

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

Natural Cool Holdings Limited (Registration Number: 200509967G)

This announcement 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 Catalist. The Sponsor has not verified the contents of this announcement.

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

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PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR RESULT

1(a) (i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for corresponding period of the immediately preceding financial year

CONSOLIDATED INCOME STATEMENT

	Group		
	Half Year Ended 30 Jun 2017	2016	Increase/ (Decrease)
	S\$'000	S\$'000	%
Revenue	54,031	71,016	(23.92)
Cost of sales	(45,925)	(63,827)	(28.05)
Gross profit	8,106	7,189	12.76
Other income	301	1,148	(73.78)
Distribution expenses	(705)	(748)	(5.75)
Administrative expenses	(8,122)	(6,956)	16.76
Other expenses	(6)	(29)	(79.31)
Results from operating activities	(426)	604	
Finance costs	(225)	(368)	(38.86)
(Loss)/Profit before tax	(651)	236	
Tax credit/(expense)	21	(9)	NM
(Loss)/Profit for the period	(630)	227	
(Loss)/Profit attributable to:			
Owners of the Company	(605)	227	
Non-controlling interests	(25)	-	
(Loss)/Profit for the period	(630)	227	
(Loss)/Earnings per share:			
Basic and diluted earnings per share (cents)	(0.24)	0.11	

NM denotes not meaningful

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group Half Year Ended 30 June		Increase/ (Decrease)
	2017	2016	
	S\$'000	S\$'000	%
(Loss)/Profit for the period	(630)	227	
Other comprehensive income:			
Foreign currency translation differences from translation of foreign operations	(6)	31	NM
Total comprehensive (loss) / income for the period	<u>(636)</u>	<u>258</u>	
Total comprehensive income attributable to:			
Owners of the Company	(611)	257	
Non-controlling interests	(25)	1	
Total comprehensive (loss) / income for the period	<u>(636)</u>	<u>258</u>	

NM denotes not meaningful

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

1 (a) (ii) Other notes:

(Loss)/profit from operations is arrived at after charging/(crediting) the following items:

	Group	
	Half Year Ended 30 June	2016
	2017	2016
	S\$'000	S\$'000
Amortisation of deferred revenue	(650)	(650)
Amortisation of intangible assets	48	26
Bad debt recovered	(52)	(99)
Depreciation of property, plant and equipment	829	966
Foreign exchange gain – net	(9)	(7)
Gain on disposal of plant and equipment	(3)	(50)
Interest income	(9)	(128)
Legal and professional fees	1,062	250
Plant and equipment written-off	3	-
Utilisation of provision	(211)	-
Allowance for inventory obsolescence recognised	-	8
Reversal of trade and other payables	-	(387)

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

1 (b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of immediately preceding financial year.

STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	As at 30 Jun 17 S\$'000	As at 31 Dec 16 S\$'000	As at 30 Jun 17 S\$'000	As at 31 Dec 16 S\$'000
Assets				
Property, plant and equipment	21,942	21,512	28	23
Intangible assets	648	690	26	33
Subsidiaries	-	-	6,899	6,899
Other investments	928	928	928	928
Deferred tax assets	692	802	-	-
Non-current assets	24,210	23,932	7,881	7,883
Inventories	14,341	11,711	-	-
Trade and other receivables	20,344	19,427	12,157	11,434
Cash and cash equivalents	17,799	25,028	929	3,080
Current assets	52,484	56,166	13,086	14,514
Total assets	76,694	80,098	20,967	22,397
Equity				
Share capital	36,412	36,412	36,412	36,412
Reserves	(3,482)	(3,476)	300	300
Accumulated losses	(7,580)	(6,975)	(16,042)	(14,833)
Equity attributable to owners of the Company	25,350	25,961	20,670	21,879
Non-controlling interests	(26)	(1)	-	-
Total equity	25,324	25,960	20,670	21,879
Liabilities				
Loans & borrowings	9,498	12,097	-	-
Deferred tax liabilities	1,406	1,427	-	-
Provision	1,385	1,570	-	-
Non-current liabilities	12,289	15,094	-	-
Loans & borrowings	814	1,000	-	-
Trade and other payables	37,152	36,806	297	518
Provision	418	423	-	-
Current tax payable	697	815	-	-
Current liabilities	39,081	39,044	297	518
Total liabilities	51,370	54,138	297	518
Total equity and liabilities	76,694	80,098	20,967	22,397

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

1 (b) (ii) Aggregate amount of group's borrowing and debt securities.

