

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2018

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 INCOME STATEMENT

	Group		Increase/ (Decrease)
	Half Year Ended 30 Jun 2018	2017	
	S\$'000	S\$'000	%
Revenue	65,991	54,031	22.1
Cost of sales	(57,382)	(45,925)	24.9
Gross profit	<u>8,609</u>	<u>8,106</u>	6.2
Other income	662	301	119.9
Distribution expenses	(1,145)	(798)	43.5
Administrative expenses	(8,099)	(8,029)	0.9
Other expenses	(15)	(6)	150.0
Results from operating activities	<u>12</u>	<u>(426)</u>	NM
Finance costs	(319)	(225)	41.8
Loss before income tax	<u>(307)</u>	<u>(651)</u>	(52.8)
Income tax (expense)/credit	(17)	21	NM
Loss after income tax	<u>(324)</u>	<u>(630)</u>	(48.6)
Loss attributable to:			
Owners of the Company	(371)	(605)	(38.7)
Non-controlling interests	47	(25)	NM
Loss for the period	<u>(324)</u>	<u>(630)</u>	(48.6)
Loss per share:			
Basic and diluted loss per share (cents)	(0.15)	(0.24)	

NM denotes not meaningful

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group Half Year		Increase/ (Decrease) %
	Ended 30 June		
	2018	2017	
	S\$'000	S\$'000	
Loss for the period	(324)	(630)	(48.6)
Other comprehensive income:			
Foreign currency translation differences from translation of foreign operations	31	(6)	NM
Total comprehensive loss for the period	<u>(293)</u>	<u>(636)</u>	(53.9)
Total comprehensive loss attributable to:			
Owners of the Company	(338)	(611)	(44.7)
Non-controlling interests	45	(25)	NM
Total comprehensive loss for the period	<u>(293)</u>	<u>(636)</u>	(53.9)

NM denotes not meaningful

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1 (a) (ii) Other notes:

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

	Group	
	Half Year Ended 30 June	
	2018	2017
	S\$'000	S\$'000
Amortisation of deferred revenue	(650)	(650)
Amortisation of intangible assets	70	48
Bad debt recovered	-	(52)
Depreciation of property, plant and equipment	1,119	829
Foreign exchange gain – net	(13)	(9)
Gain on disposal of plant and equipment	(48)	(3)
Interest income	(7)	(9)
Legal and professional fees	455	1,062
Plant and equipment written-off	5	3

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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-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	Unaudited	Audited	Unaudited	Audited
	S\$'000	S\$'000	S\$'000	S\$'000
Assets		(Restated)		
Property, plant and equipment	31,367	34,126	21	24
Intangible assets	534	604	7	16
Subsidiaries	-	-	6,852	6,852
Other investments	688	-	688	-
Deferred tax asset	471	581	-	-
Non-current assets	33,060	35,311	7,568	6,892
Inventories	12,136	12,023	-	-
Trade and other receivables	18,542	16,079	697	690
Contract assets	4,320	5,384	-	-
Other investments	-	688	-	688
Cash and cash equivalents	10,658	11,685	423	695
Assets held for sale	6,000	4,148	-	-
Current assets	51,656	50,007	1,120	2,073
Total assets	84,716	85,318	8,688	8,965
Liabilities				
Loans & borrowings:				
- Loan associated with asset held for sale	4,024	4,252	-	-
- Others	1,069	1,046	-	-
Trade and other payables	20,042	18,318	1,973	1,594
Contract liabilities	16,199	17,351	-	-
Provisions	697	714	-	-
Current tax payable	544	699	-	-
Current liabilities	42,575	42,380	1,973	1,594
Loans & borrowings	19,350	19,512	-	-
Provisions	1,894	2,234	-	-
Deferred tax liabilities	455	457	-	-
Non-current liabilities	21,699	22,203	-	-
Total liabilities	64,274	64,583	1,973	1,594
Equity				
Share capital	36,412	36,412	36,412	36,412
Reserves	(3,045)	(3,078)	300	300
Accumulated losses	(13,022)	(12,651)	(29,997)	(29,341)
Equity attributable to owners of the Company	20,345	20,683	6,715	7,371
Non-controlling interests	97	52	-	-
Total equity	20,442	20,735	6,715	7,371
Total equity and liabilities	84,716	85,318	8,688	8,965

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

	Group	
	As at	As at
	30 Jun 18	31 Dec 17
	S\$'000	S\$'000
<i>Amount repayable in one year or less or on demand</i>		
<i>Secured</i>		
Loan associated with asset held for sale	4,024	4,252
Bank loans	855	855
Finance lease liabilities	214	191
	<u>5,093</u>	<u>5,298</u>
 <i>Amount repayable after one year</i>		
<i>Secured</i>		
Bank loans	18,819	19,248
Finance lease liabilities	531	264
	<u>19,350</u>	<u>19,512</u>

