

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2019

Natural Cool Holdings Limited (Registration Number: 200509967G)

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 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group		
	Half Year Ended 30 Jun		Increase/
	2019	2018	(Decrease)
	S\$'000	S\$'000	%
Revenue	67,258	65,991	1.9
Cost of sales	(57,280)	(57,382)	-0.2
Gross profit	9,978	8,609	15.9
Other income	106	662	-84.0
Distribution expenses	(1,312)	(1,145)	14.6
Administrative expenses	(8,103)	(8,099)	0.0
Reversal of impairment loss on trade receivables and contract assets	23	-	100.0
Other expenses	(62)	(15)	313.3
Results from operating activities	630	12	NM
Finance costs	(577)	(319)	80.9
Profit/(Loss) before tax	53	(307)	NM
Tax credit/(expense)	2	(17)	NM
Profit/(Loss) for the period	55	(324)	NM
Profit/(Loss) attributable to:			
Owners of the Company	517	(371)	NM
Non-controlling interests	(462)	47	NM
Profit/(Loss) for the period	55	(324)	NM
Other comprehensive income			
Foreign currency translation differences from translation of foreign operations	3	31	NM
Other comprehensive income for the period	3	31	-90.3
Total comprehensive profit/(loss) for the period	58	(293)	NM
Total comprehensive profit/(loss) attributable to:			
Owners of the Company	519	(338)	NM
Non-controlling interests	(461)	45	NM
Total comprehensive profit/(loss) for the period	58	(293)	NM

NM denotes not meaningful

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1 (a) (ii) Other notes:

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

	Group	
	Half Year Ended 30 Jun	
	2019	2018
	S\$'000	S\$'000
Amortisation of deferred revenue	-	(650)
Amortisation of intangible assets	122	70
Depreciation		
- Property, plant and equipment	951	1,119
- Right-of-use assets	1,665	-
Gain on disposal of property, plant and equipment	(11)	(48)
Interest income	(1)	(7)
Interest expenses		
- Loans and borrowings	384	284
- Lease liabilities	193	-
Unwinding of discount on onerous contract	-	35
Loss/(Gain) on foreign exchange - net	31	(13)
Plant and equipment written-off	8	5

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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	As at	As at	As at
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
Property, plant and equipment	55,176	32,658	19	16
Intangible assets and goodwill	1,859	1,977	1	1
Subsidiaries	-	-	9,042	6,952
Other investments	688	688	688	688
Deferred tax assets	250	360	-	-
Non-current assets	57,973	35,683	9,750	7,657
Inventories	12,001	11,927	-	-
Contract assets	1,711	2,032	-	-
Trade and other receivables	22,639	19,862	1,520	807
Cash and cash equivalents	8,163	11,757	1,146	208
Current assets	44,514	45,578	2,666	1,015
Total assets	102,487	81,261	12,416	8,672
Equity				
Share capital	36,412	36,412	36,412	36,412
Reserves	(3,035)	(3,037)	300	300
Accumulated losses	(11,905)	(12,422)	(29,808)	(29,508)
Equity attributable to owners of the Company	21,472	20,953	6,904	7,204
Non-controlling interests	68	509	-	-
Total equity	21,540	21,462	6,904	7,204
Liabilities				
Loans and borrowings	18,796	19,246	-	-
Deferred tax liabilities	396	396	-	-
Lease liabilities	20,217	-	-	-
Provisions	654	1,533	-	-
Non-current liabilities	40,063	21,175	-	-
Loans and borrowings	7,097	4,607	-	-
Contract liabilities	11,819	13,222	-	-
Trade and other payables	16,272	19,423	5,512	1,468
Lease liabilities	5,325	-	-	-
Provisions	-	819	-	-
Current tax payable	371	553	-	-
Current liabilities	40,884	38,624	5,512	1,468
Total liabilities	80,947	59,799	5,512	1,468
Total equity and liabilities	102,487	81,261	12,416	8,672

