to provide Shareholders with the relevant information pertaining to, and seek Shareholder's approval at the 2017 AGM for the proposed renewal of the Share Buyback Mandate.

The Sponsor and the SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

2 THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Background

The Share Buyback Mandate was first approved by Shareholders at the extraordinary general meeting of the Company held on 09 November 2015 and will expire on the date of the forthcoming 2017 AGM. Accordingly the Directors are proposing to seek the approval of the Shareholders for the renewal of the Share Buyback Mandate via an ordinary resolution at the forthcoming 2017 AGM.

If approved by Shareholders at the 2017 AGM, the authority conferred by the Share Buyback Mandate will take effect from the date of the 2017 AGM at which the proposed renewal of the Share Buyback Mandate will be approved ("**Approval Date**") and continue to be in force for the duration of the Relevant Period, which is until the earlier of the date on which the next AGM is required to be held (whereupon it will lapse, unless renewed at such meeting) or the date on which the purchases or acquisitions of Shares have been carried out to the full extent mandated or until it is varied or revoked by the Company in a general meeting (if so varied or revoked prior to the next AGM of the Company), whichever is the earliest.

2.2 Rationale for the Share Buyback Mandate

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:-

- (a) Directors and management are constantly seeking to increase Shareholders' value and to improve, *inter-alia*, the return on equity of the Group. The purchase by the Company of its issued Shares at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced;
- (b) The Share Buyback Mandate will give the Directors the flexibility to purchase or acquire Shares as and when circumstances permit. The Directors believe that the Share Buyback Mandate provides the Company and its Directors with a mechanism to facilitate the use of surplus cash over and above the Company's ordinary working capital requirements, in an expedient and cost-efficient manner;

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- (c) The Share Buyback Mandate will also allow the Directors to exercise greater control over the Company's share capital structure, dividend policy and cash reserves and may lead to an enhancement of EPS and/or NTA per Share of the Company and the Group; and
- (d) The Directors further believe that a Share Buyback by the Company may help mitigate short-term market or price volatility, offset the effects of short-term share speculation or demand and bolster Shareholders' confidence.

Shareholders should note that purchases of Shares pursuant to the proposed Share Buyback Mandate may not necessarily be carried out to the full limit as authorised.

Whilst the Share Buyback Mandate would authorise Share Buybacks up to the said ten per cent. (10%) limit during the duration referred to in Section 2.3 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full ten per cent. (10%) limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate would be made only as and when the Directors consider it to be in the best interest of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a Share Buyback pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Authority and Limits of the Share Buyback Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares that may be purchased or acquired by the Company pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than ten per cent. (10%) of the total number of issued Shares of the Company as at the date of the 2017 AGM at which the Share Buyback Mandate is approved, unless the Company has, at any time during the Relevant Period (as defined in Section 2.3.2), effected a reduction of its share capital in accordance with the applicable provisions of the Act, in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares of the Company as altered. Any Shares which are held as Treasury Shares will be disregarded for purposes of computing the ten per cent. (10%) limit.

Purely for illustrative purposes only, on the basis of 250,447,985 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the 2017 AGM, not more than 25,044,798 Shares (representing 10% of the total number of issued Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate.

2.3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the AGM at which the Share Buyback Mandate is approved up to the earlier of:

- (a) the conclusion of the next AGM or the date by which such AGM of the Company is held or required by law to be held;
- (b) the date on which the Share Buybacks are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Company in general meeting.

(the "**Relevant Period**")

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2.3.3 Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares can be effected by the Company by way of:-

- (a) on-market purchases transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose of the Share Buyback ("**Market Purchases**"); and/or
- (b) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an "**equal access scheme**" as defined in Section 76C of the Act ("**Off-Market Purchases**").

In an Off-Market Purchase, the Directors may impose such terms and conditions which are consistent with the Share Buyback Mandate, the Catalist Rules, the Act, the Constitution of the Company and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

Under the Act, an equal access scheme must satisfy all the following conditions:

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:
 - (i) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividends entitlements;
 - (ii) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
 - (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to Rule 870 of the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it must issue an offer document to all Shareholders containing at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase or acquisition of Shares;
- (d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (f) details of any purchases or acquisitions of Shares made by the Company in the previous twelve (12) months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.

