

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2016

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 Catalyst. 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 Mr. Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8020.

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		
	Period Ended 30 June		Increase/ (Decrease)
	2016	2015	
	S\$'000	S\$'000	%
Continuing operations			
Revenue	71,016	49,175	44.41
Cost of sales	(63,827)	(42,438)	50.40
Gross profit	<u>7,189</u>	<u>6,737</u>	
Other income	1,148	322	256.52
Distribution expenses	(748)	(706)	5.95
Administrative expenses	(6,956)	(5,724)	21.52
Other expenses	(29)	(711)	(95.92)
Results from operating activities	<u>604</u>	<u>(82)</u>	
Finance costs	(368)	(544)	(32.35)
Profit/(loss) before income tax	<u>236</u>	<u>(626)</u>	
Income tax (expenses)/credit	(9)	4	NM
Profit/(loss) from continuing operations	<u>227</u>	<u>(622)</u>	
Discontinued operation			
Profit from discontinued operation (net of tax) – Note (i)	-	1,103	NM
Profit for the period	<u>227</u>	<u>481</u>	
Profit attributable to:			
Owners of Company	227	481	
Non-controlling interests	-	(2)	
Profit for the period	<u>227</u>	<u>479</u>	

NM denotes not meaningful

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group 6 months Financial Period Ended 30 June		Increase/ (Decrease)
	2016	2015	
	S\$'000	S\$'000	%
Profit for the period	227	479	(52.61)
Other comprehensive income:			
Foreign currency translation differences from foreign operations	31	(273)	NM
Total comprehensive income for the period	<u>258</u>	<u>206</u>	
Attributable to:			
Owners of the Company	257	206	24.76
Non-controlling interests	1	-	NM
Total comprehensive income for the period	<u>258</u>	<u>206</u>	

**Note (i)
Discontinued operation**

	Group Period Ended 30 June	
	2016	2015
	S\$'000	S\$'000
Results of discontinued operation		
Revenue	-	25,140
Expenses	-	24,224
Results from operating activities	-	916
Income tax credit	-	187
Profit from discontinued operation	-	1,103

NM denotes not meaningful

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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	
	2016	2015
	S\$'000	S\$'000
Amortisation of deferred revenue	(650)	(650)
Amortisation of intangible assets	26	345
Bad debt recovered	(99)	-
Depreciation of property, plant and equipment	966	1,552
Foreign exchange (gain)/loss – net	(7)	371
Gain on disposal of plant and equipment	(50)	-
Interest income	(128)	(12)
Impairment loss on trade and other receivables	-	517
Plant and equipment written-off	-	478
Allowance for inventory obsolescence recognised	8	9
Unwinding of the discount of the convertible loan notes	-	300
Reversal of trade and other payables	(387)	-

