

Natural Cool
Holdings Limited

2014
ANNUAL
REPORT



Empowering the future

CONTENTS

01	Vision, Mission and Our Values	21	Independent Auditors' Report
04	Letter to Shareholders	22	Statements of Financial Position
07	Corporate Structure	23	Consolidated Income Statement
09	Operations Review	24	Consolidated Statement of Comprehensive Income
11	Financial Review	25	Consolidated Statement of Changes in Equity
12	Board of Directors	26	Consolidated Statement of Cash Flows
15	Key Management	28	Notes to the Financial Statements
16	Corporate Information	85	Corporate Governance Report
17	Directors' Report	107	Risk Management Policies and Processes
20	Statement by Directors	109	Shareholdings Statistics
		111	Notice of Annual General Meeting Proxy Form

This annual report 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 annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

VISION

Natural Cool, the preferred choice in building solutions

MISSION

Enhancing the strength and trust in our Brand Name through:

Safe, Superior, Reliable Products and Services and Strategic Planning

OUR VALUES

Our Name, Our Brand

We fulfill promises to shareholders, customers and employees

Customer Focus

Customer satisfaction is our ultimate duty and responsibility

People Development

We identify and drive every staff to their fullest potential

Teamwork & Unity

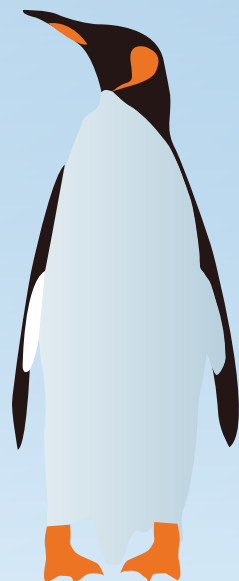
We win and grow through teamwork and unity

Creativity

Our innovation sets us apart from the rest

Safety

Above all, we value lives and assets



CONTINUOUSLY **EVOLVING**

By emerging into our fullest potential, we seize growth opportunities as we continue to transform through time. Amidst the challenges, we are constantly learning and evolving, just like a butterfly undergoes metamorphosis. For this financial year, we are able to establish a new subsidiary that will benefit us from its network and business relationships with contractors in Malaysia.





LETTER TO SHAREHOLDERS



Dear Shareholders

It has been a challenging but rewarding year as Natural Cool braced itself against all odds to deliver a profit before tax of S\$3.28 million. Despite a lackluster environment with property cooling measures staying put while developers and property buyers adopting a wait-and-see attitude, Natural Cool's pipeline of air-conditioning and switchgear distribution projects remained strong and healthy. Regardless of the macro-economic conditions, Natural Cool's business fundamentals have once again stood the tests and remained sound ever since it achieved public listing in 2006. The year under review also saw the company continuing its effort to embark on productivity enhancement programmes as its response to the tighter labour market environment. In addition, staff empowerment has become even more significant in this highly competitive environment where tardy decision-making is something that we can ill afford.

Moving ahead, the global economic outlook for 2015 appears uneven. The International Monetary Fund (IMF) expects the world economy to grow at 3.5 per cent, down from earlier projection of 3.8 per cent. The downgrade reflects a reassessment of prospects in China, Russia, the Euro zone and Japan as well as weaker activity in some oil exporters because of the sharp decline in oil prices. The United States is the only major economy for which growth projections have been raised. Stagnation and low inflation are still concerns in the Euro zone and Japan.

Based on Singapore's Ministry of Trade & Industry (MTI) estimates, our economy is expected to grow at a more modest pace ranging from 2.0 to 4.0 per cent in 2015 with externally-oriented sectors such as manufacturing and wholesale trade likely to bear the brunt of a challenging global economic environment. Domestically, labour scarcity will continue to plague sectors such as construction, retail and food services in which growth may be weighed down by labour constraints. Despite the negative externality, we know that Natural Cool is not a novice to challenges and we have the necessary wherewithal to ride on the continued growth of Singapore's built environment industry which is projected to reach between \$29 billion and \$36 billion in 2015.



Financial Review

The Group achieved revenue of S\$142.38 million in the full year ended 31 December 2014 ("FY2014"), a decrease of S\$12.35 million, or 7.98% as compared to S\$154.73 million in the full year ended 31 December 2013 ("FY2013"). 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\$0.75 million or 3.16% to S\$24.57 million in FY2014 due mainly to projects with higher margins.