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2.3.4 Maximum Purchase Price

The purchase price per Share (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares purchased or acquired pursuant to the Share Buyback Mandate will be determined by the Directors, provided that such purchase price must not exceed:-

- (a) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price (as defined hereinafter),

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase or acquisition.

For the above purposes of determining the Maximum Price:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as defined below) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Day period.

“**date of making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 **Status of purchased or acquired Shares**

Any Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to that Share will expire on such cancellation) unless such Share is held by the Company as Treasury Share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Share.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Act) will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

The Company may decide to cancel Shares which have been purchased by the Company or hold such Shares as Treasury Shares, depending on whether it is in the interests of the Company to do so.

2.5 **Treasury Shares**

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Certain of the provisions on treasury shares under the Act are summarised below:

2.5.1 Maximum holding:

The aggregate number of Shares held by the Company as Treasury Shares shall not at any time exceed ten per cent. (10%) of the total number of Shares in issue at that time. In the event that the aggregate number of Treasury Shares held by the Company exceeds the aforesaid limit, the Company shall dispose of or cancel the excess Treasury Shares within six (6) months from the day the aforesaid limit is first exceeded or such further periods as ACRA may allow.

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2.5.2 Voting and other rights:

The Company cannot exercise any right in respect of the Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members of the Company on a winding up) may be made, to the Company in respect of Treasury Shares. However, the allotment of shares as fully paid bonus shares in respect of the Treasury Shares is allowed.

The Treasury Shares may be sub-divided or consolidated, so long as the total value of the Treasury Shares after such sub-division or consolidation is the same as the total value of the Treasury Shares before the sub-division or consolidation, as the case may be.

2.5.3 Disposal or cancellation:

Where Shares are held as Treasury Shares, the Company may at any time:

- (a) sell the Treasury Shares (or any of them) for cash;
- (b) transfer the Treasury Shares (or any of them) for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the Treasury Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the Treasury Shares (or any of them); or
- (e) sell, transfer or otherwise use the Treasury Shares for such other purposes as the Minister for Finance may by order prescribe.

Under the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of Treasury Shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of Treasury Shares comprised in the usage, the number of Treasury Shares before and after the usage, the percentage of the number of Treasury Shares comprised in the usage against the total number of issued shares (of the same class as the Treasury Shares) which are listed on the SGX-ST before and after the usage and the value of the Treasury Shares comprised in the usage.

2.6 **Reporting Requirement**

Within 30 days of the passing of the Shareholders' resolution to approve the proposed renewal of the Share Buyback Mandate, the Company shall lodge a copy of such resolution with ACRA.

The Company shall notify ACRA in the prescribed form within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include, *inter alia*, details of the purchase or acquisition, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as Treasury Shares, the Company's issued share capital before and after the purchase or acquisition of Shares and the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased or acquired out of profits or the capital of the Company and such other particulars as may be required by ACRA.

The Catalist Rules specify that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; or

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- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

2.7 Source of funds

In purchasing or acquiring its Shares, the Company may only apply funds legally available for such purchase or acquisition as provided in the Constitution of the Company, Catalist Rules and in accordance with applicable laws in Singapore.

The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Pursuant to Section 76F(4) of the Companies Act, a company is solvent if at the date of the payment made by the company in consideration of acquiring any right with respect to the purchase or acquisition of its own shares:

- (a) there is no ground on which the company could be found to be unable to pay its debts;
- (b) if:
 - (1) it is intended to commence winding up of the company within the period of 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (2) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due within the period of 12 months immediately after the date of the payment; and
- (c) the value of its assets is not less than the value of its liabilities (including contingent liabilities) and such value of its assets will not, after the proposed purchase, acquisition, variation or release (as the case may be) of the company's obligations, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance purchases or acquisitions of its Shares pursuant to the Share Buyback Mandate. The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from such purchases or acquisitions of Shares pursuant to the Share Buyback Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions. However in considering the option of external financing, the Board will consider particularly the prevailing gearing level of the Group. The Board will only make purchases or acquisitions of Shares pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.8 Financial effects

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate will depend on, *inter alia*, the number of Shares purchased or acquired, the price paid for such Shares, whether the Shares are purchased or acquired out of profits and/or capital of the Company and whether the Shares purchased or acquired are held by the Company as Treasury Shares or cancelled.

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Under the Act, the Company may purchase or acquire its Shares out of its profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (including brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, this will correspondingly reduce the share capital of the Company but not reduce the amount available for the distribution of cash dividends by the Company.

