

Unaudited Half Year Financial Statements and Dividend Announcement for the 6 months financial period ended 30 June 2020

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		Increase/ (Decrease) %
	Half Year Ended 30 June		
	2020 S\$'000	2019 S\$'000	
Revenue	50,303	67,258	(25.2)
Cost of sales	(42,662)	(57,280)	(25.5)
Gross profit	7,641	9,978	(23.4)
Other income	1,457	106	NM
Distribution expenses	(936)	(1,312)	(28.7)
Administrative expenses	(7,572)	(8,103)	(6.6)
Net reversal of impairment loss on trade receivables and contract assets	-	23	(100.0)
Other expenses	(57)	(62)	(8.1)
Results from operating activities	533	630	NM
Finance costs	(408)	(577)	(29.3)
Profit before tax	125	53	NM
Tax credit	-	2	(100.0)
Profit for the period	125	55	NM
Profit attributable to:			
Owners of the Company	280	517	NM
Non-controlling interests	(155)	(462)	NM
Profit for the period	125	55	NM
Other comprehensive income			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences from translation of foreign operations	16	3	NM
Other comprehensive income for the period	16	3	NM
Total comprehensive income for the period	141	58	NM
Total comprehensive income attributable to:			
Owners of the Company	294	519	NM
Non-controlling interests	(153)	(461)	NM
Total comprehensive income for the period	141	58	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 June	
	2020	2019
	S\$'000	S\$'000
Amortisation of intangible assets	58	122
Depreciation for property, plant and equipment	2,892	2,616
Loss/(Gain) on disposal of property, plant and equipment	1	(11)
Interest income	(1)	(1)
Interest expenses	407	577
Loss on foreign exchange - net	53	31
Property, plant and equipment written-off	-	8

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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 30/06/2020 Unaudited S\$'000	As at 31/12/2019 Audited S\$'000	As at 30/06/2020 Unaudited S\$'000	As at 31/12/2019 Audited S\$'000
Assets				
Property, plant and equipment	63,038	65,614	23	20
Intangible assets and goodwill	2,075	1,982	128	-
Subsidiaries	-	-	7,932	7,932
Other investments	600	600	600	600
Other receivables	762	762	830	830
Non-current assets	66,475	68,958	9,513	9,382
Inventories	9,136	10,752	-	-
Contract assets	1,286	1,737	-	-
Trade and other receivables	14,529	24,932	1,442	1,192
Cash and cash equivalents	12,601	7,463	490	220
Current assets	37,552	44,884	1,932	1,412
Total assets	104,027	113,842	11,445	10,794
Equity				
Share capital	36,412	36,412	36,412	36,412
Reserves	(3,024)	(3,038)	300	300
Accumulated losses	(14,122)	(14,402)	(31,744)	(31,927)
Equity attributable to owners of the Company	19,266	18,972	4,968	4,785
Non-controlling interests	(281)	(128)	-	-
Total equity	18,985	18,844	4,968	4,785
Liabilities				
Loans and borrowings	46,020	47,996	-	-
Deferred tax liabilities	359	361	-	-
Provisions	502	502	-	-
Non-current liabilities	46,881	48,859	-	-
Loans and borrowings	12,503	13,637	-	-
Contract liabilities	14,084	12,589	-	-
Trade and other payables	11,259	19,404	6,477	6,009
Current tax liabilities	315	509	-	-
Current liabilities	38,161	46,139	6,477	6,009
Total liabilities	85,042	94,998	6,477	6,009
Total equity and liabilities	104,027	113,842	11,445	10,794

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

	Group	
	As at	As at
	30/06/2020	31/12/2019
	S\$'000	S\$'000
<i>Amount repayable in one year or less, or on demand</i>		
Bank loans (Unsecured)	19	73
Bank loans (Secured)	620	886
Lease liabilities	5,218	6,050
Bills payable	6,646	6,628
Loans and borrowings (current)	<u>12,503</u>	<u>13,637</u>
<i>Amount repayable after one year</i>		
Bank loans (Secured)	18,156	18,276
Lease liabilities	27,864	29,720
Loans and borrowings (non-current)	<u>46,020</u>	<u>47,996</u>
Total loans and borrowings	<u>58,523</u>	<u>61,633</u>

Details of any collateral

The borrowings are secured over:-

- (i) leasehold properties amounting to S\$23,260,000 as at 30 June 2020 (31 December 2019 of S\$23,643,000); and
- (ii) corporate guarantees by Natural Cool Holdings Limited.

