



ISOTEAM LTD.

(Company Registration No: 201230294M)

(Incorporated in the Republic of Singapore on 12 December 2012)

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF RONG SHUN ENGINEERING & CONSTRUCTION PTE. LTD.

1. INTRODUCTION

The Board of Directors (the "Board" or "Directors") of ISOTEAM Ltd. (the "Company" and together with its subsidiaries, the "Group") wishes to announce that the Company has on 5 January 2017 entered into a share sale agreement (the "Agreement") with Ting Guak Choo (the "Vendor") for the proposed acquisition by the Company of the entire issued and paid-up share capital of Rong Shun Engineering & Construction Pte. Ltd. ("Rong Shun") from the Vendor ("Proposed Acquisition") at an aggregate purchase consideration of S\$6,450,000 (the "Purchase Consideration").

2. INFORMATION ON THE TARGET

Rong Shun, a company incorporated in Singapore, is principally engaged in the provision of building construction, renovation related services and electrical works including electrical installation, provision fire alarm system, security system and all wire related works. It has an issued and paid-up share capital of S\$500,002 divided into 500,002 ordinary shares (the "Sale Shares"). The Vendor is the sole shareholder and director of Rong Shun.

The unaudited net tangible asset ("NTA") of Rong Shun as at 30 September 2016 was approximately S\$3,031,000. Rong Shun registered an unaudited profit before tax of approximately S\$3,080,000 for the financial year ended 30 September 2016. No independent valuation was conducted on Rong Shun.

3. PURCHASE CONSIDERATION

3.1 The Purchase Consideration of S\$6,450,000 was arrived at on a willing buyer and willing seller basis, taking into account Rong Shun's NTA of approximately S\$3,031,000 based on its unaudited financial statements as at 30 September 2016 (the "RS 2016 NTA"), Rong Shun's order book as at 30 September 2016 ("Existing Order Book") and other future economic benefits in financial and non-financial aspects. The Purchase Consideration amounted to approximately 1.97 times of Rong Shun's NTA (approximately S\$3,281,000) as at the date of the Agreement, which has been adjusted to take into account the increase in share capital of Rong Shun on 24 October 2016.

3.2 The Purchase Consideration will be satisfied by the Company in the following manner:

(i) On the date of completion of the Proposed Acquisition (the "Completion Date"):-

(a) The sum of S\$3,675,000, equivalent to approximately 57% of the Purchase Consideration shall be paid to the Vendor in cash;

- (b) The sum of S\$1,575,000, equivalent to approximately 25% of the Purchase Consideration shall be settled by the Company by submitting the necessary transfer forms to CDP to effect the transfer out of treasury to the Vendor, such number of the Company's shares (fractional entitlements to be rounded up to nearest number of shares) ("First Tranche Consideration Shares"), at a transfer price per share which shall be equivalent to a premium of 5% of the 30-day volume weighted average share price ("VWAP") of the Company's shares traded on Catalist immediately prior to the Completion Date;
 - (ii) On the date falling one year after the Completion Date ("Second Tranche Date") and subject to paragraph 4.4, the sum of S\$600,000, equivalent to approximately 9% of the Purchase Consideration shall be settled by the Company by submitting the necessary transfer forms to CDP to effect the transfer out of the treasury to the Vendor, such number of the Company's shares (fractional entitlements to be rounded up to nearest number of shares) ("Second Tranche Consideration Shares") at a transfer price per share which shall be equivalent to a premium of 5% of the 30-day VWAP of the Company's shares traded on Catalist immediately prior to the Second Tranche Date;
 - (iii) On the date falling two years after the Completion Date ("Third Tranche Date") and subject to paragraph 4.4, the sum of S\$600,000, equivalent to approximately 9% of the Purchase Consideration shall be settled by the Company by submitting the necessary transfer forms to CDP to effect the transfer out of the treasury to the Vendor, such number of the Company's shares (fractional entitlements to be rounded up to nearest number of shares) ("Third Tranche Consideration Shares") at a transfer price per share which shall be equivalent to a premium of 5% of the 30-day VWAP of the Company's shares traded on Catalist immediately prior to the Third Tranche Date; and
 - (iv) In the event that the Company does not hold the necessary number of the Company's shares to be able to instruct CDP to transfer out of treasury before the Completion Date, Second Tranche Date or Third Tranche Date (as applicable), the Company may settle the remaining Purchase Consideration by way of cheque in favour to the Vendor.
- 3.3 Pursuant to the Company's share buyback mandate obtained on 25 October 2016 (being the date of the Company's last annual general meeting), the Company is authorised to purchase up to 28,466,595 ordinary shares in the capital of the Company (the "Shares") during the period commencing 25 October 2016 and expiring on the date the next annual general meeting of the Company is or is required to be held, whichever is the earlier. As at the date of this announcement, the Company has 4,743,634 treasury shares and will accordingly, make purchases of its shares to satisfy the Purchase Consideration.