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buyback Mandate on the Group's NTA and EPS as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or otherwise acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares and the amount (if any) borrowed by the Company to fund the purchase or acquisition and whether the Shares purchased or otherwise acquired are cancelled or held as Treasury Shares.

For illustrative purposes only, the financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for FY2016, are based on the assumptions set out below.

2.8.1 Share Buyback Mandate

It has been assumed that the Share Buyback Mandate was effective as at the Latest Practicable Date.

2.8.2 Number of Shares purchased or acquired

Purely for illustrative purposes, on the basis of 250,447,985 Shares in issue at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 25,044,798 Shares.

2.8.3 Maximum Price paid for Shares purchased or acquired

In the case of Market Purchases by the Company, assuming that the Company purchases or acquires 10% of its issued Shares at the Maximum Price of S\$0.1245 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares over the last five (5) Market Days on the SGX-ST which transactions in the Shares were recorded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase or acquisition of 25,044,798 Shares is S\$3.12 million.

In the case of an Off-Market Purchase by the Company, assuming that the Company purchases or acquires 10% of its issued Shares at the Maximum Price of S\$0.1423 for one Share (being the price equivalent to 20% above the Average Closing Price of the Shares over the last five (5) Market Days on the SGX-ST which transactions in the Shares were recorded immediately preceding the Latest Practicable Date, the maximum amount of funds required for the purchase or acquisition of 25,044,798 Shares is S\$3.56 million.

2.8.4 Illustrative financial effects

For illustrative purposes only and based on the assumptions set out in Clauses 2.8.1 to 2.8.3 of this Letter and further assuming that the Share Buyback Mandate will be funded by the Company solely from internal funds and had been effective and the purchase of the Shares took place at the beginning of FY2016 on 1 January 2016, the financial effects of:

- (a) the purchase or acquisition of 25,044,798 Shares by way of Market Purchases pursuant to the Share Buyback Mandate made entirely out of capital and cancelled; and

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- (b) the purchase or acquisition of 25,044,798 Shares by way of Off-Market Purchases pursuant to the Share Buyback Mandate made entirely out of capital and held as Treasury Shares (25,044,798 Shares being the maximum number of Shares which may be held as Treasury Shares under the Act after taking into consideration that no Shares are held by the Company as Treasury Shares as at the Latest Practicable Date),

on the audited financial statements of the Company and the Group for FY2016 are set out below.

(a) Market Purchases of 10% of issued Shares made entirely out of capital and cancelled

	Group		Company	
	Before Share Buy-Back S\$'000	After Share Buy-Back S\$'000	Before Share Buy-Back S\$'000	After Share Buy-Back S\$'000
As at 31 December 2016				
Share capital	36,412	33,293	36,412	33,293
Reserves	(10,451)	(10,451)	(14,533)	(14,533)
Treasury Shares	—	—	—	—
Shareholders' equity	25,961	22,842	21,879	18,760
NTA	25,271	22,152	21,846	18,727
Current assets	56,166	53,047	14,514	11,395
Current liabilities	39,044	39,044	518	518
Working capital	17,122	14,003	13,996	10,877
Total borrowings	13,097	13,097	—	—
Profit attributable to Shareholders	(11,194)	(11,194)	(6,182)	(6,182)
Cash and cash equivalents	25,028	21,909	3,080	(39)
Total number of issued Shares ('000)	250,448	225,403	250,448	225,403
Weighted average number of Shares ('000)	219,120	197,208	219,120	197,208
Financial Ratios				
NTA per Share ⁽¹⁾ (cents)	10.09	9.83	8.72	8.31
Gearing ratio ⁽²⁾ (times)	0.50	0.57	0.00	0.00
Current ratio (times)	1.44	1.36	28.02	22.00
EPS ⁽³⁾ (cents)	(5.11)	(5.68)	(2.82)	(3.13)

Notes:

- (1) NTA per Share equals to NTA (excludes minority interests) divided by the number of Shares outstanding as at 31 December 2016.
- (2) Gearing ratio represents total borrowings divided by Shareholders' equity.
- (3) EPS is calculated based on profit attributable to Shareholders and aggregated weighted average number of issued and paid-up Shares (excluding Treasury Shares) based on the FY2016 Results.

