



ISOTEAM LTD.

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

PROPOSED ACQUISITION OF THE PURE GROUP ENTITIES

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of ISOTeam Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 23 July 2019 entered into a conditional sale and purchase agreement (the “**Conditional SPA**”) with Coney International Ltd. (the “**Seller**”) and Peter Dodson Coney, for the proposed acquisition by the Company of the Seller’s entire equity interest in the following companies, as at the completion date, at an aggregate purchase consideration of S\$24,000,000, which will be paid out in the manner explained in paragraph 3.2 below (the “**Purchase Consideration**”) (the “**Proposed Acquisition**”):

Target Company (collectively, the “Target Companies”)	Seller’s equity interest acquired under the Proposed Acquisition	Shareholding Percentage in the Target Company
a) Pure Group (Singapore) Pte. Ltd. (“ Pure Singapore ”);	1 ordinary share	100%
b) Pure Projects (Philippines) Inc (“ Pure Philippines ”);	89,995 ordinary shares	99.9%
c) Pure Projects Construction Advisory Shanghai Co Ltd (“ Pure China ”);	Registered capital of USD140,000	100%
d) Pure Projects Management Sdn. Bhd. (“ Pure Malaysia ”);	1,000,000 ordinary shares	100%
e) Pure Projects SEA Pte. Ltd. (“ Pure SEA ”); and	120 ordinary shares	100%
f) Pure Projects SEA Ltd (“ Pure Thailand ”).	9,800 ordinary shares	49%

2. INFORMATION ON THE TARGET COMPANIES

- 2.1 The Seller is an investment holding company which holds, amongst others, the Target Companies. The Target Companies are principally engaged in the provision of project and construction management services, as well as commercial and retail fitting-out works in Singapore, Philippines, China, Malaysia and Thailand. Peter Dodson Coney and Jonathan Peter Coney, who are the key management of the Target Companies, have strong experience in project and construction management services, and will be entering into service agreements with the Company.

- 2.2 Based on the Accounts of the Target Companies (as set out in paragraph 2.3 below), the total unaudited net tangible asset (“**NTA**”) of the Target Companies as at 30 June 2018 was approximately S\$4,221,000. The Target Companies registered an aggregate unaudited profit after tax of approximately S\$2,205,000 for the period from 1 July 2017 to 30 June 2018. No independent valuation was conducted on the Target Companies.
- 2.3 The financial figures of the Target Companies set out in paragraph 2.2 above are based on the following:
- a) In relation to Pure Singapore, Pure Philippines, Pure China and Pure Malaysia, the unaudited management accounts from 1 July 2016 to 30 June 2018, and for the period from 1 July 2018 to 31 March 2019;
 - b) In relation to Pure SEA, the unaudited management accounts for the period from 31 January 2017 (being the date of incorporation) to 31 March 2019; and
 - c) In relation to Pure Thailand, the unaudited management accounts for the period from 8 October 2018 (being the date of incorporation) to 31 March 2019,
- (collectively, the “**Accounts**”).

3. PURCHASE CONSIDERATION

- 3.1 Under the Conditional SPA, the Purchase Consideration of S\$24,000,000 is calculated based on 6 times of the average earnings before interest and taxes (“**EBIT**”) of the Target Companies for the period from 1 July 2016 to 31 March 2019 of approximately S\$4,000,000 based on the Accounts. The Target Companies’ total EBIT for the period from 1 July 2016 to 31 March 2019 was approximately S\$4,305,000.
- 3.2 The Purchase Consideration will be satisfied in the following manner:
- a) On the date of completion, where the Sale Shares will be transferred to the Company, of the Proposed Acquisition (the “**Completion Date**”), the sum of S\$12,000,000 will be paid to the Seller in cash;
 - b) The balance S\$12,000,000 will be settled by the Company issuing 47,393,365 non-listed, transferable warrants, carrying the rights described in paragraph 4.1 below (“**Consideration Warrants**”). The Consideration Warrants will be deposited with an escrow agent (“**Escrow Agent**”) and will only be released to the Seller upon fulfillment of the respective profit targets as follows in accordance with the Conditional SPA and the escrow agreement:
 - (i) 11,848,341 Consideration Warrants, which value is equivalent to approximately S\$3,000,000 based on the closing price of the Company’s Shares on Catalist on the date of this announcement, will be released from escrow to the Seller upon the Target Companies’ achieving an audited consolidated profit after tax of at least S\$3,000,000 for the period from the Completion Date up to 30 June 2020 (“**FY2020 Earn-Out Payment**”) or, if the FY2020 Earn-Out Payment is not achieved, the Seller has made full payment in cash for the shortfall in the FY2020 Earn-Out Payment; and
 - (ii) 35,545,024, which value is equivalent to approximately S\$9,000,000, based on the closing price of the Company’s Shares on Catalist on the date of this announcement Consideration Warrants will be released from escrow to the Seller upon the Target Companies’ achieving an audited consolidated profit after tax of at least S\$5,000,000 for the period from 1 July 2020 to 30 June 2021 (“**FY2021 Earn-Out Payment**”) or, if the FY2021 Earn-Out Payment is not achieved, the Seller has made full payment in cash for the shortfall in the FY2021 Earn-Out Payment.