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

	Group	
	As at 30/06/2019	As at 31/12/2018
	S\$'000	S\$'000
<i>Amount repayable in one year or less, or on demand</i>		
Unsecured		
Term loans	107	104
Secured		
Bank loans	771	770
Finance lease payables	245	252
Bills payable	5,974	3,481
	6,990	4,503
Loans and borrowings (current)	7,097	4,607
<i>Amount repayable after one year</i>		
Unsecured		
Term loans	18	73
Secured		
Bank loans	18,090	18,484
Finance lease payables	688	689
	18,778	19,173
Loans and borrowings (non-current)	18,796	19,246
	25,893	23,853

Details of any collateral

The borrowings are secured on:-

- (i) property, plant and equipment with net book values amounting to S\$24,026,000 as at 30 June 2019 (31 December 2018 of S\$24,409,000);
- (ii) corporate guarantees by Natural Cool Holdings Limited.

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

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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 Jun	
	2019	2018
	S\$'000	S\$'000
Cash flows from operating activities		
Profit/(Loss) for the period	55	(324)
Adjustments for:		
Amortisation of deferred revenue	-	(650)
Amortisation of intangible assets	122	70
Depreciation of property, plant and equipment	951	1,119
Depreciation of right-of-use assets	1,665	-
Gain on disposal of property, plant and equipment	(11)	(48)
Interest expenses on loans and borrowings	384	319
Interest expenses on lease liabilities	193	-
Interest income	(1)	(7)
Property, plant and equipment written-off	8	5
Tax (credit)/expense	(2)	17
	3,364	501
Changes in:		
Inventories	(74)	(113)
Trade and other receivables	(2,777)	(2,463)
Contract assets	321	1,064
Trade and other payables	(1,033)	1,377
Provisions	-	(392)
Contract liabilities	(1,403)	(1,152)
Cash used in operations	(1,602)	(1,178)
Tax paid	(70)	(64)
Net cash used in operating activities	(1,672)	(1,242)
Cash flows from investing activities		
Interest received	1	7
Proceeds from disposal of property, plant and equipment	40	1,923
Proceeds from disposal of intangible assets	30	-
Purchase of property, plant and equipment	(772)	(1,761)
Purchase of intangible assets	(34)	-
Net cash (used in)/generated from investing activities	(735)	169
Cash flows from financing activities		
Interest paid for loans and borrowings	(384)	(284)
Interest paid for lease liabilities	(193)	-
Repayment of borrowings	(445)	(656)
Changes in bills payable	2,493	1,066
Payment of finance lease liabilities	(157)	(111)
Payment of lease liabilities	(2,524)	-
Capital injection by non-controlling interest of subsidiaries	20	-
Net cash (used in)/generated from financing activities	(1,190)	15
Net decrease in cash and cash equivalents	(3,597)	(1,058)
Cash and cash equivalents at beginning of period	11,757	11,685
Effect of foreign exchange fluctuations on cash held	3	31
Cash and cash equivalents at end of period	8,163	10,658

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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

<u>Group</u>	Share capital	Capital reserve	Foreign currency translation reserves	Accumulated losses	Total equity attributable to owners of the Company	Non- controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2018	36,412	(3,078)	-	(12,651)	20,683	52	20,735
Loss for the period	-	-	-	(371)	(371)	47	(324)
Other comprehensive income							
Foreign currency translation differences from translation of foreign operations	-	-	33	-	33	(2)	31
Total comprehensive loss for the period	-	-	33	(371)	(338)	45	(293)
At 30 June 2018	36,412	(3,078)	33	(13,022)	20,345	97	20,442

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

<u>Group</u>	Share capital	Capital reserve	Foreign currency translation reserves	Accumulated losses	Total equity attributable to owners of the Company	Non- controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2019	36,412	(3,078)	41	(12,422)	20,953	509	21,462
Profit/(Loss) for the period	-	-	-	517	517	(462)	55
Other comprehensive income							
Foreign currency translation differences from translation of foreign operations	-	-	2	-	2	1	3
Total comprehensive profit/(loss) for the period	-	-	2	517	519	(461)	58
Transactions with owners, recognised directly in equity							
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	-	20	20
At 30 June 2019	36,412	(3,078)	43	(11,905)	21,472	68	21,540