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(b) Off-Market Purchases of 10% of issued Shares made entirely out of capital and held as Treasury Shares

	Group		Company	
	Before Share Buy-Back	After Share Buy-Back	Before Share Buy-Back	After Share Buy-Back
As at 31 December 2016 ^f	S\$'000	S\$'000	S\$'000	S\$'000
Share capital	36,412	36,412	36,412	36,412
Reserves	(10,451)	(10,451)	(14,533)	(14,533)
Treasury Shares	–	(3,564)	–	(3,564)
Shareholders' equity	25,961	22,397	21,879	18,315
NTA	25,271	21,707	21,846	18,282
Current assets	56,166	52,602	14,514	10,950
Current liabilities	39,044	39,044	518	518
Working capital	17,122	13,558	13,996	10,432
Total borrowings	13,097	13,097	–	–
Profit attributable to Shareholders	(11,194)	(11,194)	(6,182)	(6,182)
Cash and cash equivalents	25,028	21,464	3,080	484
Total number of issued Shares ('000)	250,448	225,403	250,448	225,403
Weighted average number of Shares ('000)	219,120	197,208	219,120	197,208
Financial Ratios				
NTA per Share ⁽¹⁾ (cents)	10.09	9.63	8.72	8.11
Gearing ratio ⁽²⁾ (times)	0.50	0.58	0.00	0.00
Current ratio (times)	1.44	1.35	28.02	21.14
EPS ⁽³⁾ (cents)	(5.11)	(5.68)	(2.82)	(3.13)

Notes:

- (1) NTA per Share equals to NTA (excludes minority interests) divided by the number of Shares outstanding as at 31 December 2016.
- (2) Gearing ratio represents total borrowings divided by Shareholders' equity.
- (3) EPS is calculated based on profit attributable to Shareholders and aggregated weighted average number of issued and paid-up Shares (excluding Treasury Shares) based on the FY2016 Results.

The actual impact will depend on the number and price of the Shares bought back. As stated, the Directors do not propose to exercise the Share Buyback Mandate to such an extent that it would have a material adverse effect on the working capital requirements and/or gearing of the Group. The purchase of Shares will only be effected after assessing the relative impact of a Share Buyback taking into consideration both financial factors (such as cash surplus, debt position and working capital requirements) and non-financial factors (such as share market conditions and performance of the Shares).

Shareholders should note that the financial effects illustrated above, based on the respective aforesaid assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on the audited accounts of the Company and the Group for FY2016, and is not necessarily representative of the future financial performance of the Company and the Group.

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It should be noted that although the Share Buyback Mandate would authorise the Company to purchase or otherwise acquire up to ten per cent. (10%) of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or otherwise acquire the entire ten per cent. (10%) of the issued Shares. In addition, the Company may cancel, or hold as Treasury Shares, all or part of the Shares purchased or otherwise acquired. The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase or acquisition before execution.

2.9 Interested persons

The Company is prohibited from knowingly buying Shares on the SGX-ST from an interested person, that is, a Director, the chief executive officer of the Company or controlling Shareholder of the Company or any of their associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

2.10 Take-over implications arising from Share Buybacks

Appendix 2 of the Take-over Code ("**Appendix 2**") contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.10.1 Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**"). Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14.

2.10.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter-alia*, the following individuals and companies to be acting in concert with each other:-

- (a) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

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- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2.

2.10.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, Treasury Shares shall be excluded.

Under Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

2.10.4 Application of the Take-over Code

As at the Latest Practicable Date, based on the interest of the substantial Shareholders recorded in the Register of Substantial Shareholders and the interests of the Directors recorded in the Register of Directors' Shareholdings, the Directors are not aware of any Shareholder and persons acting in concert with him who may become obligated to make a mandatory take-over offer for all the Shares in the event that the Directors exercise the power to repurchase the maximum limit of ten per cent. (10%) of its issued share capital pursuant to the Share Buyback Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

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2.11 Listing Status of Shares on the SGX-ST

Rule 723 of the Catalist Rules requires a listed company to ensure that at least 10% of the total number of issued shares (excluding Treasury Shares, preference shares and convertible equity securities) in a class that is listed is at all times held by public shareholders.

The expression “**public**” is defined under the Catalist Rules as persons other than (a) the directors, chief executive officer, substantial shareholders or controlling shareholders of a company and its subsidiaries and (b) the associates (as defined in the Catalist Rules) of the persons described in paragraph (a).