Details of any collateral

The borrowings are secured on:-

- (i) property, plant and equipment with net book values amounting to S\$28,940,243 as at 30 June 2018 (31 December 2017 of S\$29,323,350);
- (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 2018	2017
	S\$'000	S\$'000
Cash flows from operating activities		
Loss for the period	(324)	(630)
<u>Adjustments for:</u>		
Amortisation of deferred revenue	(650)	(650)
Amortisation of intangible assets	70	48
Depreciation of property, plant and equipment	1,119	829
Gain on disposal of property, plant and equipment	(48)	(3)
Plant and equipment written-off	5	3
Interest expense	319	225
Interest income	(7)	(9)
Tax expense/(credit)	17	(21)
	<u>501</u>	<u>(208)</u>
<u>Changes in:</u>		
Inventories	(113)	(2,630)
Trade and other receivables	(2,463)	(1,511)
Contract assets	1,064	594
Trade and other payables	2,444	3,173
Contract liabilities	(1,152)	(2,169)
Provisions	(392)	(211)
Cash flows used in operations	<u>(111)</u>	<u>(2,962)</u>
Income taxes paid	(64)	(9)
Net cash used in operating activities	<u>(175)</u>	<u>(2,971)</u>
 Cash flows from investing activities		
Interest received	7	9
Proceeds from disposal of property, plant and equipment	1,923	4
Purchase of computer software	-	(4)
Purchase of property, plant and equipment	(1,761)	(1,074)
Net cash from/(used in) investing activities	<u>169</u>	<u>(1,065)</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Group	
	Half Year ended 30 Jun	
	2018	2017
	S\$'000	S\$'000
Cash flows from financing activities		
Interest paid	(285)	(204)
Repayment of bank borrowings	(656)	(2,945)
Repayment of finance lease liabilities	(111)	(40)
Net cash used in financing activities	<u>(1,052)</u>	<u>(3,189)</u>
Net decrease in cash and cash equivalents	(1,058)	(7,225)
Effect on changes in foreign exchange rate	31	(4)
Cash and cash equivalents at beginning of the year	11,685	25,028
Cash and cash equivalents at end of the period	<u>10,658</u>	<u>17,799</u>

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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 2017, as previously reported	36,412	(3,078)	(398)	(6,975)	25,961	(1)	25,960
Effects of adoption of new accounting standards	-	-	398	(398)	-	-	-
Balance at 1 January 2017, as restated	36,412	(3,078)	-	(7,373)	25,961	(1)	25,960
Loss for the period	-	-	-	(605)	(605)	(25)	(630)
Other comprehensive income							
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)	(6)	(7,978)	25,350	(26)	25,324

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Group	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, as previously reported	36,412	(3,078)	(361)	(12,290)	20,683	52	20,735
Effects of adoption of new accounting standards	-	-	361	(361)	-	-	-
Balance at 1 January 2018, as restated	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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STATEMENT OF CHANGES IN EQUITY (CONTINUED)

<u>Company</u>	<u>Share capital</u>	<u>Capital reserve</u>	<u>Accumulated losses</u>	<u>Total equity</u>
	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2017	36,412	300	(14,833)	21,879
Loss for the period	-	-	(1,209)	(1,209)
At 30 June 2017	<u>36,412</u>	<u>300</u>	<u>(16,042)</u>	<u>20,670</u>
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>

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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 2017 to 30 June 2018.

The Company did not have any outstanding options or convertibles as at 30 June 2018 and 30 June 2017.

There were also no treasury shares or subsidiary holdings as at 30 June 2018 and 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 2018 and 31 December 2017.

There were no treasury shares as at 30 June 2018 and 31 December 2017.

- (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 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.**

Other than as mentioned in Paragraph 5 below regarding the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) effective 1 January 2018, there were no further changes in accounting policies and methods of computation adopted in the financial statements of the current reporting period as compared to the most recently audited annual financial statements as at 31 December 2017.

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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 adopted the new financial reporting framework - SFRS(I), in accordance with all Singapore-incorporated companies listed on the Singapore Exchange (SGX) for annual periods beginning on or after 1 January 2018. The Group assessed the transition provisions and elected to reset the cumulative translation differences recorded in the foreign translation reserve to \$NIL. The cumulative balance of S\$0.4 million was transferred to accumulated losses as at 1 January 2017.

The Group also adopted the following SFRS(I) that are effective for annual periods beginning on or after 1 January 2018:

- SFRS(I) 9 Financial Instruments
- SFRS(I) 15 Revenue from Contracts with Customers

On adoption with SFRS(I) 15, contract assets and contract liabilities are presented in the statement of financial position. The comparatives have also been restated to take this into account.

Other than as disclosed above, the adoption of the above did not result in any substantial change in the financial statements.

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	
	2018	2017
Net loss attributable to shareholders (S\$'000)	(371)	(605)
Weighted average number of ordinary share in issue (No. of shares)	250,447,985	250,447,985
Basic and diluted loss per share (Singapore cents)	(0.15)	(0.24)

There were no potentially dilutive ordinary shares for both HY2018 and HY2017.