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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 16	31 Dec 15	30 Jun 16	31 Dec 15
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	22,014	22,067	14	16
Intangible assets	1,094	1,066	41	45
Subsidiaries	-	-	6,899	6,899
Other investments	6,018	6,018	6,018	6,018
Deferred tax assets	913	1,023	-	-
	<u>30,039</u>	<u>30,174</u>	<u>12,972</u>	<u>12,978</u>
Current assets				
Inventories	12,759	14,649	-	-
Trade and other receivables	29,722	24,277	10,021	7,188
Cash and cash equivalents	31,563	36,901	20,216	28,364
	<u>74,044</u>	<u>75,827</u>	<u>30,237</u>	<u>35,552</u>
Current liabilities				
Trade and other payables	53,134	38,062	16,954	5,466
Loans and borrowings	1,117	8,473	-	2,700
Current tax payable	960	1,114	-	-
	<u>55,211</u>	<u>47,649</u>	<u>16,954</u>	<u>8,166</u>
Net current assets	18,833	28,178	13,283	27,386
Non-current liabilities				
Loans and borrowings	12,850	8,554	-	-
Deferred tax liabilities	300	300	-	-
	<u>13,150</u>	<u>8,854</u>	<u>-</u>	<u>-</u>
Net assets	<u>35,722</u>	<u>49,498</u>	<u>26,255</u>	<u>40,364</u>
Share capital	34,657	31,957	34,657	31,957
Reserves	(3,416)	(3,445)	300	300
Accumulated profits/(losses)	4,445	20,977	(8,702)	8,107
Equity attributable to owners of the Company	<u>35,686</u>	<u>49,489</u>	<u>26,255</u>	<u>40,364</u>
Non-controlling interests	36	9	-	-
Total equity	<u>35,722</u>	<u>49,498</u>	<u>26,255</u>	<u>40,364</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
	30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand				
Unsecured				
Convertible loan notes	-	2,700	-	2,700
Term loans	185	178	-	-
	<u>185</u>	<u>2,878</u>	<u>-</u>	<u>2,700</u>
Secured				
Bank loans	749	5,420	-	-
Finance lease liabilities	183	175	-	-
	<u>932</u>	<u>5,595</u>	<u>-</u>	<u>-</u>
	<u>1,117</u>	<u>8,473</u>	<u>-</u>	<u>2,700</u>
Amount repayable after one year				
Unsecured				
Term loans	<u>671</u>	<u>765</u>	<u>-</u>	<u>-</u>
Secured				
Bank loans	11,680	7,233	-	-
Finance lease liabilities	499	555	-	-
	<u>12,179</u>	<u>7,789</u>	<u>-</u>	<u>-</u>
	<u>12,850</u>	<u>8,554</u>	<u>-</u>	<u>-</u>

Details of any collateral

The borrowings are secured on:-

- (i) property, plant and equipment with net book values amounting to S\$17,158,063 as at 30 June 2016 (31 December 2015 of S\$17,603,257);
- (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 June	
	2016	2015
	S\$'000	S\$'000
Cash flows from operating activities		
Profit for the period	227	479
<u>Adjustments for:</u>		
Amortisation of deferred revenue	(650)	(650)
Amortisation of intangible assets	26	345
Depreciation of property, plant and equipment	966	1,552
Gain on disposal of plant and equipment	(50)	-
Plant and equipment written-off	-	478
Income tax expense/(credit)	9	(191)
Interest expenses	368	811
Interest income	(129)	(12)
	<u>767</u>	<u>2,812</u>
<u>Changes in working capital:</u>		
Inventories	2,006	(5,132)
Trade and other receivables	(5,416)	1,900
Trade and other payables	<u>(1,028)</u>	<u>5,003</u>
Cash flows (used in) / generated from operations	(3,670)	4,583
Income taxes paid	<u>(53)</u>	<u>(5)</u>
Net cash (used in) / generated from operating activities	<u>(3,723)</u>	<u>4,578</u>
 Cash flows from investing activities		
Interest received	129	12
Proceeds from disposal of property, plant and equipment	119	-
Purchase of computer software	(48)	(182)
Purchase of property, plant and equipment	(1,181)	(193)
Acquisition of subsidiary, net of cash acquired	<u>130</u>	<u>-</u>
Net cash used in investing activities	<u>(851)</u>	<u>(363)</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Group	
	Half year ended 30 June	
	2016	2015
	S\$'000	S\$'000
Cash flows from financing activities		
Fixed deposits pledged	-	10
Interest paid	(368)	(811)
Non-trade amounts due from a related party	-	35
Proceeds from bank borrowings	5,000	2,000
Repayment of bank borrowings	(5,311)	(4,118)
Redemption of convertible loan notes	-	(3,750)
Proceeds from issue of convertible loan notes	-	2,700
Repayment of finance lease liabilities	(112)	(274)
Net cash used in financing activities	(791)	(4,208)
Net (decrease)/increase in cash and cash equivalents	(5,365)	7
Effect on changes in foreign exchange rate	28	57
Cash and cash equivalents at beginning of period	36,900	14,240
Cash and cash equivalents at end of period	31,563	14,304
Cash and cash equivalents in the balance sheet	31,563	14,544
Fixed deposits pledged to banks	-	(240)
Cash and cash equivalents in the statement of cash flows	31,563	14,304