	Group	
	As at	As at
	30 Jun 17	31 Dec 16
	S\$'000	S\$'000
Non-current liabilities		
<i>Unsecured</i>		
Term loans	-	574
<i>Secured</i>		
Bank loans	9,200	11,286
Finance lease liabilities	298	237
	9,498	11,523
	9,498	12,097
Current liabilities		
<i>Unsecured</i>		
Term loans	-	191
<i>Secured</i>		
Bank loans	670	763
Finance lease liabilities	144	46
	814	809
	814	1,000

Details of any collateral

The borrowings are secured on:-

- (i) property, plant and equipment with net book values amounting to S\$14,054,460 as at 30 June 2017 (31 December 2016 of S\$17,054,000);
- (ii) corporate guarantees by Natural Cool Holdings Limited.

The finance lease liabilities are secured by motor vehicles, equipment and machines under the leases.

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

1 (c) A statement of cash flow(for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	Half year ended 30 June	
	2017	2016
	S\$'000	S\$'000
Cash flows from operating activities		
(Loss)/Profit for the period	(630)	227
<u>Adjustments for:</u>		
Amortisation of deferred revenue	(650)	(650)
Amortisation of intangible assets	48	26
Depreciation of property, plant and equipment	829	966
Gain on disposal of plant and equipment	(3)	(50)
Plant and equipment written-off	3	-
Utilisation of provision	(211)	-
Tax (credit)/ expense	(21)	9
Interest expenses	225	368
Interest income	(9)	(128)
	<u>(419)</u>	<u>768</u>
<u>Changes in:</u>		
Inventories	(2,630)	2,006
Trade and other receivables	(917)	(5,416)
Trade and other payables	<u>1,004</u>	<u>(1,028)</u>
Cash flows used in operations	(2,962)	(3,670)
Income taxes paid	<u>(9)</u>	<u>(53)</u>
Net cash used in operating activities	<u>(2,971)</u>	<u>(3,723)</u>
 Cash flows from investing activities		
Interest received	9	129
Proceeds from disposal of property, plant and equipment	4	119
Purchase of computer software	(4)	(48)
Purchase of property, plant and equipment	(1,074)	(1,181)
Acquisition of subsidiary, net of cash acquired	-	130
Net cash used in investing activities	<u>(1,065)</u>	<u>(851)</u>

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Group	
	Half year ended 30 June	
	2017	2016
	S\$'000	S\$'000
Cash flows from financing activities		
Interest paid	(204)	(368)
Proceeds from bank borrowings	-	5,000
Repayment of bank borrowings	(2,945)	(5,311)
Repayment of finance lease liabilities	(40)	(112)
Net cash used in financing activities	(3,189)	(791)
 Net decrease in cash and cash equivalents	 (7,225)	 (5,365)
Effect of changes in foreign exchange rate	(4)	28
Cash and cash equivalents at beginning of period	25,028	36,900
Cash and cash equivalents at end of period	17,799	31,563

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

1(d) (i) A statement (for issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital reserve	Foreign currency translation reserves	Accumulated Profit / (Losses)	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2016	31,957	(3,078)	(368)	20,977	49,488	10	49,498
Total comprehensive income for the period							
Profit for the period	-	-	-	227	227	-	227
Other comprehensive income							
Foreign currency translation differences from translation of foreign operations	-	-	30	-	30	1	31
Total comprehensive income for the period	-	-	30	227	257	1	258
Transactions with owners, recognised directly in equity							
Issuance of new shares	2,700	-	-	-	2,700	-	2,700
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	25	25
Dividends declared	-	-	-	(16,759)	(16,759)	-	(16,759)
	2,700	-	-	(16,759)	(14,059)	25	(14,034)
At 30 June 2016	34,657	(3,078)	(338)	4,445	35,686	36	35,722

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Capital reserve	Foreign currency translation reserves	Accumulated losses	Total equity attributable to owners of the Company	Non- controlling interests	Total equity
<u>Group</u>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2017	36,412	(3,078)	(398)	(6,975)	25,961	(1)	25,960
Total comprehensive loss for the period							
Loss for the period	-	-	-	(605)	(605)	(25)	(630)
Other comprehensive loss							
Foreign currency translation differences from translation of foreign operations	-	-	(6)	-	(6)	-	(6)
Total comprehensive loss for the period	-	-	(6)	(605)	(611)	(25)	(636)
At 30 June 2017	36,412	(3,078)	(404)	(7,580)	25,350	(26)	25,324

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Capital reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
Company				
At 1 January 2016	31,957	300	8,107	40,364
Total comprehensive loss for the period				
Loss for the period	-	-	(50)	(50)
Transactions with owners, recognised directly in equity				
Issuance of new shares	2,700	-	-	2,700
Dividends declared	-	-	(16,759)	(16,759)
	2,700	-	(16,759)	(14,059)
At 30 June 2016	34,657	300	(8,702)	26,255
At 1 January 2017	36,412	300	(14,833)	21,879
Total comprehensive loss for the period				
Loss for the period	-	-	(1,209)	(1,209)
At 30 June 2017	36,412	300	(16,042)	20,670

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

- 1. (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There is no change in the Company's share capital from 31 December 2016 to 30 June 2017.