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 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Net assets attributable to shareholders (S\$'000)	20,345	20,683	6,715	7,371
Net asset value per share as at the end of the financial period/year (Singapore cents)	8.12	8.26	2.68	2.94

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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\$66.0 million in the half year ended 30 June 2018 ("HY2018"), an increase of S\$12.0 million, or 22.1% as compared to the half year ended 30 June 2017 ("HY2017"). The increase in revenue was mainly due to higher local sales to Aircon wholesalers booked by our Trading Department, and maiden contribution of revenue from regional sales by our new 51%-owned subsidiary pursuant to the joint venture agreement with JNVHC Pte. Ltd in August 2017.

Gross profit margin decreased by 2.0 percentage points from 15.0% in HY2017 to 13.0% in HY2018. This was mainly due to our Aircon Division selling lower margin products in response to customers' demands, lower project margins in HY2018 compared with HY2017, and lower occupancy rates in our Tai Seng corporate headquarter at our Investment Division.

Other income increased by S\$0.4 million or 119.9% in HY2018. The increase was due mainly to recovery of legal expenses from our insurers, and higher rental income generated from the property at 87 Defu Lane 10 which was acquired in November 2017.

Distribution expenses increased by S\$0.3 million or 43.5% to S\$1.1 million in HY2018 due mainly to higher entertainment and travelling expenses as a result from increased business development efforts to boost sales.

Administrative expenses increased by S\$0.1 million due mainly to depreciation, property tax and land rent of property at 87 Defu Lane 10. However, legal and professional fees have decreased due to the conclusion of several legal matters in HY2018.

Finance costs increased by S\$0.1 million or 41.8% to S\$0.3 million in HY2018 which was due mainly to financing of property at 87 Defu Lane 10.

Arising from the above, the Group reported a loss attributable to owners of Company of S\$0.4 million in HY2018 as compared with S\$0.6 million in HY2017.

Review of Statements of Financial Position

Non-current assets decreased by S\$2.9 million to S\$33.1 million as at 30 June 2018 from S\$36.0 million as at 31 December 2017. The decrease was due mainly to disposals of properties. The disposal of 42 Toh Guan Road East #01-81 was completed in June 2018 while the planned disposal of 42 Toh Guan Road East #01-82 was completed in July 2018 and was reclassified from non-current assets to current assets (asset held for sale) as at 30 June 2018.

Trade and other receivables increased by S\$2.4 million to S\$18.5 million as at 30 June 2018 from S\$16.1 million as at 31 December 2017. The increase was due mainly to higher Aircon sales in May 2018 and June 2018 which are not due for collection.

Contract assets decreased by S\$1.0 million to S\$4.3 million as at 30 June 2018 from S\$5.3 million as at 31 December 2017, mainly due to reduction of retention from commercial installation customers due to completion of several projects in HY2018.

Assets held for sale as at 30 June 2018 relates to the planned disposal of Aircon Division's property at 42 Toh Guan Road East #01-82 and Paint Division's property at 38 Lok Yang Way.

Total loans and borrowings decreased by S\$0.4 million to S\$24.4 million as at 30 June 2018 from S\$24.8 million as at 31 December 2017. The decrease was due mainly to repayment of bank loans.

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Trade and other payables increased by S\$1.7 million to S\$20.0 million as at 30 June 2018 from S\$18.3 million as at 31 December 2017. The increase was due mainly to higher purchases made by our Aircon Division in May 2018 and June 2018.

Contract liabilities decreased by S\$1.2 million to S\$16.2 million as at 30 June 2018 from S\$17.4 million as at 31 December 2017, as we completed and delivered several commercial installation projects in HY2018.

Review of Statement of Cash Flows

In HY2018, the Group recorded net cash outflow of S\$0.2 million from operating activities. This was due to cash flow from operating activities before changes in working capital and provisions of S\$0.5 million in HY2018, increase in trade and other payables and a reduction in contract assets, offset by increases in trade and other receivables and reduction in contract liabilities.

The Group recorded net cash of S\$0.2 million generated from investing activities in HY2018 mainly due to the proceeds from disposing the property located at 42 Toh Guan Road East #01-81. The cash inflow was offset by the capital expenditures on renovations at 87 Defu Lane 10 and motor vehicles purchased.

Net cash outflow of S\$1.1 million in HY2018 for financing activities was mainly due to the repayment of bank borrowings for the Group's properties, finance lease liabilities and interest charges.

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 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.

With respect to our Aircon Division, we expect to face market challenges arising from the introduction of additional property cooling measures announced in July 2018. In addition, any significant appreciation of the US Dollar may impact the cost of our imports of Aircon materials.

For the Paint Division, it is anticipated that the impending sale of 38 Lok Yang Way will ease interest cost and working capital burdens and barring any unforeseen circumstances, steer the paint business into profitability.

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

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(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

The Company has not obtained a general mandate from shareholders for IPT. There were no IPTs of S\$100,000 and above in HY2018.

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 2018 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
8 August 2018

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.

The contact person for the Sponsor is Ms Tan Pei Woon, Senior Manager, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).