



ISOTEAM LTD.

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

PROPOSED ACQUISITION OF THE PURE GROUP ENTITIES – DISCLOSURES ON EARN-OUT PAYMENTS

Unless otherwise defined in this announcement, all capitalised terms used herein bear the same meanings as in the Announcements (as defined below).

The Board of Directors (the “**Board**”) of ISOTeam Ltd. (the “**Company**”) refers to the Company’s announcements dated 24 July 2019, 1 October 2019, 30 October 2019, 29 November 2019 and 2 January 2020 (the “**Announcements**”) in relation to the Conditional SPA relating to the Proposed Acquisition of the Target Companies.

Following completion of the Company’s financial due diligence on the Target Companies, the latest unaudited net assets of the Target Companies as at 31 March 2019 were approximately S\$13,268,000. The unaudited net profits attributable to the Target Companies from 1 July 2018 to 31 March 2019 were approximately S\$9,145,000.

The Purchase Consideration of S\$24,000,000 is at an 80.89% premium to the latest unaudited book value attributable to the Target Companies. The Purchase Consideration was calculated based on 6 times of the average earnings before interest and taxes of the Target Companies for the period from 1 July 2016 to 31 March 2019. The Purchase Consideration will be satisfied in the following manner: (i) on the date of completion of the Proposed Acquisition, the sum of S\$12,000,000 will be paid to the Seller in cash, and (ii) the balance S\$12,000,000 will be settled by the Company issuing 47,393,365 non-listed, transferable warrants which will be deposited with an escrow agent and will only be released to the Seller upon fulfilment of the FY2020 Earn-Out Payment and FY2021 Earn-Out Payment.

The Company has commissioned an independent professional valuer to undertake a valuation of the Target Companies. Based on the valuation report of the independent professional valuer dated 13 December 2019, the enterprise value of the Target Companies range between S\$20.5 million to S\$28.6 million as at 31 October 2019. The enterprise value range was derived using the income and market approach.

In relation to the FY2020 Earn-Out Payment and FY2021 Earn-Out Payment disclosed in paragraph 3.2 of the Company’s announcement dated 24 July 2019:

- (a) The Board is of the view that the profit targets are reasonable and help to safeguard the interests of the Company and the Shareholders, having taken into account, *inter alia*, the following factors: (i) the track record of the Target Companies based on the financial due diligence conducted; (ii) the potential of the businesses of the Target Companies based on the valuation report issued by Mazars LLP; (iii) the terms and rationale of the Proposed Acquisition; (iv) the mechanisms for recovery of any failure to reach the profit targets for the relevant financial year (as set out below) and (v) the current order book of the Target Companies;

- (b) The Board's views set out in paragraph (a) above are based on there being: (i) no change in the projected business development and growth plans of the Target Companies; (ii) no delays and/or cancellations of secured projects; (iii) no disruptive technology, unforeseen competition or adverse government policies which will have an effect on the operations of the Target Companies; (iv) sufficient liquidity and working capital for the operations of the Target Companies; (v) no material changes in the key personnel of the Target Companies; and (vi) no material undisclosed or contingent liabilities;
- (c) The Company will not be receiving any cash proceeds following the exercise of the Consideration Warrants as all proceeds will be offset against the balance S\$12.0 million Purchase Consideration payable to the Seller. However, prior to the release of the Pure Warrants from escrow, the Seller is required to either ensure that (i) the profit targets of S\$3.0 million for FY2020 and S\$5.0 million for FY2021 respectively are met; or (ii) compensate in cash for any shortfall in the profit target for the relevant financial year; and
- (d) The Company and Seller have appointed Tricor Singapore Pte. Ltd. as escrow agent to hold the Consideration Warrants on escrow, which will only be released to the Seller if the profit targets for the relevant financial year have been met.

A copy of the valuation report 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.

The Company will make the necessary announcement(s) as and when there are any material developments in relation to the Proposed Acquisition.

By Order of the Board

Anthony Koh Thong Huat
Executive Director and Chief Executive Officer
7 January 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It 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, #01-05 Hong Leong Building, Singapore 048581, Telephone (65) 6415 9886.