The Target Companies’ profit after tax for the FY2020 Earn-Out Payment and FY2021 Earn-Out Payment will exclude any management fees or overhead costs charged by the

Company to the Target Companies, as well as any gains and losses from exceptional or extraordinary items not from normal course of operations incurred by the Target Companies.

3.3 The Purchase Price will be subject to adjustments if the audited average EBIT for the period from 1 July 2016 to 31 March 2019 is less than S\$3,600,000.

3.4 As the Proposed Acquisition is still subject to the Company completing its due diligence on the Target Companies, the information required under Rule 1013 of the Catalist Rules will be provided in due course, inter alia, the Seller providing the audited accounts of the Target Companies, in order for the Directors of the Company to form a view/opinion in accepting the profit earn-out.

4. CONSIDERATION WARRANTS

4.1 Each Consideration Warrant, which is non-listed and transferable after they are released from escrow, are subject to the terms set out in the warrant subscription agreement to be executed by the parties on the Completion Date, which will include the following key terms as agreed upon in the Conditional SPA:

- a) **Exercise Price** – Each Consideration Warrant carries the right to subscribe for one (1) new ordinary share in the Company (“**Warrant Shares**”) at the exercise price of S\$0.2532, which represents a premium of approximately 1.24% to the volume weighted average price of S\$0.2501 for trades done on the SGX-ST for the full market day on 23 July 2019, being the full market day on which the shares of the Company (“**Shares**”) were traded on the date of the Conditional SPA.
- b) **Exercise Period** – The Consideration Warrants are exercisable during the 5 business days after the date of release of the respective Consideration Warrants from the escrow agent to the Seller as described in paragraph 3.2(b), on which exercise date the Seller must exercise the entire Consideration Warrants released from escrow at the same time and not only a part thereof.
- c) **Adjustments** – The Exercise Price and the number of Warrant Shares are subject to adjustments in the event of, amongst others, rights, bonus or capitalisation issues which will be set out in the warrant subscription agreement.
- d) **Expiry** – The Consideration Warrants will expire after the Exercise Period. If the Consideration Warrants are not released from escrow within 90 business days from the date of the relevant audited financial statements of the Target Companies, due to non-fulfilment of the respective profit targets or failure to pay cash compensation for any shortfall (as described in paragraph 3.2(b)), the respective Consideration Warrants will automatically lapse and cease to be valid.
- e) **Alterations** – Any material alterations to the terms of the Consideration Warrants after issue will need to be approved by shareholders of the Company, except where such alterations are made pursuant to the terms and conditions of the Consideration Warrants.

4.2 The Warrant Shares, when allotted and issued, will rank in all respects *pari passu* with the existing issued Shares, save that they will not rank for any dividends, rights, allotments or other distributions unless the Consideration Warrants are exercised before the relevant record date for dividends, rights, allotments or other distributions. As the Consideration Warrants will be issued pursuant to the exemption under Section 275 of the Securities and Futures Act (Chapter 289), no prospectus or offer information statement will be issued by the Company in connection with the Consideration Warrants.