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STATEMENT OF CHANGES IN EQUITY (CONTINUED)

<u>Company</u>	Share capital	Capital reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2018	36,412	300	(29,341)	7,371
Loss for the period	-	-	(656)	(656)
At 30 June 2018	<u>36,412</u>	<u>300</u>	<u>(29,997)</u>	<u>6,715</u>
At 1 January 2019	36,412	300	(29,508)	7,204
Loss for the period	-	-	(300)	(300)
At 30 June 2019	<u>36,412</u>	<u>300</u>	<u>(29,808)</u>	<u>6,904</u>

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- 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 was no change in the Company's share capital from 31 December 2018 to 30 June 2019.

The Company did not have any outstanding options or convertibles as at 30 June 2019 and 30 June 2018.

There were also no treasury shares or subsidiary holdings as at 30 June 2019 and 30 June 2018.

- (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 2019 and 31 December 2018.

There were no treasury shares as at 30 June 2019 and 31 December 2018.

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

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

- (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. There were no subsidiary holdings during and as at the end of the current financial period reported on.

- 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 adopted 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 2018.

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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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which effective on 1 January 2019, using the modified retrospective approach.

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee to recognise a right-of-use ("ROU") asset and representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. There is no change in lessor accounting model.

The cumulative effect of adopting SFRS(I) 16 is required to be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. As at 1 January 2019, the Group has accounted for an increase in ROU assets of S\$4.9 million, an increase in lease liabilities of S\$8.7 million, a decrease in provisions of S\$1.7 million and a decrease in deferred revenue of S\$2.1 million. There is no adjustment to the Group's opening balance of retained earnings as at 1 January 2019.

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	
	2019	2018
Net profit/(loss) attributable to shareholders (S\$'000)	517	(371)
Weighted average number of ordinary share in issue (No. of shares)	250,447,985	250,447,985
Basic and diluted earnings/(loss) per share (Singapore cents)	0.21	(0.15)

There were no potentially dilutive ordinary shares for both HY2019 and HY2018.

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 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
Net assets attributable to shareholders (S\$'000)	21,472	20,953	6,904	7,204
Net asset value per share as at the end of the financial period/year (Singapore cents)	8.57	8.37	2.76	2.88

Note: The total numbers of issued shares (excluding treasury shares) were 250,447,985 as at 30 June 2019 and 31 December 2018.

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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 reported on.**

Review of Income Statement

The Group generated revenue of S\$67.3 million in the half year ended 30 June 2019 ("HY2019"), an increase of S\$1.3 million, or 1.9% compared to S\$66.0 million in the half year ended 30 June 2018 ("HY2018"). The Aircon Division reported an increase in revenue of S\$0.8 million, or 1.3% compared to HY2018. The increase in revenue was mainly due to higher sales contribution from the Group's regional sales. The Paint Division also reported an increase in revenue of S\$0.4 million, or 22.2% compared to HY2018. The Investment Division reported increased revenue by S\$0.1 million, or 5.6% compared to HY2018. The Group's premises at 87 Defu Lane 10 also enjoyed higher occupancy rates in HY2019.

Gross profit margins were 14.8% in HY2019, 1.8 percentage points higher than HY2018. This improvement was mainly contributed by the Aircon Division's trading department.

Other income decreased by S\$0.6 million or 84.0% in HY2019. This was mainly due to a reduction of sponsorship income of S\$0.2 million, and the absence of any insurance claim receipts in HY2019.

Distribution expenses increased by S\$0.2 million or 14.6% in HY2019 mainly due to higher entertainment expenses, travelling and commission expenses as a result of increased business development efforts.

Finance costs increased by S\$0.3 million or 80.9% in HY2019 mainly due to the recognition of interest expense on lease liabilities following the implementation of SFRS (I) 16 on 1 January 2019 by S\$0.2 million. There was also an increase in the usage of trade financing leading to increased interest costs of S\$0.1 million.