The lease liabilities relating to hire purchases 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	
	2020	2019
	S\$'000	S\$'000
Cash flows from operating activities		
Profit for the period	125	55
Adjustments for:		
Amortisation of intangible assets	58	122
Depreciation of property, plant and equipment	2,892	2,616
Loss/(Gain) on disposal of property, plant and equipment	1	(11)
Interest income	(1)	(1)
Interest expenses	407	577
Property, plant and equipment written off	-	8
Tax credit	-	(2)
	<u>3,482</u>	<u>3,364</u>
Changes in:		
Inventories	1,616	(74)
Trade and other receivables	10,403	(2,777)
Contract assets	451	321
Trade and other payables	(8,145)	(1,033)
Contract liabilities	1,495	(1,403)
Cash generated from/(used in) operations	<u>9,302</u>	<u>(1,602)</u>
Tax paid	(196)	(70)
Net cash generated from/(used in) operating activities	<u>9,106</u>	<u>(1,672)</u>
Cash flows from investing activities		
Interest received	1	1
Proceeds from disposal of property, plant and equipment	26	40
Proceeds from disposal of intangible assets	-	30
Purchase of intangible assets	(151)	(34)
Purchase of property, plant and equipment	(63)	(772)
Net cash used in investing activities	<u>(187)</u>	<u>(735)</u>
Cash flows from financing activities		
Interest paid	(407)	(577)
Changes in bills payable	18	2,493
Proceeds from bank borrowings	1,000	-
Repayment of bank borrowings	(1,440)	(445)
Repayment of lease liabilities	(2,970)	(2,681)
Capital injection by non-controlling interest of subsidiaries	-	20
Net cash used in financing activities	<u>(3,799)</u>	<u>(1,190)</u>
Net increase/(decrease) in cash and cash equivalents	5,120	(3,597)
Cash and cash equivalents at beginning of period	7,463	11,757
Effect of foreign exchange fluctuations on cash held	18	3
Cash and cash equivalents at end of period	<u>12,601</u>	<u>8,163</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 SS'000	Capital reserve SS'000	Foreign currency translation reserves SS'000	Accumulated losses SS'000	Total equity attributable to owners of the Company SS'000	Non-controlling interests SS'000	Total equity SS'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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

<u>Group</u>	Share capital SS'000	Capital reserve SS'000	Foreign currency translation reserves SS'000	Accumulated losses SS'000	Total equity attributable to owners of the Company SS'000	Non-controlling interests SS'000	Total equity SS'000
Balance at 1 January 2020	36,412	(3,078)	40	(14,402)	18,972	(128)	18,844
Profit/(Loss) for the period	-	-	-	280	280	(155)	125
Other comprehensive income							
Foreign currency translation differences from translation of foreign operations	-	-	14	-	14	2	16
Total comprehensive profit/(loss) for the period	-	-	14	280	294	(153)	141
At 30 June 2020	36,412	(3,078)	54	(14,122)	19,266	(281)	18,985

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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 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>
At 1 January 2020	36,412	300	(31,927)	4,785
Profit for the period	-	-	183	183
At 30 June 2020	<u>36,412</u>	<u>300</u>	<u>(31,744)</u>	<u>4,968</u>

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1. **(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 2019 to 30 June 2020.

The Company did not have any outstanding options or convertibles as at 30 June 2020 and 30 June 2019.

There were also no treasury shares or subsidiary holdings as at 30 June 2020 and 30 June 2019.

- (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 2020 and 31 December 2019.

There were no treasury shares as at 30 June 2020 and 31 December 2019.

- (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 modifications or emphasis of a matter).**

Not applicable.