Other income increased by S\$4.59 million or 483.62% to S\$5.54 million due mainly to gain on disposal of investment property at Benoi Crescent.

Distribution expenses decreased by S\$0.13 million or 2.30% to S\$5.68 million due mainly to lower salaries as headcount in the sales and marketing division have reduced. Administrative expenses increased by S\$2.23 million or 13.43% to S\$18.83 million due mainly to profit incentive to the top management in accordance to their respective service agreements and higher salaries for administrative staff. Other expenses increased by S\$0.42 million or 62.50% to S\$1.10 million due mainly to write-off of previously capitalised renovation work for Aircon division's retail outlets at West Coast and Junction 10 as the leases of these two outlets were terminated.

In FY2013, the Group had a net tax credit due mainly to higher tax savings derived from certain new tax incentives introduced by the government and reversal of overprovision of tax liabilities recognised in prior years.

Arising from the above, the Group reported a profit attributable to shareholders of S\$3.10 million in FY2014.

Property, plant and equipment increased by S\$7.45 million to S\$25.59 million as at 31 December 2014 due mainly to acquisition of property at Defu Lane. Investment property decreased by S\$10.35 million due to the disposal of the Group's investment property at Benoi Crescent. Other investments increased by S\$2.15 million to S\$5.90 million due mainly to subscription of zero coupon unsecured convertible bonds issued by HMK Energy Pte. Ltd. (as announced previously on 18 August 2014). Trade and other payables decreased by S\$3.74 million to S\$54.62 million as at 31 December 2014 due mainly to faster payment to suppliers. Current loans and borrowings increased by S\$3.96 million to S\$6.37 million as at 31 December 2014 due mainly to the reclassification of the convertible loan notes from non-current liabilities to current liabilities.

Cash flows from operating activities were an outflow of S\$0.14 million for FY2014 as compared to an inflow of S\$10.48 million for FY2013. This was due mainly to the decrease in trade and other payables as a result of faster payments to suppliers. Cash flows from investing activities were an inflow of S\$1.29 million for FY2014 as compared to an outflow of S\$7.27 million for FY2013. This was due mainly to net proceeds from disposal of investment property at Benoi Crescent. Cash flows from financing activities were an inflow of S\$1.97 million for FY2014 as compared to an inflow of S\$0.96 million for FY2013. This was due mainly to proceeds from bank borrowings and offset by repayment of mortgage loan for the investment property at Benoi Crescent.



LETTER TO SHAREHOLDERS

Enhancing Core Competencies

The year in review saw Natural Cool continuously seek to upgrade its business capabilities in terms of manpower development and systems enhancement. We adopted a two prongged growth strategy of business expansion and diversification as well as capability advancement. In this respect, we are therefore pleased to announce that our subsidiary, Gathergates Switchgear Pte Ltd, has successfully achieved HDB's materials listing approval for the following switchgear products:-

- Main Switchboard – GS-04/06/08-B (MCCB Model: ABB) (IEC 61439)
- Service Duct Meter Board – GS SDM 40A (Model MCB/Isolator: ABB)
- Control Panel – SHDB-WR-01 (Wet Riser System), SHDB-TP-01 (Transfer Pump System), SHDB-TMS-01 (Telemonitoring System), SHDB-BP-01 (Booster Pump System)
- Consumer Control Unit – ST Virgo 20 (Model MCB/RCCB: ABB) (Recessed), GS Virgo 20S (Model MCB/RCCB: ABB) (Surface)

Exploiting the Vibrant Built Environment

Based on the Building Construction Authority's estimates, the average construction demand is expected to be maintained between \$27 billion and \$36 billion in 2016 and 2017 and \$26 billion and \$37 billion in 2018 and 2019 annually. This can be attributed to a number of mega public sector infrastructure projects (e.g. Sengkang General and Community Hospitals, Tampines Town Hub and the construction of Thomson-East Coast MRT Line as well as land preparation works for Changi Airport expansion) required to meet the long-term needs of Singapore's growing population as well as business competitiveness. All these augurs well for Natural Cool as the Group's air-conditioning distribution and switchgear manufacturing businesses are pivotal elements of any M&E (mechanical & electrical) works for all building and infrastructure developments.

