

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2014

Natural Cool Holdings Limited (Registration Number: 200509967G)

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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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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) %
	6 months Financial Period Ended 30 June		
	2014	2013	
	S\$'000	S\$'000	
Revenue	66,525	75,642	(12.05)
Cost of sales	(54,881)	(64,274)	(14.61)
Gross profit	<u>11,644</u>	<u>11,368</u>	2.43
Other income	373	554	(32.67)
Distribution expenses	(2,721)	(3,020)	(9.90)
Administrative expenses	(8,436)	(7,871)	7.18
Other expenses	(113)	(223)	(49.33)
Results from operating activities	<u>747</u>	<u>808</u>	(7.55)
Finance costs	(482)	(550)	(12.36)
Profit before income tax	<u>265</u>	<u>258</u>	2.71
Income tax credit / (expenses)	87	(55)	NM
Profit for the period	<u>352</u>	<u>203</u>	73.40
Profit attributable to:			
Owners of Company	395	257	53.70
Non-controlling interests	(43)	(54)	(20.37)
Profit for the period	<u>352</u>	<u>203</u>	73.40

NM denotes not meaningful

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	6 months Financial		
	Period Ended 30 June		
	2014	2013	
	S\$'000	S\$'000	
Profit for the period	352	203	73.40
Other comprehensive income:			
Foreign currency translation differences for foreign operations	30	(34)	(188.24)
Total comprehensive income for the period	<u>382</u>	<u>169</u>	126.04
Attributable to:			
Owners of the Company	423	229	84.72
Non-controlling interests	(41)	(60)	(31.67)
Total comprehensive income for the period	<u>382</u>	<u>169</u>	126.04

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1 (a) (ii) Other notes:

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

	Group	
	6 months Financial	
	Period Ended 30 June	
	2014	2013
	S\$'000	S\$'000
Amortisation of club memberships	-	68
Amortisation of deferred revenue	(650)	(650)
Amortisation of intangible assets	308	111
Bad debt (written-back)/written-off	(76)	111
Depreciation of property, plant and equipment	1,488	1,594
Depreciation of investment property	48	144
Foreign exchange loss – net	35	112
Gain on disposal of plant and equipment	(15)	-
Interest income	(3)	(2)
Impairment loss on trade and other receivables	20	-
Plant and equipment written-off	130	-

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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 30 Jun 2014	As at 31 Dec 2013	As at 30 Jun 2014	As at 31 Dec 2013
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	25,012	18,144	-	-
Intangible assets	7,082	7,166	-	-
Investment property	-	10,348	-	-
Subsidiaries	-	-	15,007	15,007
Other investment	3,750	3,750	3,750	3,750
Deferred tax assets	1,517	1,465	-	-
	<u>37,361</u>	<u>40,873</u>	<u>18,757</u>	<u>18,757</u>
Current assets				
Inventories	14,571	16,409	-	-
Trade and other receivables	45,776	49,090	9,816	10,557
Non-current asset held for sale	10,556	-	-	-
Cash and cash equivalents	12,236	12,390	94	19
	<u>83,139</u>	<u>77,889</u>	<u>9,910</u>	<u>10,576</u>
Current liabilities				
Trade and other payables	52,649	59,146	249	811
Loans and borrowings	6,708	2,408	3,450	-
Current tax payable	1,438	1,465	-	-
	<u>60,795</u>	<u>63,019</u>	<u>3,699</u>	<u>811</u>
Net current assets	22,344	14,870	6,211	9,765
Less:				
Non-current liabilities				
Loans and borrowings	18,933	15,273	-	3,450
Deferred tax liabilities	158	238	-	-
	<u>19,091</u>	<u>15,511</u>	<u>-</u>	<u>3,450</u>
Net assets	<u>40,614</u>	<u>40,232</u>	<u>24,968</u>	<u>25,072</u>
Share capital	31,957	31,957	31,957	31,957
Reserves	(3,356)	(3,384)	300	300
Accumulated profits/(losses)	11,779	11,384	(7,289)	(7,185)
Equity attributable to owners of the Company	40,380	39,957	24,968	25,072
Non-controlling interests	234	275	-	-
Total equity	<u>40,614</u>	<u>40,232</u>	<u>24,968</u>	<u>25,072</u>

