



ISOTEAM

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 TMG PROJECTS 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 it has on 30 December 2015 entered into a share sale agreement (the "**Agreement**") with Lim Chiew Hoe and Sia Lay Tin (collectively, the "**Vendors**") for the proposed acquisition by the Company of the entire issued and paid-up share capital of TMG Projects Pte. Ltd. (the "**TMG**") from the Vendors ("**Proposed Acquisition**") at an aggregate purchase consideration of S\$4,000,000 (the "**Purchase Consideration**").

2. INFORMATION ON THE TARGET

TMG, a company incorporated in Singapore, is principally engaged in the business of general engineering works and contractors, providing architectural and interior construction solutions incorporating advance building technologies. TMG utilises advanced building technologies such as Light Gauge Steel Construction ("LGSC") method which shortens completion time, resulting in lower cost compared to the conventional construction method of erecting load bearing walls. It has an issued and paid-up share capital of S\$1,500,000 divided into 1,500,000 ordinary shares (the "**Sale Shares**").

The audited net tangible asset ("**NTA**") of TMG as at 31 December 2014 was approximately S\$1,711,433. TMG registered a profit before tax of approximately S\$94,827 for the financial year ended 31 December 2014. No independent valuation was conducted on TMG.

3. PURCHASE CONSIDERATION

The Purchase Consideration of S\$4,000,000 was arrived at on a willing buyer and willing seller basis, taking into account TMG's net tangible assets of approximately S\$2,083,790 based on its management accounts as at 30 September 2015 (the "**TMG 2015 NTA**"), TMG's order book as at 30 September 2015 and other future economic benefits in financial and non-financial aspects. The Purchase Consideration amounted to approximately 1.92 times of TMG 2015 NTA.

The Purchase Consideration will be satisfied by the Company in the following manner on the date of completion of the Proposed Acquisition (the "**Completion**"):

- (i) The sum of S\$2,400,000, equivalent to 60% of the Purchase Consideration, will be paid to the Vendors in cash;

- (ii) The sum of S\$1,600,000, equivalent to 40% of the Purchase Consideration, will be settled through the transfer of 2,539,683 treasury shares in the capital of the Company (the "**Consideration Shares**") to the Vendors at a transfer price of S\$0.63 for each Consideration Share. Such transfer price is at a premium of 2.99% to the volume weighted average prices per ordinary share of the Company for trades done on Catalist on the full market day immediately preceding the date of the Agreement. In the event that the Company does not have the necessary Consideration Shares before the date of Completion, the Company will settle the remaining Purchase Consideration in cash within three months from the date of the Agreement.

Pursuant to the Company's share buyback mandate obtained on 27 October 2015 (being the date of the Company's last annual general meeting), the Company is authorised to purchase up to 14,293,329 ordinary shares in the capital of the Company during the period commencing 27 October 2015 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 does not have any treasury shares and will accordingly, make purchases of its shares to satisfy the Purchase Consideration.

4. CONDITIONS PRECEDENT

4.1 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 TMG, including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of TMG;
- (ii) all consents, approvals and authorisations of the bankers, financial institutions (including but not limited to Malayan Banking Berhad), landlords of leases (including but not limited to the Housing and Development Board), any other relevant third parties, government or regulatory authorities (including waiver of pre-emption rights from the existing shareholders of TMG) which are necessary in connection with the transfer of the Sale Shares from the Vendors 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 authorisations remaining in full force and effect and not being revoked prior to the Completion;
- (iii) the approval of the Board of the Company for the Proposed Acquisition;
- (iv) the approval of the shareholders of the Company in an extraordinary general meeting being obtained for the Proposed Acquisition 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 Vendors and the Company under the Agreement being complied with, and being true, accurate and correct in all respects as at the date of Completion, as if repeated at Completion and at all times between the date of the Agreement and the date of Completion;
- (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 Vendors 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 TMG occurring on or before the date of Completion;
- (ix) the delivery by the Vendors to the Company of the audited financial statements of TMG as at 31 December 2014 and the unaudited management financial statements of TMG as at 30 September 2015, in form and substance acceptable to the Company;
- (x) the delivery by the Vendors to the Company of evidence satisfactory to the Company that all guarantees or indemnities given by TMG (if any) in respect of the performance of obligations of the Vendors have been released and discharged; and
- (xi) the entering into of a service agreement between Mr Lim Chiew Hoe and TMG for a three-year term commencing on the date of Completion, the terms of which are acceptable to the Company.