A Special Word of Thanks

We would like to thank our management, staff, business associates, customers, investors and all other Natural Cool's stakeholders for their support this past year. Notwithstanding the vagary of global dynamics or adverse external factors, Natural Cool has the required tenacity and is well prepared for any challenging times ahead. We believe that we have weathered the economic storm well in the past and we can do it again with everyone's dedication and continued support.

We hope you will find our reviews useful. This is also an opportune time to reassure you of our commitments, to always have our shareholders' best interests in mind as we do our utmost to harness our entrepreneurial skills and pursue initiatives that deliver the best shareholder value yet again.

Yours faithfully

Joseph Ang Choon Cheng

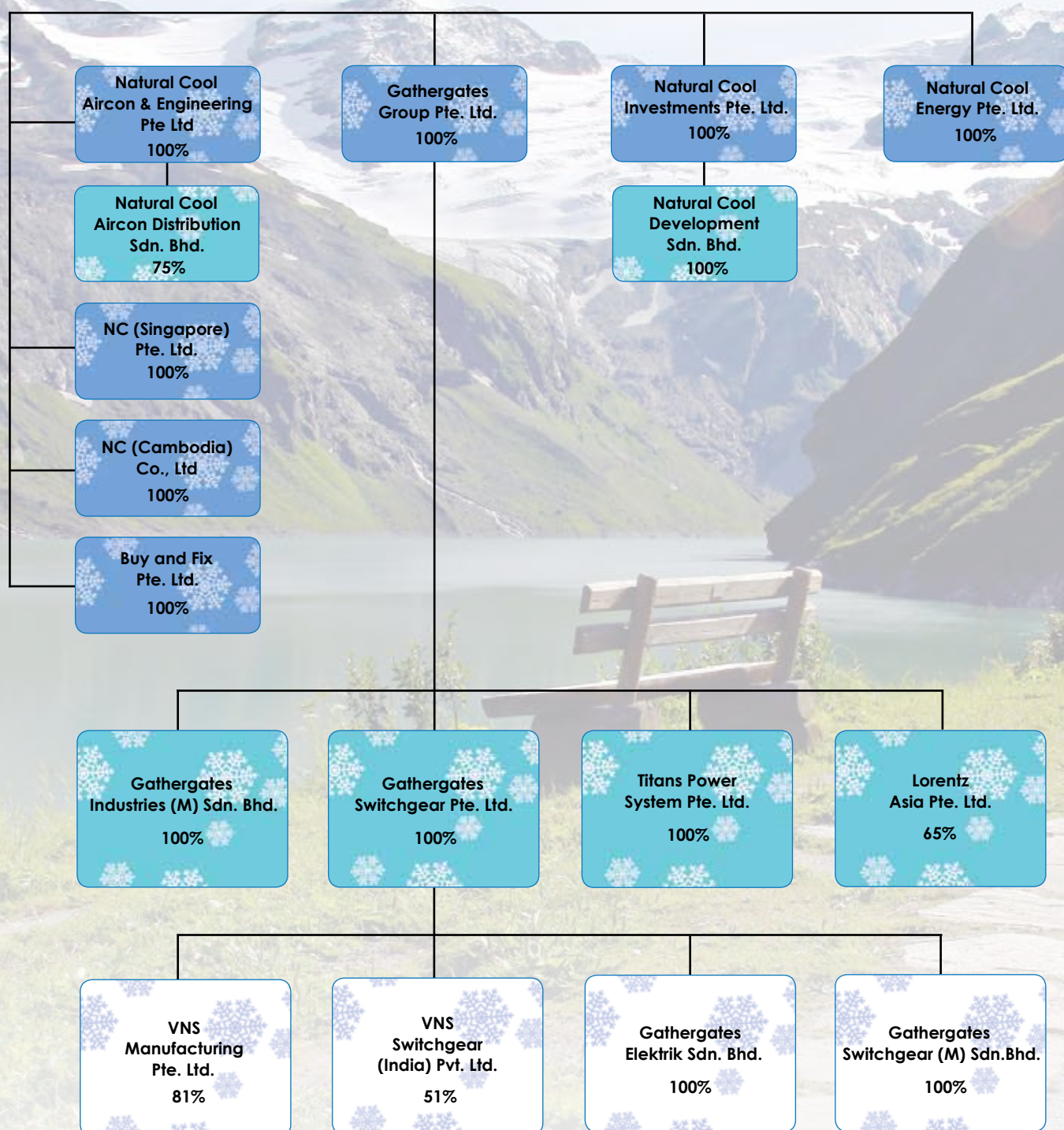
Executive Chairman

Tsng Joo Peng

Chief Executive Officer



Natural Cool Holdings Limited





CULTIVATING **GROWTH**

As a leading air-conditioning and switchgear specialist in Singapore, we at Natural Cool constantly nurture our people's capabilities to harness cohesion among them. As a mother bird nourishes its hatchlings, Natural Cool encourages its diverse team of professionals, gearing them up for innovation and the challenges that lie ahead.

The economic outlook for the built environment sector remains robust with construction contracts targeting to hit between \$29 billion and \$36 billion in 2015. While demand remains strong, public housing projects are likely to moderate further in view of a more stabilised public housing market. Likewise, private sector construction demand will decelerate to between \$11 billion and \$15 billion as developers have become cautious amid lackluster private home sales due to more prudent regulatory measures in place. However, the slowdown in building projects will be more than compensated by the increased institutional and infrastructural works such as Sengkang General and Community Hospitals, Tampines Town Hub, the proposed construction of Thomson-East Coast MRT Line as well as the imminent Changi Airport expansion projects.

While Singapore's labour market will remain tight with low unemployment and rising vacancy rates, Natural Cool continues its efforts in embarking on productivity enhancement programs, always finding ways to do more with less resource through multi-skilling, job redesigning and enlargement. Amid our constant restructuring and streamlining for greater operational efficiency, delivering good customer service still remains the *raison d'être* for our enduring performance and sustained growth.

THE AIRCON DIVISION

Installation & Servicing

The year in review saw Natural Cool performing well with increased business activities from its air-conditioning systems installation and servicing. This can be attributed to higher service standard achieved as we constantly upgrade the skills of our repair and servicing staff, to proactively respond to all types of air-conditioner service requests and situations. To serve customers well, staff keeps themselves abreast of the latest technical knowledge on how air-conditioners perform in different types of premises such as public housing, private residential and landed properties, as well as service apartments.