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2016

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 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 2015	31,957	(3,078)	(354)	14,482	43,007	228	43,235
Total comprehensive income for the period							
Profit for the period	-	-	-	481	481	(2)	479
Other comprehensive income							
Foreign currency translation differences from translation of foreign operations	-	-	(275)	-	(275)	2	(273)
Total comprehensive income for the period	-	-	(275)	481	206	-	206
Transactions with owners, recognised directly in equity							
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	35	35
30 June 2015	31,957	(3,078)	(629)	14,963	43,213	263	43,476

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Capital reserve	Foreign currency translation reserves	Accumulated profits	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							
Conversion of convertible loan notes	2,700	-	-	-	2,700	-	2,700
Acquisition of subsidiary with non-controlling interests					-	25	25
Dividend declared	-	-	-	(16,759)	(16,759)	-	(16,759)
Total transactions with owners	2,700	-	-	(16,759)	(14,059)	25	(14,034)
30 June 2016	34,657	(3,078)	(338)	4,445	35,686	36	35,722

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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 2015	31,957	300	(9,432)	22,825
Total comprehensive income for the period				
Loss for the period	-	-	(609)	(609)
At 30 June 2016	31,957	300	(10,041)	22,216
At 1 January 2016	31,957	300	8,107	40,364
Conversion of outstanding loan notes	2,700	-	-	2,700
Dividends declared	-	-	(16,759)	(16,759)
Total comprehensive income for the period				
Loss for the period	-	-	(50)	(50)
At 30 June 2016	34,657	300	(8,702)	26,255

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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 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.**

The Company's share capital was S\$31,956,902 comprising 205,447,985 shares as at 31 December 2015 and S\$34,656,902 comprising 223,447,985 shares as at 30 June 2016..

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.

All the convertible loan notes have matured on 2 April 2015 and was not converted into shares in the capital of the Company. The Company redeemed all outstanding notes on 2 May 2015.

The Company issued convertible loan notes amounting to S\$2,700,000 to Rhodus Capital Limited in June 2015. The notes are convertible into 18,000,000 shares in the capital of the Company. The convertible loan notes were subsequently transferred to Mr. Lim Teck Chuan in November 2015.

On 25 May 2016, the convertible loan notes had been fully converted into 18,000,000 shares in the capital of the Company at a conversion price of S\$0.15 per share (as at 30 June 2015 18,000,000 shares were convertible).

Save as disclosed, the Company did not have any outstanding options, convertibles or treasury shares as at 30 June 2016 and 30 June 2015.

- (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 223,447,985 as at 30 June 2016 and 205,447,985 as at 31 December 2015.

There were no treasury shares as at 30 June 2016 and 31 December 2015.

- (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.

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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 2015.

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 2016. 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	
	2016	2015
Net profit attributable to shareholders (S\$'000)	227	481
Weighted average number of ordinary share in issue (No. of shares)	209,107,326	205,447,985
Basic and diluted earnings per share (Singapore cents)	0.11	0.23
Net profit/(loss) attributable to shareholders – continuing operations (S\$'000)	227	(622)
Basic and diluted earnings per share – continuing operations (Singapore cents)	0.11	(0.30)
Net profit attributable to shareholders – discontinued operation (S\$'000)	-	1,103
Basic and diluted earnings per share – discontinued operation (Singapore cents)	-	0.53

Note:

As at 30 June 2015, 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 2016	As at 31 December 2015	As at 30 June 2016	As at 31 December 2015
Net assets attributable to shareholders (S\$'000)	<u>35,686</u>	<u>49,489</u>	<u>26,255</u>	<u>40,364</u>
Net asset value per share as at the end of the financial period/year (Singapore cents) ¹	<u>15.97</u>	<u>24.09</u>	<u>11.75</u>	<u>19.65</u>

Note:

The total numbers of issued shares (excluding treasury shares) were 223,447,985 as at 30 June 2016 and 205,447,985 as at 31 December 2015.