4.3 Pursuant to the Company’s general share issuance mandate obtained on 26 October 2018 (being the date of the Company’s last annual general meeting), the maximum number of new Shares the Company is authorised to issue and allot other than on a pro-rata basis is 142,415,281 ordinary shares. As maximum number of Warrant Shares to be issued pursuant to the full exercise of the Consideration Warrants is 47,393,365, the Consideration Warrants and Warrant Shares will be issued pursuant to the Company’s existing general share issuance mandate. The Sponsor will be submitting an additional listing confirmation to the SGX-ST on behalf of the Company for the listing and quotation of the Warrant Shares on Catalist. The 47,393,365 Warrant Shares is approximately 16.62% of the Company’s existing issued ordinary share capital of 285,130,562 Shares.

4.4 The Seller does not hold any Shares and does not have any connection with the Company, its Directors and substantial shareholders (save for business transactions between the Seller and the Group which are conducted on normal commercial terms).

5. CONDITIONS PRECEDENT

5.1 Completion of the Proposed Acquisition ("**Completion**") is conditional upon the fulfillment or waiver of certain conditions precedent, including:

- a) all consents and waivers in writing from any person as required for the Proposed Acquisition;
- b) no material adverse effect on the financial position and business of the Target Companies as at Completion;
- c) the Company having completed the necessary fund-raising exercise and having received such funds which it requires to fund the Proposed Acquisition;
- d) the entering into of service agreements with Peter Dodson Coney and Jonathan Peter Coney, for a two-year term commencing on the Completion Date, which will be renewable for a further two-year term on mutually agreed terms; and
- e) the necessary regulatory approvals from the SGX-ST for the issue of the Consideration Warrants and the listing and quotation of the Warrant Shares.

5.2 If any of the conditions precedent set out in paragraph 5.1 above is not fulfilled by the respective party, or waived by the other party within 21 business days from 30 August 2019, the other party will be entitled to terminate the Conditional SPA by written notice.

6. OTHER MATERIAL TERMS

6.1 Under the Conditional SPA, the Seller is entitled to the retained earnings and accounts receivables of the Target Companies up to the Completion Date, based on the audited financial statements of the Target Companies prepared up to the Completion Date, which will only be paid out if the Target Companies continue to maintain at least S\$900,000 working capital.

6.2 The Seller and Peter Dodson Coney have also undertaken to indemnify the Company against any claim (including construction defect claim or indemnity claim) against the Target Companies for any work undertaken by the Target Companies prior to the Completion Date, and any liabilities incurred by the Target Companies attributable to matters occurring prior to the Completion Date, provided that the Company first seeks compensation from insurers under existing insurance policies, and the Seller's liability is capped at S\$8,000,000 (including any compensation obtained from insurers), and Peter Dodson Coney's liability is capped at S\$12,000,000 (including any compensation from insurers and the Seller). The indemnity for liabilities relating to tax issues and related penalties from governmental or regulatory authorities is not subject to any warranty limit.

6.3 The parties have also agreed in the Conditional SPA that they will enter into the following license agreements on the Completion Date:

- a) The Seller's grant of license rights to the Company to use the "Pure Projects" trademark and brand name in Singapore, China, Malaysia, Philippines and Thailand in perpetuity for a one-time nominal fee of S\$100; and
- b) Pure Singapore's grant of license rights to the Seller to continue developing and updating a specific software application and program which belongs to Pure Singapore. Under this license agreement, the Seller will be entitled to monetise the software application and program on the basis that the Seller will directly enter into written agreements with the third parties and be solely responsible for any liabilities under such agreements. The

Seller is also required to ensure that the Company will continue to have the right to use the software application and program at no or nominal cost for its business operations following such monetisation.

7. RATIONALE

The Proposed Acquisition will expand the Group's capability to offer the full suite of project and construction management services in addition to its existing engineering services and solutions including repairs and redecoration, addition and alteration, upgrading and interior design works, mechanical ventilation works as well as fire protection system. This will be an opportunity for the Group to leverage on the networks and capabilities of the Target Companies as a project and construction manager and this is expected to result in increased business opportunities and growth for the Group.

8. FINANCING

The Company intends to fund the Purchase Consideration with proceeds from fund raising exercise(s) to be undertaken by the Company, and internal resources as well as by the issue and allotment of the Consideration Warrants. The Company will make the necessary announcements to update shareholders on any material developments as and when appropriate.