4. WARRANTY ON NET TANGIBLE ASSETS, ACCOUNTS RECEIVABLES PROFIT GUARANTEE

- 4.1 The Vendor warrants and guarantees to the Company that Rong Shun's NTA as at 30 September 2016 as reflected in its audited accounts (which are currently being prepared) shall be no less than S\$3,030,729, and shall include full provision for all liabilities (whether actual, potential or contingent), trade and other receivables and retention amounts.
- 4.2 The Vendor warrants and guarantees, and undertakes to procure, that all account and trade receivables of Rong Shun being sums due or accruing to it as at the Completion Date ("AR") are collectible in the ordinary course of business and are not of doubtful nature, and shall in any event be repaid to Rong Shun:
- (a) in respect of the AR as at 30 September 2016, within two (2) years from the date of the Agreement, unless agreed otherwise in writing by the Company (at its sole discretion) for such deadline to be extended; and

- (b) in respect of the AR arising during, or attributable to, the period between 1 October 2016 to the Completion Date, within two (2) years from the Completion Date.

In the event the AR is not fully repaid to Rong Shun within the applicable time period referred to above ("AR Deadlines"), the Vendor agrees and undertakes to compensate the Company by paying a cash sum being the amount of AR which remain outstanding and owing to Rong Shun after the relevant deadlines ("Overdue AR") within four (4) months of the relevant AR Deadlines.

The Parties acknowledge and agree that if Rong Shun receives payment of any Overdue AR at any time within one (1) year after the expiry of the relevant AR Deadlines for which the Vendor has already paid compensation, the Company shall reimburse such amount to the Vendor within four (4) months after the receipt of such payment.

- 4.3 The Vendor warrants and guarantees to the Company that Rong Shun shall, for the period from 1 October 2016 to 30 September 2019 ("Warranty Period"), (i) achieve a cumulative PBT of an aggregate sum representing at least 12% of the Existing Order Book ("Profit Guarantee"), and (ii) maintain the Existing Order Book to be no less than S\$13,118,846.94. For the avoidance of doubt, the PBT calculation shall be based on the work done by the company in each relevant year during the Warranty Period, any and all doubtful debts shall be deducted from the PBT for the purpose of calculating the Profit Guarantee, where doubtful debts are defined as sums or debts owing to the company by third parties arising from or in respect of the Existing Order Book, which remain outstanding or uncollected after six (6) months of their relevant payment due dates. In the event that the company fails to achieve the Profit Guarantee due to whatsoever reasons, the Vendor agrees and undertakes to compensate the Company by paying a cash sum being the difference between the Profit Guarantee and the actual PBT achieved for the Warranty Period, as compensation for the non-fulfilment of the Profit Guarantee.
- 4.4 Under the terms of the Agreement, the Company shall have the right to offset any sums owing by the Vendor to the Company under paragraphs 4.1, 4.2 and/or 4.3 from the remaining Purchase Consideration to be paid to the Vendor in accordance with paragraph 3.2. In the event that the sums owing by the Vendor to the Company under this paragraph 4 exceeds the remaining Purchase Consideration to be paid, the difference between such sums shall be settled by way of cash payment by the Vendor to the Company.
- 4.5 The Board is of the view that the Profit Guarantee from the Vendor is in the beneficial interest of the Company and its shareholders, taking into consideration the following factors:-
- (i) Strong professional and management staff. The core team of Rong Shun has more than 20 years of experience in electrical project management in Singapore. Chua Hoi Tek, the Managing Director of Rong Shun has more than 25 years of experience in electrical installation and upgrading works and is supported by a project director, a Licensed Electrical Worker ("LEW"), electrical/mechanical engineers, management staffs and tradesmen/workers.
 - (ii) Excellent track record. Rong Shun has an excellent project track record with public sector and government bodies such as National Environment Agency, Housing Development Board, Ministry of Defence, Ministry of Education, National Park Board, and various Town Councils. Recurring projects from business partners and clients are largely due to its reputation of consistency in quality workmanship and on time delivery track record.