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

	Group		Company	
	As at	As at	As at	As at
	<u>30-Jun-14</u>	<u>31-Dec-13</u>	<u>30-Jun-14</u>	<u>31-Dec-13</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand				
Unsecured				
Convertible loan notes	3,450	-	3,450	-
Term loans	1,264	475	-	-
	<u>4,714</u>	<u>475</u>	<u>3,450</u>	<u>-</u>
Secured				
Bank overdrafts	56	337	-	-
Current portion of bank loans	1,162	865	-	-
Finance lease liabilities	776	731	-	-
	<u>1,994</u>	<u>1,933</u>	<u>-</u>	<u>-</u>
	<u>6,708</u>	<u>2,408</u>	<u>3,450</u>	<u>-</u>
Amount repayable after one year				
Unsecured				
Convertible loan notes	-	3,450	-	3,450
Term loans	2,537	368	-	-
	<u>2,537</u>	<u>3,818</u>	<u>-</u>	<u>3,450</u>
Secured				
Bank loans	15,174	9,721	-	-
Finance lease liabilities	1,222	1,734	-	-
	<u>16,396</u>	<u>11,455</u>	<u>-</u>	<u>-</u>
	<u>18,933</u>	<u>15,273</u>	<u>-</u>	<u>3,450</u>

Details of any collateral

The borrowings are secured on:-

- (i) property, plant and equipment and asset held for sale with net book values amounting to S\$17,527,768, and S\$10,555,810 respectively as at 30 June 2014 (As at 31 December 2013: S\$9,585,307 and S\$10,347,941 respectively);
- (ii) fixed deposits pledged amounting to S\$236,621 (As at 31 December 2013: S\$214,059);
- (iii) fixed and floating charges on inventories amounting to S\$93,012 (As at 31 December 2013: S\$254,696); and
- (iv) corporate guarantees by Natural Cool Holdings Limited.

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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 June	
	2014	2013
	S\$'000	S\$'000
Cash flows from operating activities		
Profit for the period	352	203
<u>Adjustments for:</u>		
Amortisation of deferred revenue	(650)	(650)
Amortisation of club memberships	-	68
Amortisation of intangible assets	308	111
Depreciation of property, plant and equipment	1,488	1,594
Depreciation of investment property	48	144
Gain on disposal of plant and equipment	(15)	-
Plant and equipment written-off	130	-
Income tax expenses/(credit)	(87)	55
Interest expenses	482	550
Interest income	(3)	(2)
	2,053	2,073
 <u>Changes in working capital:</u>		
Inventories	1,838	1,540
Trade and other receivables	3,314	3,081
Trade and other payables	(4,944)	(176)
	2,261	6,518
Cash flows generated from operations		
Income taxes paid	(72)	(206)
Net cash generated from operating activities	2,189	6,312
 Cash flows from investing activities		
Acquisition of other investment	-	(3,750)
Interest received	3	2
Proceeds from disposal of plant and equipment	37	-
Purchase of computer software	(185)	(816)
Improvement to investment property	(256)	-
Purchase of property, plant and equipment	(8,435)	(159)
Net cash used in investing activities	(8,836)	(4,723)

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Group	
		Half year ended 30 June	
		2014	2013
		SS'000	SS'000
Cash flows from financing activities			
Fixed deposits (pledged)/released		(23)	150
Interest paid		(471)	(550)
Proceeds from issue of convertible loan notes		-	3,750
Proceeds from borrowings		9,740	1,015
Repayment of borrowings		(1,033)	(1,003)
Repayment of finance lease liabilities		(753)	(362)
Net cash generated from financing activities		<u>7,460</u>	<u>3,000</u>
Net increase in cash and cash equivalents		813	4,589
Effect on changes in foreign exchange rate		(31)	7
Cash and cash equivalents at beginning of period		<u>11,048</u>	<u>6,890</u>
Cash and cash equivalents at end of period		<u><u>11,830</u></u>	<u><u>11,486</u></u>
Cash and cash equivalents in the statement of financial position		12,236	16,565
Fixed deposits pledged to banks		(237)	(201)
Cash restricted in use	(i)	(113)	(4,500)
Bank overdrafts		<u>(56)</u>	<u>(378)</u>
Cash and cash equivalents in the statement of cash flows		<u><u>11,830</u></u>	<u><u>11,486</u></u>

- (i) Cash from insurance compensation relates to an undertaking by the Group to deposit with a bank which is restricted solely for the purpose of reinstatement of an investment property.