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 2018 ("FY2018") and the Accounts of the Target Companies.

9.1 NTA

The financial effect of the Proposed Acquisition on the NTA per Share of the Group for the financial year ended 30 June 2018 ("FY2018"), assuming that the Proposed Acquisition had been effected as at 30 June 2018 is as follows:

As at 30 June 2018	Before the Proposed Acquisition	After the Proposed Acquisition	After the Proposed Acquisition without the Warrant Shares
NTA (S\$'000)	53,606	54,274	54,274
Number of issued ordinary shares	285,130,562	332,523,927 ⁽¹⁾⁽²⁾	285,130,562 ⁽²⁾
NTA per share (cents)	18.80	16.32	19.03

Note:

- (1) Based on 47,393,365 Warrant Shares (assuming all the Consideration Warrants are released from escrow to the Seller and are fully exercised) and the Company's issued ordinary share capital of 285,130,562 as at 30 June 2018.
- (2) The computation is without the impact arising from the fund raising for the settlement of cash consideration.

9.2 Earnings per Share

The financial effect of the Proposed Acquisition on the earnings per Share of the Group for FY2018, assuming that the Proposed Acquisition had been effected on 1 July 2017 is as follows:

FY2018	Before the Proposed Acquisition	After the Proposed Acquisition
Profit after tax and non-controlling interests (S\$'000)	1,889	4,094 ⁽¹⁾
Weighted average number of issued ordinary shares	284,508,757	331,902,122 ⁽²⁾
Earnings per share (cents)	0.66	1.23

Note:

- (1) Based on the Group's profit after tax and the profit after tax generated by the Target Companies for the financial period from 1 July 2017 to 30 June 2018 as per their unaudited Accounts.
- (2) Based on the weighted average number of shares of 284,508,757 during FY2018 after taking into account the 47,393,365 Warrant Shares.

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:

Rule 1006	Bases	Relative figures
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	225.69% ⁽¹⁾
1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation	33.75% ⁽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	14.73% ⁽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 the Target Companies' unaudited profit before tax of approximately S\$9,145,000 for the financial period from 1 July 2018 to 31 March 2019 and the Group's unaudited profit before tax of approximately S\$4,052,000 for the financial period from 1 July 2018 to 31 March 2019.
- (2) Based on the Purchase Consideration of S\$24,000,000 and the Company's market capitalisation of approximately S\$71,104,452 (being its existing issued ordinary share capital of 283,623,662 Shares

(excluding treasury shares) and the VWAP of the corresponding Company Shares on Catalist of S\$0.2507 on 22 July 2019, which is the last full market day on which the Shares were traded prior to the date of the Conditional SPA).

- (3) Based on 47,393,365 Warrant Shares (assuming all the Consideration Warrants are released from escrow to the Seller and are fully exercised) and the Company's existing issued ordinary share capital of 283,623,662 Shares (excluding treasury shares).

As the relative figure computed based on Rule 1006(b) of the Catalist Rules exceeds 100%, the Proposed Acquisition would constitute a very substantial acquisition ("VSA") under Chapter 10 of the Catalist Rules. Notwithstanding the foregoing, pursuant to Rule 1015(8) of the Catalist Rules, as the only relative figure in Rule 1006 of the Catalist Rules that exceeds 100% is Rule 1006(b) relating to net profits, 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 Company and its Directors and controlling shareholders are not related to the Seller. Pure Singapore is one of the Company's existing customers. 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 Conditional SPA is available for inspection at the registered office of the Company at 8 Changi North Street 1, ISOTeam Building, Singapore 498829, during normal business hours for a period of three months from the date of this announcement.

14. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement 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 announcement in its proper form and context.

15. CAUTIONARY STATEMENT

The Company would like to highlight that the Proposed Acquisition is still under due diligence work and is dependent and subject to, inter alia, satisfactory due diligence, requisite approvals and complying to Rule 1013 of the Catalist Rule.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. The Proposed Acquisition is subject to the fulfilment of conditions precedent under the Conditional SPA. There is no certainty or assurance that the Proposed Acquisition will be completed. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Anthony Koh Thong Huat
Executive Director and Chief Executive Officer
24 July 2019

*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**").*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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