Natural Cool also has in place a team of in-house air conditioner specialists to handle more complex installations in commercial and industrial spaces. These include public institutions such as schools and hospitals and commercial buildings like offices, shopping malls, retail and F&B establishments. Typically, M&E projects in such non-standard buildings are subject to a tendering process as specialized knowledge is required to handle more sophisticated air-conditioning installation. Over the years, Natural Cool has acquired the necessary skills and knowledge for turnkey projects for designing and manufacturing of customised air-conditioning mechanical ventilation ("ACMV") systems based on customer's specifications. In addition, our Integrated Projects department is specially trained to provide Facilities Management services such as space planning, assets management and preventive maintenance of air-conditioners for smooth and uninterrupted operation.

Retail & Trading

Launched in 2013, the Natural Cool's Penguin Aircon Force (PAF) has proven successful and is still operating actively to provide quality service to customers within the 10 km radius from our main showroom at Defu Lane. Essentially, it is time specific location based marketing campaign, to demonstrate our product and service commitments to both new and existing customers. Since then, advertising campaigns have been carried out in nearby housing estates like Ang Mo Kio, Bedok and Tampines using feeder bus advertisements and specially designed brochures. The PAF marketing campaign has been so popular that we have begun to reach out to the younger generation living in relatively newer estates, such as Punggol, Sengkang, Upper Serangoon and Pasir Ris.

Apart from direct sales and marketing to end consumers, Natural Cool also helps its business associates compete effectively by helping them perform best sourcing of building and air conditioner accessories. Such products include air-conditioning supporting brackets, insulation, pipes and ducts, as well as industrial goods like electrical drills, drain pumps, screws, bolts and nuts, fasteners, silicon applicators, etc. Contractors find it useful and convenient as the items are housed under one roof and strategically located at our corporate outlets in Defu Lane and Toh Guan.



OPERATIONS REVIEW

Authorised Service Agent

The year ended well with Natural Cool being appointed the authorised service agent for Panasonic Air-conditioning Equipment. As a strategic partner, Natural Cool will work closely with Panasonic Call Centre to process and attend to its customers' requests. By logging onto Panasonic's website, we will be able to process the customers' requests for service, despatch our trained service personnel and work with the customers to troubleshoot and solve the problem at hand.