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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

	Share capital	Capital reserve	Foreign currency translation reserve	Accumulated profits	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 2013	31,957	(3,378)	(194)	10,875	39,260	329	39,589
Total comprehensive income for the period							
-Profit for the period	-	-	-	257	257	(54)	203
Other comprehensive income							
-Foreign currency translation differences	-	-	(28)	-	(28)	(6)	(34)
Total comprehensive income for the period	-	-	(28)	257	229	(60)	169
30 June 2013	31,957	(3,378)	(222)	11,132	39,489	269	39,758

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Group	Share capital	Capital reserve	Foreign currency translation reserves	Accumulated profits	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
At 1 January 2014	31,957	(3,078)	(306)	11,384	39,957	275	40,232
Total comprehensive income for the period							
-Profit for the period	-	-	-	395	395	(43)	352
Other comprehensive income							
-Foreign currency translation differences	-	-	28	-	28	2	30
Total comprehensive income for the period	-	-	28	395	423	(41)	382
30 June 2014	31,957	(3,078)	(278)	11,779	40,380	234	40,614

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STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Capital reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Company</u>				
At 1 January 2013	31,957	-	(6,595)	25,362
-Loss for the period	-	-	(401)	(401)
At 30 June 2013	31,957	-	(6,996)	24,961
At 1 January 2014	31,957	300	(7,185)	25,072
-Loss for the period	-	-	(104)	(104)
At 30 June 2014	31,957	300	(7,289)	24,968

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1. **(d) (ii) Details of any changes in the company's share capital arising from right 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 for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all outstanding convertibles as at the end of the current financial period reported on and as the end of the corresponding period of the immediately preceding financial year.**

There was no change in the issued and paid-up share capital of the Company from 31 December 2013 up to 30 June 2014. The Company's share capital was S\$31,956,902 comprising 205,447,985 shares as at 31 December 2013 and as at 30 June 2014.

During the full year ended 31 December 2013, the Company issued convertible loan notes amounting to S\$3,750,000 to HT Holdings (HK) Ltd. The convertible loan notes were subsequently transferred to Rhodus Capital Limited in August 2013. Both HT Holdings (HK) Ltd and Rhodus Capital Limited are owned by the same shareholders with the same shareholding structure.

The equity component of these convertible loan notes amounting to \$300,000 has been classified under capital reserve. As at 30 June 2014, the convertible loan notes can be fully converted into 25,000,000 shares in the capital of the Company at a conversion price of S\$0.15 per share (As at 30 June 2013: 25,000,000 shares).

Save as disclosed, the Company did not have any outstanding options, convertibles or treasury shares as at 30 June 2014 and as at 30 June 2013.

- (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 205,447,985 as at 30 June 2014 and 31 December 2013.

There were no treasury shares as at 30 June 2014 and 31 December 2013.

- (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. The Company did not have any treasury shares 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 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 2013.

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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 and/or revised Financial Reporting Standards (FRSs) and interpretations that are effective for annual periods beginning 1 January 2014. 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	
	2014	2013
Net Profit attributable to shareholders (S\$'000)	<u>395</u>	<u>257</u>
Weighted average number of ordinary share in issue (No. of shares) - basic	205,447,985	205,447,985
Earnings per share (Singapore cents) - basic	0.19	0.13
Weighted average number of ordinary share in issue (No. of shares) - diluted	205,447,985	205,447,985
Earnings per share (Singapore cents) - diluted	0.19	0.13

Note:

1. As at 30 June 2014, the conversion effect of the convertible loan notes were excluded from the calculation of diluted weighted average number of ordinary share as their effects would have been anti-dilutive.