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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 on.**

Review of Income Statement

The Group achieved higher revenue of S\$71.02 million in the half year ended 30 June 2016 ("HY2016"), an increase of S\$21.84 million, or 44.41% as compared to the half year ended 30 June 2015 ("HY2015"). This was due mainly to higher Aircon project revenue generated for a new commercial development in Jurong as well as increase in trading & retail sales by the Group's Aircon division.

Gross Profit has increased marginally by S\$0.45 million or 6.71% in HY2016 due to higher cost of sales incurred as compared to HY2015. Cost of sales increased by S\$21.39 million, or 50.40% as compared to HY2015 which was due mainly to higher sub-contractors costs incurred for the project in Jurong and higher material and equipment costs incurred.

Other income increased by S\$0.83 million to S\$1.15 million due 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\$1.23 million to S\$6.96 million due mainly to salary increment and bonuses for staff as well as higher property depreciation and administrative expenses of the paint business acquired in the second half of 2015.

Other expenses decreased by S\$0.68 million to S\$0.03 million due mainly to absence of impairment of trade receivables and fixed assets written-off in the Aircon division in HY2016.

Finance costs decreased by S\$0.18 million to S\$0.37 million is due mainly to the absence of unwinding of the discount of the convertible loan notes and lesser bank borrowings in HY16.

Profit from discontinued operation arose from the Group's Switchgear division in HY2015. The Group disposed the Switchgear division in the second half of 2015.

Arising from the above, the Group reported a profit attributable to owners of Company of S\$0.23million in HY2016.

Review of Statements of Financial Position

Inventories decreased by S\$1.89 million to S\$12.76 million as at 30 June 2016 due mainly to utilisation of existing built-up inventory in HY2016.

Trade and other receivables increased by S\$5.45 million to S\$29.72 million as at 30 June 2016 due mainly to increased sales by the Aircon division in HY2016.

Trade and other payables increased by S\$15.07 million to S\$53.13 million as at 30 June 2016 due mainly to accrual of dividend payable on 18 July 2016.

Total loans and borrowings decreased by S\$3.06 million to S\$13.97 million due mainly to repayment of bank loans and conversion of outstanding loan notes by Mr. Lim Teck Chuan as announced on 25 May 2016.

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Review of Statement of Cash Flows

The Group recorded a cash outflow from operating activities of S\$3.72 million for HY2016 as compared to a cash inflow of S\$4.58 million for HY2015. This was due mainly to the increase in trade and other receivables as a result of higher sales near the end of HY2016.

There was a higher cash outflow from investing activities of S\$0.85 million for HY2016 as compared to S\$0.36 million for HY2015 due mainly to payment for property, plant and equipment. The outflow was mitigated by cash inflow from acquisition of a subsidiary in the Aircon division.

There was a cash outflow from financing activities of S\$0.79 million due mainly to repayment of borrowings.

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 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. However, shareholders had on an extraordinary general meeting held on 8 June 2016 and approved the one-tier tax exempt special final dividend of S\$0.075 per share for the financial year ended 31 December 2015. The book closure date was on 30 June 2016 and dividend payment date was on 18 July 2016.

(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/recommendeded, a statement to that effect.

Not applicable

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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 HY2016, 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\$128,451	-

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. 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 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Joseph Ang Choon Cheng
Executive Chairman

Tsng Joo Peng
Chief Executive Officer

BY ORDER OF THE BOARD
Joseph Ang Choon Cheng
Executive Chairman

Singapore
10 August 2016