- (iii) **Strong professional ethic.** Rong Shun has been able to fully comply with SP Services Ltd's code of practice and discharge its responsibility as Energy Market Authority's licensed electrical contractor in all its projects with the highest commitment and quality work.
 - (iv) **Strong business partner base.** Rong Shun has a wide network of more than 10 business partners which it works alongside for tenders of projects. Some of these partners include major construction firms and electrical companies in Singapore.
- 4.6 The quantum of the Profit Guarantee was derived after reviewing the track record, the unaudited financial statements of Rong Shun for the last completed financial year and Rong Shun's Existing Order Book.

5. CONDITIONS PRECEDENT

- 5.1 Completion of the Proposed Acquisition ("Completion") is conditional upon the fulfilment or waiver of the following conditions precedent:
- (i) the Company being satisfied with the results of the due diligence investigations (whether legal, financial, contractual, tax or otherwise) carried out by the Company in respect of Rong Shun, including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of Rong Shun;
 - (ii) all consents, approvals and authorisations of the bankers, financial institutions, landlords of leases, any other relevant third parties, government or regulatory authorities which are necessary in connection with the transfer of the Sale Shares from the Vendor to the Company and the ownership by the Company of the Sale Shares having been obtained, and if subject to conditions, on such conditions acceptable to the Company, and such consents, approvals and authorisation remaining in full force and effect and not being revoked prior to the Completion for the Sale Shares;
 - (iii) the approval of the Board of the Company for the transaction contemplated in the Agreement;
 - (iv) the approval of the shareholders of the Company in an extraordinary general meeting being obtained for the transactions contemplated in the Agreement upon the terms and conditions set out in the Agreement, including, *inter alia*, the acquisition of the Sale Shares and the transfer of the Consideration Shares (if required), and the approval and such other compliance requirements of the relevant authorities in Singapore (including but not limited to the Singapore Exchange Securities Trading Limited (the "SGX-ST") under the applicable laws and regulations in Singapore);
 - (v) all representations, warranties and undertakings of the Vendor and the Company under the Agreement being complied with, and being true, accurate and correct in all material respects as at the Completion Date, as if repeated at Completion and at all times between the date of the Agreement and the Completion Date;
 - (vi) each of the parties having performed all of the covenants and agreements required to be performed or caused to be performed by it under the Agreement;

- (vii) the Vendor or the Company not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the Agreement, 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;
 - (viii) there has been no change in the shareholding or capital structure of Rong Shun occurring on or before the Completion Date;
 - (ix) the delivery by the Vendor to the Company of the audited accounts and the management accounts, in form and substance acceptable to the Company;
 - (x) the delivery by the Vendor to the Company of evidence satisfactory to the Company that all guarantees or indemnities given by Rong Shun (if any) in respect of the performance of obligations of the Vendor have been released and discharged;
 - (xi) the entering into of a service agreement between each of Chua Hoi Tek and Kelvin Tan Meng Soo and the Company for a three-year term commencing on the Completion Date, the terms of which are acceptable to the Company.
- 5.2 If any of the conditions precedent set out in paragraph 5.1 above is not fulfilled by the Vendor or not waived by the Company within three months from the date of the Agreement, the Agreement shall *ipso facto* cease and determine at the sole option of the Company.

6. OTHER MATERIAL TERMS

- 6.1 The Vendor undertakes to indemnify the Company against any claim (including construction defect claim or indemnity claim) against Rong Shun for any work undertaken by Rong Shun prior to the Completion Date.
- 6.2 The First Tranche Consideration Shares, Second Tranche Consideration Shares and Third Tranche Consideration Shares shall be placed under moratorium for the following periods:
- (i) in respect of the First Tranche Consideration Shares, a period of one (1) year from the Completion Date ("**Initial First Tranche Moratorium**"), and a further period of one (1) year after the expiry of the Initial First Tranche Moratorium on 50% of the First Tranche Consideration Shares; and
 - (ii) in respect of the Second Tranche Consideration Shares and Third Tranche Consideration Shares, a period of six (6) months from the Second Tranche Date and Third Tranche Date respectively.

7. RATIONALE

The Proposed Acquisition will expand the Group's capability to offer a full suite of engineering services and solutions such as mechanical and electrical ("M&E"), air-conditioning, mechanical ventilation works, security, fire protection system as well as sanitary and plumbing services which complement our addition and alteration, upgrading and ID works into other sectors such as the private sector and across various industries including shopping malls, REITs, factories, schools, hospitals, offices, high-end hotels and residences without the need to outsource to other M&E contractors.