The Catalist Rules requires a listed company to ensure that at least 10% of its issued Shares excluding Treasury Shares must be held by public shareholders. As at the Latest Practicable Date, approximately 50.69% of the issued Shares of the Company are held by public shareholders. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Buyback Mandate on the Latest Practicable Date, approximately 45.21% of the issued Shares of the Company will be held by public shareholders.

Accordingly, the Company is of the view that there is a sufficient number of Shares held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10% limit pursuant to the proposed Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

2.12 No Share Buybacks in the previous twelve (12) months

The Company has not purchased or acquired any Shares during the 12-month period immediately preceding the Latest Practicable Date.

2.13 Timing of purchases

While the Catalist Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in observing the best practices recommended in the Catalist Rules on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of one (1) month immediately preceding the announcement of the Company’s half-year and full-year results, as the case may be, and ending on the date of announcement of the relevant results.

2.14 Tax implications

Shareholders who are in doubt as to their respective tax positions or the tax implications arising from the purchase or acquisition of Shares by the Company, or who may be subject to tax in a jurisdiction, should consult their own professional advisers.

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3 INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

3.1 Interests in the Company

Based on the Company's registrar of interest of Directors and register of substantial Shareholders respectively, as at the Latest Practicable Date, the interests of the Directors and substantial Shareholders in the Company in the Shares before and after the purchase or acquisition of Shares pursuant to the Share Buyback Mandate, assuming (a) the Company purchases or acquires the maximum amount of ten per cent (10%) of the total number of issued Shares, and (b) there is no change in the number of Shares held by the Directors and/or substantial Shareholders or in which they are deemed interested, are as follows:

Directors and/ or substantial shareholders	Before the Share Buyback				After the Share Buyback	
	Direct Interest (No. of Shares)	Deemed Interest (No. of Shares)	Total Interest (No. of Shares)	Total Interest (%)	Total Interest (No. of Shares)	Total Interest (%)
Lim Teck Chuan	28,432,561	–	28,432,561	11.35	28,432,561	12.61
Ong Mun Wah	27,523,000	–	27,523,000	10.99	27,523,000	12.21
Ng Quek Peng	27,000,000	–	27,000,000	10.78	27,000,000	11.98
Wong Leon Keat ⁽¹⁾	12,000,000	11,200,000	23,200,000	9.26	23,200,000	10.29
Tsng Joo Peng ⁽²⁾	16,300,000	1,048,426	17,348,426	6.93	17,348,426	7.70
Goh Teck Sia	–	–	–	–	–	–
Lau Lee Hua	–	–	–	–	–	–
Ronnie Tan Siew Bin	–	–	–	–	–	–

Notes:

(1) Wong Leon Keat is deemed to be interested in the 11,200,000 Shares held by his spouse, Mdm Edi Ng.

(2) Tsng Joo Peng is deemed to be interested in the 1,048,426 Shares pledged to Citibank Nominees Singapore Pte Ltd.

4 ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2017 AGM and who wish to appoint a proxy to attend and vote at the 2017 AGM on their behalf should complete, sign and return the proxy form attached to this Letter in accordance with the instructions printed thereon. The completed and signed proxy form should then be returned as soon as possible and in any event so as to arrive at the Company's registered office at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119, not later than 48 hours before the time fixed for the 2017 AGM. Shareholders who have completed and returned the proxy form may still attend and vote in person at the 2017 AGM, if they so wish, in place of their proxy. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the 2017 AGM if he so wishes in place of the proxy.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2017 AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by the CDP at least 72 hours before the 2017 AGM.

5 RECOMMENDATION OF DIRECTORS

The Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 9 as stated in the Notice of 2017 AGM in respect of the proposed renewal of the Share Buyback Mandate to be proposed at the 2017 AGM.

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6 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

7 DOCUMENTS FOR INSPECTION

Shareholders should note that copies of the following documents will be available for inspection during normal business hours at the Company's registered office at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 from the date of this letter up to the date of the 2017 AGM:

- (a) the Memorandum and Constitution of the Company; and
- (c) the annual report of the Company for FY2016.

Yours faithfully

For and on behalf of the Board of Directors of
NATURAL COOL HOLDINGS LIMITED

Goh Teck Sia
Independent Non-Executive Chairman
10 April 2017