Fire Protection Department

In view of offering our local market a more complete service, Natural Cool started a "Fire Protection Department" in January 2014. With our newly acquired expertise, the department provides full fire protection design, supply and installation for different applications and industries. A standard fire protection package includes fire alarm system (conventional and addressable), dry and wet riser, hose reel devices as well as fire suppression system. Other related services include design based on dry pendent, pre action, clean room on 10k and 100k specifications, wet sprinkler system to the more sophisticated ESFR (Early Suppression Fast Response) sprinkler type. The year ended on a high note as the department was awarded with several key projects namely "Bedok Hawker Centre" fire protection system, which would be the first HDB prototype for future projects of similar application, e.g. China Square Central, Marine Bay Sands, PSA Marine, etc.

THE SWITCHGEAR DIVISION

2014 has been a fulfilling year for our switchgear business with our plants in the Iskandar region, Malaysia, coming into full swing. By and large, our production streamlining efforts had been completed with more laborious switchgear wiring and assembly works now being done across the causeway. Overall, our business competitiveness has improved in terms of higher labour and land productivity, better materials sourcing, and faster response time.

The Group continued to hone its switchgear design and manufacturing expertise by providing clients with technical and value engineering consultation service. This has helped us to generate the necessary goodwill that will stand us in good stead for future business undertakings. Our continuing efforts in corporate and product brand enhancement have also paid off fully as the brand Gathergates is fast becoming a household name among building owners and M&E consultants. To live up to our brand promise, we continued to fine-tune our internal communication and job planning process by improving on our E-Flow management system which was introduced two years ago. So far, the results have been very encouraging as staff are now able to respond faster to customers' changing needs by obliterating all possible human errors, especially communication breakdown.

In addition, our relentless pursuit of product and service quality had resulted in more requests for quotation, both from new and existing customers. We envisage that the trend will continue as more of our switchgear and controlgear products are now approved under the HDB's materials listing as follows:-

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Distribution expenses decreased by S\$0.13 million or 2.30% to S\$5.68 million due mainly to lower salaries as headcount in the sales and marketing division have reduced.

Administrative expenses increased by S\$2.23 million or 13.43% to S\$18.83 million due mainly to profit incentive to the top management in accordance to their respective service agreements and higher salaries for administrative staff.

Other expenses increased by S\$0.42 million or 62.50% to S\$1.10 million due mainly to write-off of previously capitalised renovation work for Aircon division's retail outlets at West Coast and Junction 10 as the leases of these two outlets were terminated.

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Cash flows from financing activities were an inflow of S\$1.97 million for FY2014 as compared to an inflow of S\$0.96 million for FY2013. This was due mainly to proceeds from bank borrowings and offset by repayment of mortgage loan for the investment property at Benoi Crescent.



BOARD OF DIRECTORS



Mr Joseph Ang Choon Cheng

Executive Chairman

Mr Ang was appointed to our Board on November 3, 2014. As Executive Chairman, he provides valuable guidance on strategic business and corporate development with a long-term view on leadership renewal and continuity. Prior to this, he was our Group CEO and the Executive Chairman of Gathergates Group which is the Switchgear Division of Natural Cool Holdings Limited. An industry veteran, Mr Ang has more than 20 years of experience in executive and senior management positions at various manufacturing, mechanical and electrical engineering companies. Mr Ang has previously held directorships in S-Team Engineering and Construction Pte Ltd and Soundtex Switchgear Pte Ltd.



Mr Tsng Joo Peng

Chief Executive Officer

Mr Tsng was appointed to our Board on August 1, 2005 (Date of last re-appointment as director: April 24, 2013) and he was appointed as our Group Chief Executive Officer ("CEO") on October 31, 2013. As CEO, he is primarily responsible for overseeing strategic planning, overall business expansion and management of our Group. Mr Tsng has been a Director of Natural Cool since 1993. Prior to joining our Company, Mr Tsng was a Director and Shareholder of Aircon Designs Pte Ltd, Aircon Designs Services Pte Ltd, QPA Pte Ltd, Quality Perfect Assurance Pte Ltd and NC Airconditioning Pte Ltd.