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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 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
Net assets attributable to shareholders (S\$'000)	<u>40,380</u>	<u>39,957</u>	<u>24,968</u>	<u>25,072</u>
Net asset value per share as at the end of the financial period/year (Singapore cents) ¹	<u>19.65</u>	<u>19.45</u>	<u>12.15</u>	<u>12.20</u>

Note:

- The total numbers of issued shares (excluding treasury shares) were 205,447,985 as at 30 June 2014 and 31 December 2013 respectively.

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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 period reported on.**

Review of Income Statement

The Group achieved revenue of S\$66.53 million in the half year ended 30 June 2014 ("HY2014"), a decrease of S\$9.12 million, or 12.05% as compared to the half year ended 30 June 2013 ("HY2013"). This was due mainly to lower revenue registered by the Group's Aircon division as a result of delay in a few projects.

Gross profit increased by S\$0.28 million or 2.43% to S\$11.64 million in HY2014 due mainly to projects with better margins.

Other income decreased by S\$0.18 million or 32.67% to S\$0.37 million due mainly to lower rental income.

Administrative expenses increased by S\$0.57 million or 7.18% to S\$8.44 million due mainly to higher salaries for administrative staff.

Distribution expenses decreased by S\$0.30 million or 9.90% to S\$2.72 million due mainly to lower salaries as headcount in our sales and marketing have been reduced.

Other expenses decreased by S\$0.11 million or 49.33% to S\$0.11 million due mainly to lower bad debts written off.

The Group recorded an income tax credit of S\$87,000 due to overprovision of income tax in the prior financial year ended 31 December 2013.

Arising from the above, the Group reported a profit attributable to owners of Company of S\$0.40 million in HY2014.

Review of Statements of Financial Position

Non-current assets decreased by S\$3.51 million to S\$37.36 million as at 30 June 2014 due mainly to the reclassification of the Group's property at Benoi Crescent from investment property to asset held for sale. The decrease was partly offset by the increase in property, plant and equipment due mainly to the acquisition of property at Defu Lane

Inventories decreased by S\$1.84 million to S\$14.57 million as at 30 June 2014 due mainly to lower purchases of inventories by the Group's Aircon division.

Trade and other receivables decreased by S\$3.31 million to S\$45.78 million as at 30 June 2014 due mainly to faster collection of receivables from debtors.

Trade and other payables decreased by S\$6.50 million to S\$52.65 million as at 30 June 2014 due mainly to faster payment to suppliers.

Property, plant and equipment increased by S\$6.87 million to S\$25.01 million as at 30 June 2014 due mainly to the acquisition of property at Defu Lane.

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Non-current liabilities increased by S\$3.58 million to S\$19.10 million as at 30 June 2014. The increase was due mainly to the increase in loans and borrowings as a result of a mortgage loan obtained for the acquisition of property at Defu Lane and partly offset by the reclassification of the convertible loan notes from non-current liabilities to current liabilities.

Review of Statement of Cash Flows

The Group recorded a cash inflow from operating activities of S\$2.19 million for HY2014 as compared to a cash inflow of S\$6.31 million for HY2013. This was due mainly to the decrease in trade and other payables as a result of increased payments to suppliers.

There was a cash outflow from investing activities of S\$8.84 million due mainly to the acquisition of property at Defu Lane.

There was a cash inflow from financing activities of S\$7.46 million due mainly to proceeds from bank borrowings for the acquisition of property at Defu Lane.

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

Not applicable.

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 margins by improving operational efficiency and rationalising cost structure in order to enhance our competitiveness.

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.

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

Not applicable

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**PART II-ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

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.

During HY2014, the following interested person transaction was carried out in the normal course of business (excluding transaction less than S\$100,000) on normal commercial terms agreed between Tsng Joo Ann and the Company's wholly-owned subsidiary Natural Cool Air-conditioning and Engineering Pte Ltd for the sale of air-conditioners and parts.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Tsng Joo Ann ¹	S\$132,181	-

1 – Brother of Tsng Joo Peng, the Chief Executive Officer of the Company

The Company does not have a general mandate from shareholders for interested person transactions.

14. 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 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Wu Chiaw Ching
Non-Executive Chairman and Independent Director

Tsng Joo Peng
Chief Executive Officer

BY ORDER OF THE BOARD

Tsng Joo Peng
Chief Executive Officer

Singapore
8 August 2014