- (d) (iii) To show the total number of issued shares excluding treasury shares as at the end of current financial period and as at end of immediately preceding year.**

The total numbers of issued shares (excluding treasury shares) were 250,447,985 as at 30 June 2017 and 31 December 2016.

There were no treasury shares and subsidiary holdings as at 30 June 2017 and 31 December 2016.

- (d) (iv) A statement showing all sales, transfers, disposal, cancellation and/ or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- (d) (v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by the auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in those of the most recent audited financial statements for the financial year ended 31 December 2016.

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted the new and/or revised Financial Reporting Standards (FRSs) and interpretations that are effective for annual periods beginning 1 January 2017. Presently, the Group does not expect the adoption of the new and/or revised FRS and the interpretations to have any material impact on the financial statements of the Group for the current reporting period

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	Half year ended 30 June	
	2017	2016
Net (loss)/profit attributable to shareholders (S\$'000)	(605)	227
Weighted average number of ordinary share in issue (No. of shares)	250,447,985	209,107,326
Basic and diluted (loss)/earnings per share (Singapore cents)	(0.24)	0.11

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

	Group		Company	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Net assets attributable to shareholders (S\$'000)	25,350	25,961	20,670	21,879
Net asset value per share as at the end of the financial period/year (Singapore cents)	10.12	10.37	8.25	8.74

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, cost, and earnings of the group for the current financial period reported on including (where applicable) seasonal or cyclical factors.**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Income Statement

The Group generated revenue of S\$54.03 million in the half year ended 30 June 2017 ("HY2017"), a decrease of S\$16.99 million, or 23.92% as compared to the half year ended 30 June 2016 ("HY2016"). The decrease in revenue was due mainly to absence of project income from a number of larger projects which we saw in HY2016 but not in HY2017. Gross Profit margins improved by 5 percentage points despite lower revenue in HY2017 as the Group booked less lower margin project-based income in HY2017 as compared with HY2016.

Other income decreased by S\$0.85 million or 73.78% in HY2017. Other income in HY2016 related mainly to reversal of payables in Cambodia, interest income from fixed deposits, recovery of doubtful debts and gain on disposal of motor vehicles.

Administrative expenses increased by S\$1.17 million or 16.76% to S\$8.12 million due partly to higher legal and professional fees relating to the on-going corporate exercises and litigation that the Group is involved in, and higher salary expenses.

Review of Statements of Financial Position

Non-current assets increased by S\$0.28 million to S\$24.21 million as at 30 June 2017 from S\$23.93 million as at 31 December 2016 due mainly to addition of motor vehicles in HY2017.

Inventories increased by S\$2.63 million to S\$14.34 million as at 30 June 2017 due mainly to stocking up inventory to be delivered in the second half of 2017.

Trade and other receivables increased by S\$0.91 million to S\$20.34 million as at 30 June 2017 from S\$19.43 million as at 31 December 2016 due mainly to higher Aircon sales in May and June 2017.

Total loans and borrowings decreased by S\$2.79 million to S\$10.31 million as at 30 June 2017 from S\$13.10 million as at 31 December 2016. The decrease is due mainly to repayment of bank loans in respect of our Toh Guan property and reduction of our more expensive working capital financing facilities.

Trade and other payables increased by S\$0.34 million to S\$37.15 million as at 30 June 2017 from S\$36.81 million as at 31 December 2016 due mainly to higher Aircon purchases in May and June 2017.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Board of the Directors of the Company expects the Group's operating environment and conditions to be challenging for the next 12 months. The Group will continue to enhance its efforts to promote sales and to increase margins by improving operational efficiency and rationalising cost structure in order to enhance our competitiveness.

In respect of the Group investment in HMK Energy Pte. Ltd., the Board of the Directors continue to assess options with a view to unlocking shareholder value.

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2017

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

Not applicable

13. Interested person transaction

During the year, there were following significant related party transactions carried out in the normal course of business (excluding transaction less than S\$100,000) on term agreed between the parties.

There were no disclosable interested person transactions in HY2017.

14. Confirmation that the Issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of the Catalist Rules.

The Company confirms that it has procured all the required undertakings from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

15. Negative Assurance Confirmation on Interim Financial Result Pursuant to Rule 705 (5) of the Listing Manual

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the half year ended 30 June 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Wong Leon Keat
Managing Director

Tsng Joo Peng
Chief Executive Officer

Singapore
8 August 2017