Arising from the above, the Group reported a profit after tax of S\$55,000 in HY2019. Excluding the losses absorbed by the non-controlling interests amounting to S\$0.5 million, the profit attributable to the owners of the company is S\$0.5 million for HY2019.

Review of Statements of Financial Position

Property, plant and equipment increased by S\$22.5 million or 69.0% in HY2019 contributed mainly from the recognition of right-of-use assets from the implementation of SFRS(I) 16 of S\$24.1 million. We also incurred renovation expenditure of S\$0.7 million and purchased some plant and equipment for S\$0.3 million. However, this was offset by the depreciation expenses during the period of S\$2.6 million mainly as a result of implementing the SFRS(I) 16.

Contract assets decreased by S\$0.3 million or 15.8% as the level of contract activities was slower in HY2019.

Trade and other receivables increased by S\$2.8 million or 14.0% mainly as a result of higher sales volume contributed by various subsidiaries towards 30 June 2019.

Loans and borrowings (current and non-current) increased by S\$2.0 million or 8.6% mainly due to the higher usage of trade financing facilities of S\$2.5 million and hire purchase of motor vehicles of S\$0.1 million. This was offset by the term loans and hire purchases repayment of S\$0.6 million.

Lease liabilities (current and non-current) was recorded at S\$25.5 million as at 30 June 2019 as a result of adopting SFRS (I) 16 in respect of the lease commitments.

Provisions (current and non-current) decreased by S\$1.7 million or 72.2% as a result of adopting SFRS (I) 16, where the provision of onerous contract previously recorded in the balance sheet was net off against the right-of-use balance.

Contract liabilities decreased by S\$1.4 million or 10.6% in HY2019 for the same reasons that contract assets declined.

Trade and other payables decreased by S\$3.2 million or 16.2% mainly due to deferred revenue of S\$2.1 million previously recorded in the balance sheet being offset against the right-of-use assets at initial recognition as a result of adopting SFRS(I) 16. Furthermore, there was also a decrease in accrued expenses of S\$1.1 million as at 30 June 2019 as compared to 31 December 2018 mainly due to settlement of the Group's obligations during HY2019.

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Review of Statement of Cash Flows

In HY2019, the Group recorded net cash inflow of S\$3.4 million before changes in working capital.

The Group recorded working capital outflows of S\$5.0 million mainly attributed to increases in trade and other receivables of S\$2.8 million and inventories of S\$0.1 million, reduction in trade and other payables of S\$1.0 million and contract liabilities of S\$1.4 million, offset by a decrease in contract assets of S\$0.3 million.

The Group recorded net cash used in investing activities of S\$0.8 million in HY2019 mainly due to purchases of new plant and equipment.

The Group recorded net cash used in financing activities of S\$1.2 million mainly due to the lease liabilities and loans repayment which offset by the increase of bills payable.

As a result, the Group's cash and cash equivalents decreased by S\$3.6 million in HY2019.

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 Directors of the Company expects the Group's operating environment and conditions to continue to be challenging for the next 12 months. The Group will step up and enhance its efforts to promote sales and to improve profit margins.

The Group will monitor closely any potential impact on its business arising from the current US-China trade tensions.

The Group completed its acquisition of a food and beverage business on 1 July 2019, and is cautiously optimistic about the prospects of the business.

On 19 July 2019, the Group announced a 20% investment in the customised furnishing manufacturing business. The Group expects the investment to provide joint sales and marketing opportunities for the Group, and also contribute investment return.

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?

No.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared for HY2019 as the profits were retained for business use.

13. Interested person transaction

The Company has not obtained a general mandate from shareholders for IPT. There were no IPTs of S\$100,000 and above entered into during HY2019.

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, on behalf of the Board of Directors, 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 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Wong Leon Keat
Managing Director (Executive Director)

Tsng Joo Peng
Chief Executive Officer and Executive Director

Singapore
6 August 2019

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") in accordance with Rules 226(2)(b) and 753(2) of 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 SGX-ST assume 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 Ms Tan Pei Woon, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).