Mr Eric Ang Choon Beng

Executive Director

Mr Ang was appointed to our Board on August 1, 2005 (Date of last re-appointment as director: April 23, 2014). As Executive Director, he is responsible for the strategic planning and management of the Switchgear business operations. He is also the Chief Operating Officer ("COO") of Gathergates Group whose primary role is to oversee the business expansion and operations in Malaysia. Mr Ang has substantial years of experience in the switchgear industry. Over the last 20 years, he has held several management positions, rising from factory manager to Assistant Vice President in various engineering companies.



BOARD OF DIRECTORS



Mr Edward Chia Puay Hwee

Executive Director and CEO, Gathergates Group

Mr Chia was appointed to our Board on July 1, 2012 (Date of last re-appointment as director: April 24, 2013). Mr Chia has over 25 years of experience in the electrical and switchgear business, having served in a number of senior positions in several electrical and switchgear companies. He is responsible for the strategic growth and development of our Switchgear Division. Prior to joining our group, he held the position of Vice President of the Switchgear Division in SMB United Limited and later headed the company's operations in Xiamen and Shanghai, China. Mr Chia left SMB United Limited in 2007 and joined Ecube Electric Pte Ltd as Managing Director. A year later, he founded Titans Power System Pte Ltd in October 2008.



Mr Ken Tan Aik Kwong

Executive Director and COO, Gathergates Group

Mr Tan was appointed to our Board on July 1, 2012 (Date of last re-appointment as director: April 24, 2013). He is the COO of Gathergates Group, overseeing the business expansion and operations in Singapore. He is mainly responsible for the day-to-day business operations of Gathergates Switchgear, managing the manufacturing process, logistics and warehousing activities. Mr Tan has substantial years of experience in the switchgear industry and has in-depth knowledge in production and daily operations. He has held various key positions, rising from Production Manager to General Manager.



Mr Lim Siang Kai

Lead Independent Director

Mr Lim was appointed as an Independent Director to our Board on March 7, 2006 (Date of last re-appointment as director: April 23, 2012).

Mr Lim is currently the Chairman and Independent Director of ISDN Holdings Limited and an Independent Director of Blue Sky Power Holdings Limited (f.k.a. China Print Power Group Limited) and Joyas International Holdings Limited, all of which are public companies listed in Singapore. He had resigned as an Independent Director of Foreland Fabrictech Holdings Limited with effect from June 2, 2014.

He has over 30 years of experience in securities, private and investment banking and fund management. Mr Lim has a Bachelor of Arts degree and a Bachelor of Social Sciences (Honours) degree from the National University of Singapore obtained in 1980 & 1981 respectively. He has also obtained a Master of Arts in Economics degree from University of Canterbury, New Zealand in 1984.



BOARD OF DIRECTORS

Dr Wu Chiaw Ching

Independent Director



Dr Wu was appointed as an Independent Director to our Board on March 7, 2006 (Date of last re-appointment as director: April 23, 2014). Dr Wu is a partner of Wu Chiaw Ching & Company presently. He is a fellow member of the Institute of Chartered Accountants of Singapore, the Association of Chartered Certified Accountants, United Kingdom and Chartered Accountants, Australia and a member of the Singapore Institute of Directors.

Dr Wu is presently an Independent Director of LHT Holdings Limited, Gaylin Holdings Limited and Goodland Group Limited listed on the Main Board of SGX-ST and GDS Global Limited listed on the SGX-ST Catalist.

He obtained a Bachelor of Commerce (Accountancy) Singapore from Nanyang University, Singapore in 1980 and a Post-graduate Diploma in Business and Administration from Massey University, New Zealand 1985. Dr Wu also obtained a Diploma in Management Consultancy from the National Productivity Board, Singapore in 1988 and a Master of Arts (Finance and Accounting) from Leeds Metropolitan University, United Kingdom in 1996.

Mr William da Silva

Independent Director



Mr da Silva was appointed as an Independent Director to our Board on March 7, 2006 (Date of last re-appointment as director: April 23, 2012). He also holds a directorship in Aegis LLC. Mr da Silva is an advocate and solicitor of the Supreme Court of the Republic of Singapore and has been in private practice since 1990. He is a member of the Singapore Institute of Directors. Mr da Silva was also the Honorary Secretary and later Executive Council member of the Association of Small & Medium Enterprises, and a past President of the Rotary Club of Singapore North. He had served on the Ministry of Manpower's Tripartite Committee for Employment of Older Workers and subcommittee on Operational Safety & Health and also on the Ministry of Education's Compulsory Education Board. He is currently legal adviser to the Thekchen Choling Buddhist Centre and sits on the Legal Panel of the Eurasian Association. Mr da Silva holds a Bachelor of Laws from the National University of Singapore.