4.2 If any of the conditions precedent is not fulfilled by the Vendors 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.

5. OTHER MATERIAL TERMS

5.1 Lim Chiew Hoe agrees with the Company that the sum of S\$423,538.60 currently owing from TMG Cornerstone Pte. Ltd. to TMG will be offset against the Purchase Consideration (payable in cash) due to him. Lim Chiew Hoe currently is one of the directors and shareholders with shareholding interest of 75% in TMG Cornerstone Pte. Ltd.

5.2 Lim Chiew Hoe further agrees to indemnify the Company on:

- (i) any non-payment of the debt of S\$282,144.71 owing to TMG by Long Chim (Singapore) Pte. Ltd., a customer of TMG; and
- (ii) any construction defect claim against TMG for work undertaken by TMG prior to the date of the Agreement.

5.3 The Consideration Shares shall be placed under moratorium for a period of one year from the date of Completion (the "**Initial Moratorium**"). Upon expiry of the Initial Moratorium, a further moratorium of another one year shall be imposed on 50% of the Consideration Shares (adjusted for any bonus issue or subdivision of shares).

6. RATIONALE

The Proposed Acquisition will enhance the Group's skill set in high value commercial interior design. This creates an opportunity for the Group to provide a total maintenance solution to clients. The provision of high quality workmanship and the delivery of cost efficient and reliable services by TMG will increase total customers' satisfaction.

The Proposed Acquisition will also be an opportunity for the Group to collaborate with an experienced management team headed by Lim Chiew Hoe, who has more than 30 years of experience in the interior design industry. This will enable the Group to expand its footprint into other sectors such as private sector across various industries including shopping malls,

real estate investment trusts, factories, schools, hospitals, offices, high-end hotels and residences.

7. FINANCING

The Purchase Consideration will be funded through internal resources and by the transfer of the Consideration Shares.

8. 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 of the Proposed Acquisition.

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 2015 ("FY2015") and the unaudited management accounts of TMG for the financial period from 1 July 2014 to 30 June 2015.

8.1 NTA

The financial effect of the Proposed Acquisition on the NTA per share of the Group for FY2015, assuming that the Proposed Acquisition had been effected as at 30 June 2015 is as follows:

| As at 30 June 2015 | Before Proposed Acquisition | After Proposed Acquisition |
|-------------------------|--------------------------------|-------------------------------|
| NTA (S\$'000) | 41,709 | 39,472 |
| Number of issued shares | 142,933,295 | 142,933,295 |
| NTA per share (cents) | 29.18 | 27.62 |

8.2 Earnings per share

The financial effect of the Proposed Acquisition on the earnings per share of the Group for FY2015, assuming that the Proposed Acquisition had been effected on 1 July 2014 is as follows:

| FY2015 | Before Proposed Acquisition | After Proposed Acquisition |
|--|--------------------------------|-------------------------------|
| Profit after tax and non-controlling interests (S\$'000) | 8,124 | 8,243 |
| Weighted average number of issued shares | 125,898,827 | 125,898,827 |
| Earnings per share (cents) | 6.45 | 6.55 |

9. 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 | 1.00% ⁽¹⁾ |
| 1006 (c) | Aggregate value of the consideration given or received, compared with the issuer’s market capitalisation | 4.52% ⁽²⁾ |
| 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 | 1.78% ⁽³⁾ |
| 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 TMG’s profit before tax of approximately S\$95,000 for the financial year ended 31 December 2014 and the Group’s profit before tax of approximately S\$9,519,000 for FY2015.
- (2) Based on the aggregate value of the purchase consideration of the Proposed Acquisition of S\$3.95 million (being the sum of the market value of 2,539,683 treasury shares of the Company of S\$1,553,524 (based on the volume weighted average price of the Company’s shares of S\$0.6117 on 29 December 2015) and the cash consideration of S\$2,400,000) and the Company’s market capitalisation of approximately S\$87.43 million (being its issued ordinary share capital of 142,933,295 shares and the volume weighted average price of the Company’s shares of S\$0.6117 on 29 December 2015, which is the last market day where the shares of the Company were traded preceding the date of the Agreement).
- (3) Based on the 2,539,683 treasury shares of the Company to be transferred and the 142,933,295 existing issued ordinary shares in the capital of the Company.

10. SERVICE CONTRACT

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

11. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

The Company and its Directors and controlling shareholders are not related to the Vendors.

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.

12. 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
Chief Executive Officer
30 December 2015

*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.