- 3A. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-**

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**

- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

Not applicable. The latest audited financial statements as at 31 December 2019 have an unmodified opinion.

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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.

The Group has applied the same accounting policies and methods of computation adopted in the financial statements for the current reporting period as those of the most recent audited financial statements for the financial year ended 31 December 2019.

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.

Not applicable as there are no changes to the accounting policies or methods adopted by the Group since its most recently audited financial year ended 31 December 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	
	2020	2019
Net profit attributable to shareholders (S\$'000)	280	517
Weighted average number of ordinary share in issue (No. of shares)	250,447,985	250,447,985
Basic and diluted earnings per share (Singapore cents)	0.11	0.21

There were no potentially dilutive ordinary shares for both HY2020 and HY2019.

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 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
Net assets attributable to shareholders (S\$'000)	19,266	18,972	4,968	4,785
Net asset value per share as at the end of the financial period/year (Singapore cents)	7.69	7.58	1.98	1.91

The total numbers of issued shares (excluding treasury shares) were 250,447,985 as at 30 June 2020 and 31 December 2019.

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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's businesses have not been spared the impact of the current global Covid-19 outbreak. With this outbreak, Singapore entered into the mandatory "Circuit Breaker" period from 7 April 2020 to 1 June 2020. During the "Circuit Breaker" period, many of our Group's business activities slowed and this has caused the Group's revenue to drop significantly.

The Group generated revenue of S\$50.3 million for the half year ended 30 June 2020 ("HY2020"), a decrease of S\$17.0 million, or 25.2% compared to S\$67.3 million in the half year ended 30 June 2019 ("HY2019").

Our Aircon Division reported a decrease in revenue of S\$18.1 million, or 28.7% compared to HY2019. The decreases were mainly from the trading department, servicing department, and our regional sales unit. Our Paint Division also recorded a decrease in revenue of S\$0.7 million, or 34.0% compared to HY2019. Our Food Division recorded revenue of S\$1.8 million representing the division's maiden contribution to the Group's revenue as the investment was completed in July 2019.

Gross profit margins were 15.2% in HY2020, 0.4 percentage points higher than HY2019. Gross profit margins improved at our Aircon Division's servicing department, Paint Division, and our Investment Division. However, the increase was offset by the decline in gross profit margin in our Aircon Division's trading and commercial installation departments.

Other income increased by approximately S\$1.4 million in HY2020 mainly contributed from government grants received, such as funds from the Job Support Scheme and foreign worker levy rebates as part of Singapore's budget measures to deal with the Covid-19 pandemic.

Distribution expenses decreased by S\$0.4 million or 28.7% in HY2020 mainly due to lower entertainment and traveling expenses incurred as a result of our cost saving measures implemented starting from second half of financial year ended 31 December 2019 ("FY2019"), and less travelling in HY2020 as a result of the Group wide travel restriction due to Covid-19.

Administrative expenses decreased by S\$0.5 million or 6.6% in HY2020 mainly due to lower payroll expenses of S\$0.3 million as a result of the cost saving measures adopted since the second half of FY2019. Furthermore, the lower amortisation expense on intangible assets and lower professional fees has also saved us another S\$0.2 million.

Finance costs decreased by S\$0.2 million or 29.3% in HY2020 mainly due to lower interest charged on lease liabilities on the property at 29 Tai Seng Avenue, and on hire purchase of motor vehicles that are close to the end of the leasing period, amounting to S\$0.1 million in total. Further, we incurred lower interest expenses after refinancing the bank loans on some of our properties earlier in the year.

Arising from the above, the Group reported a profit after tax of S\$0.1 million in HY2020 including the losses attributable to non-controlling interests of S\$0.2 million.

Review of Statements of Financial Position

Property, plant and equipment decreased by S\$2.6 million in HY2020 mainly due to the S\$2.9 million depreciation charge for the period. We have also recognised the right-of-use assets of S\$0.3 million for the recently signed lease contracts on stores operated by our Food Division.

Inventories decreased by S\$1.6 million due to better inventory management in reducing the stocks on hand.