It will also be an opportunity for the Group to have internal Business Units' collaboration with Rong Shun's experienced engineering team headed by Mr Chua Hoi Tek who is also our Business Unit's Head for ISO-Landscape Pte. Ltd. and Kelvin Tan Meng Soo, the Operations Director of Rong Shun who is also our in-house LEW, and has more than 25 years of experience in the electrical engineering industry. This collaboration will see Business Units working together as one entity, leveraging on each others' networks and capabilities to offer a complete one-stop solution for our clients. This is expected to result in increased business opportunity and growth.

8. FINANCING

The Purchase Consideration will be funded by the proceeds from the placement of 9,000,000 Shares announced on 27 May 2015, and internal resources as well as by the transfer of the Consideration Shares.

9. FINANCIAL EFFECTS

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

The financial effects of the Proposed Acquisition were calculated based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2016 ("FY2016") and the unaudited management accounts of Rong Shun for the financial period from 1 July 2015 to 30 June 2016.

9.1 NTA

The financial effect of the Proposed Acquisition on the NTA per Share of the Group for FY2016, assuming that the Proposed Acquisition had been effected as at 30 June 2016 is as follows:

As at 30 June 2016	Before	After
	Proposed Acquisition	Proposed Acquisition
NTA (S\$'000)	48,505,000	50,189,000
Number of issued Shares	284,665,956	284,665,956
NTA per Share (cents)	17.04	17.63

9.2 Earnings per Share

The financial effect of the Proposed Acquisition on the earnings per Share of the Group for FY2016, assuming that the Proposed Acquisition had been effected on 1 July 2015 is as follows:

FY2016	Before	After
	Proposed Acquisition	Proposed Acquisition
Profit after tax and non-controlling interests (S\$'000)	9,227,000	10,986,052
Weighted average number of issued Shares	285,746,788	285,746,788
Earnings per Share (cents)	3.23	3.84

10. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Acquisition on the relevant bases set out in Rule 1006 of Section B: Rules of Catalist of the SGX-ST Listing Manual (the “**Catalist Rules**”) are as follows:

1006 (a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	Not applicable	
1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits	0.21% ⁽¹⁾	29.93% ⁽²⁾
1006 (c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation	5.90% ⁽³⁾	
1006 (d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	2.45% ⁽⁴⁾	
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	

Notes:

- (1) Based on Rong Shun's audited profit before tax of approximately S\$22,000 for the financial year ended 30 September 2015 and the Group's audited profit before tax of approximately S\$10,291,000 for FY2016.
- (2) Based on Rong Shun's unaudited profit before tax of approximately S\$3,080,000 for the financial year ended 30 September 2016 and the Group's audited profit before tax of approximately S\$10,291,000 for FY2016.
- (3) Based on the sum of approximately S\$6,285,913 (being the market value of the Consideration Shares assuming that 6,894,410 Consideration Shares are issued, based on the VWAP of the Shares on Catalist of S\$0.3787 on 4 January 2017 plus the cash consideration of S\$3,675,000) and the Company's market capitalisation of approximately S\$106,461,263 (being its issued ordinary share capital of 281,122,956 Shares (excluding treasury shares) and the VWAP of the Shares on Catalist of S\$0.3787 on 4 January 2017, which is the market day preceding the date of the Agreement).
- (4) Based on 6,894,410 Consideration Shares (assuming that the transfer price of the Consideration Shares is S\$0.4025 per share, being a premium of 5% of the 30-day VWAP of the Shares on Catalist of S\$0.3833 on 4 January 2017) and the Company's issued ordinary share capital of 281,122,956 Shares (excluding treasury shares).

As the relative figures computed on the bases set out in Rule 1006(b), (c) and (d) of the Catalist Rules are less than 75%, the Proposed Acquisition is not subject to the approval of the Company's shareholders at a general meeting.

11. SERVICE CONTRACT

No director is proposed to be appointed to the Company in connection with the Proposed Acquisition.

12. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

The Vendor is a director of ISO-Landscape Pte. Ltd., which is a wholly-owned subsidiary of the Company, and holds 3.60 million Shares, representing 1.28% of the total issued share capital of the Company. Save as aforesaid, the Company and its Directors and controlling shareholders are not related to the Vendor.

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

13. DOCUMENT FOR INSPECTION

A copy of the Agreement is available for inspection at the registered office of the Company at 57 Kaki Bukit Place Eunos Techpark Singapore 416231 during normal business hours for a period of three months from the date of this announcement.

By Order of the Board

Anthony Koh Thong Huat
Executive Director and Chief Executive Officer
5 January 2017

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.

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581, Telephone (65) 6415 9886.