Contract assets decreased by S\$0.5 million as the level of contract activities was slower in HY2020.

Trade and other receivables (current and non-current) decreased by S\$10.4 million because of lower sales revenue in the later months of HY2020.

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Loans and borrowings (current and non-current) decreased by S\$3.1 million as a result of the net repayments of loan liabilities and lease liabilities of S\$0.4 million and S\$3.0 million, respectively. This was offset by the new lease liabilities recognised relating to the newly signed lease contracts of S\$0.3 million.

Contract liabilities increased by S\$1.5 million in HY2020 as a result of receiving advances from some of our customers.

Trade and other payables decreased by S\$8.1 million in HY2020 mainly as a result of less purchases made in the later months of HY2020.

The Group is in a net current liability position of S\$0.6 million, and this is mainly a result of implementing SFRS(I) 16 in the FY2019. The Group's operating cash flow remains healthy and has sufficient unutilised bank facilities to meet its working capital needs.

Review of Statement of Cash Flows

In HY2020, we recorded a net cash inflow of S\$3.5 million before changes in working capital.

We recorded working capital inflows of S\$5.8 million mainly attributed to the decrease in trade and other receivables of S\$10.4 million, inventories of S\$1.6 million, contract assets of S\$0.5 million, and an increase in contract liabilities of S\$1.5 million. This was further offset by the reduction of trade and other payables of S\$8.2 million.

We have also made tax payments to IRAS amounted to S\$0.2 million.

We recorded net cash used in investing activities of S\$0.2 million in HY2020 mainly due to the purchase of plant and equipment and intangible assets.

We recorded net cash used in financing activities of S\$3.8 million in HY2020 mainly due to the payments of lease liabilities, interest, and loan repayments.

As a result, our cash and cash equivalents increased by S\$5.1 million in HY2020.

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 global Covid-19 pandemic outbreak has impacted many economies and markets, and the Group's main market in Singapore is not spared. Notwithstanding the Singapore government's substantial support provided in its Unity, Resilience, Solidarity and Fortitude budgets, the Company expects business conditions to be more demanding than in previous years. Rising global trade and socio-political tensions will further exacerbate these challenges.

Following the exit of Singapore from the Circuit Breaker period in June 2020, all of the Group's business divisions are operating within the norms required under existing regulatory guidelines and directives, with some (less than 5) foreign employees still awaiting clearance to work. Employees who are able to telecommute remain doing so even during this time.

The Group's Malaysia operations are also operating within normal limits imposed by the relevant authorities following exit of the country from the Movement Control Order in June 2020.

As a result, the Company expects demand for its products and services across all of its business divisions to remain uncertain for the next 12 months, as markets and industries adjust to the evolving conditions brought upon by Covid-19 and trade tensions.

Since the second half of FY2019 and due to the then escalating global trade tensions and weak domestic economy, the Group had already started implementing steps to reduce its operating costs. These steps include the non-replacement of resignees where possible, freezing of new hires, and freezing of wage and salary increases.

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All these factors, plus the unprecedented nature and uncertainty over timing of the Covid-19 outbreak is expected to have an adverse impact on the business performance of the Group in the financial year ending 31 December 2020.

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/recommendeded, a statement to that effect and the reason(s) for the decision.

No dividend has been declared for HY2020 as the profits were retained for business use.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company has not obtained a general mandate from shareholders for IPT. There were no IPTs of S\$100,000 and above being entered into by the Group during HY2020.

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. Disclosures on Incorporation, Acquisition and Realisation of Shares pursuant to Rule 706A of the Catalist Rules

During HY2020, the Company did not acquire any shares resulting in any company becoming a subsidiary or associated company or increasing its shareholding percentage in any subsidiary. Additionally, the Company did not dispose any shares resulting in a company ceasing to be a subsidiary or associated company or decreasing its shareholding percentage in any subsidiary.

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16. 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 2020 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Tsng Joo Peng
Chief Executive Officer and Executive Director

Singapore
6 August 2020

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.

This announcement has not been examined or approved by the SGX-ST. 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.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).