Mr Sean Leaw Wei Siang

Chief Financial Officer



Mr Leaw was appointed on January 20, 2012. As the Group Chief Financial Officer, Mr Leaw oversees all various functions of accounting, financial reporting, cost management accounting, foreign exchange management, credit control, management information system, tax, cash flow planning and financial systems of our Group. He possesses close to 20 years of working experience in accounting and financial management. Mr Leaw joined the Group in 2008, as Chief Financial Officer of one of the Group's wholly-owned subsidiaries. Prior to that, Mr Leaw worked at SMB Electric Pte Ltd and multinational company, Oiltools Pte Ltd, as Senior Finance Manager and Accountant respectively. Prior to that, Mr Leaw has also worked at Deloitte & Touche. Mr Leaw is a member of both Institute of Singapore Chartered Accountants and Certified Public Accountants, Australia, and holds a Bachelor of Commerce Degree majoring in Accounting and Finance from University of Western Australia.

Mr Neo Han Cheng

Executive Director and COO, Natural Cool Airconditioning & Engineering Pte Ltd



Mr Neo was appointed on July 19, 2007 and is primarily responsible for the overall management, business planning and daily operations of Natural Cool Airconditioning & Engineering. Mr Neo joined our Group in 1997 and was promoted to assistant general manager in 2005 where he is responsible for the implementation and evaluation of marketing strategies for Natural Cool Airconditioning & Engineering. Prior to his appointment as assistant general manager, Mr Neo was a project manager of Natural Cool Aircon & Engineering for seven years. From 1994 to 1997, he worked as a technical officer in the Port of Singapore Authority, where he was responsible for the supervision of the maintenance and servicing of M&E building services. Mr Neo graduated with a Diploma in Manufacture Engineering from Singapore Polytechnic in 1990.



CORPORATE INFORMATION

Board of Directors:

Executive Chairman

Mr Joseph Ang Choon Cheng

Chief Executive Officer

Mr Tsng Joo Peng

Executive Directors

Mr Joseph Ang Choon Cheng

Mr Tsng Joo Peng

Mr Eric Ang Choon Beng

Mr Edward Chia Puay Hwee

Mr Ken Tan Aik Kwong

Lead Independent Director

Mr Lim Siang Kai

Independent Directors

Dr Wu Chiaw Ching

Mr William da Silva

Audit Committee:

Chairman

Mr Lim Siang Kai

Members

Dr Wu Chiaw Ching

Mr William da Silva

Nominating Committee:

Chairman

Dr Wu Chiaw Ching

Members

Mr Lim Siang Kai

Mr William da Silva

Remuneration Committee:

Chairman

Mr William da Silva

Members

Dr Wu Chiaw Ching

Mr Lim Siang Kai

Company Secretaries:

Mr Leaw Wei Siang

Ms Yeoh Kar Choo Sharon

Auditors:

KPMG LLP

16 Raffles Quay

#22-00 Hong Leong Building

Singapore 048581

Partner-in-charge

Mr Low Hon Wah

(With effect from financial year 2012)

Catalist Continuing Sponsor:

PrimePartners Corporate Finance Pte. Ltd.

16 Collyer Quay

#10-00 Income at Raffles

Singapore 049318

Registered Office:

29 Tai Seng Avenue

#07-01 Natural Cool Lifestyle Hub

Singapore 534119

Share Registrar:

M & C Services Private Limited

112 Robinson Road #05-01

Singapore 069802

Corporate Legal Advisor:

Harry Elias Partnership LLP

SGX Centre 2, #17-01

4 Shenton Way

Singapore 068807

Principal Bankers:

The HongKong and Shanghai Banking Corporation
Limited

Standard Chartered Bank

Investor Relations Contact:

Email: corporateaffairs@natcool.com



DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2014.

Directors

The directors in office at the date of this report are as follows:

Joseph Ang Choon Cheng	Executive Chairman	(Appointed on 3 November 2014)
Tsng Joo Peng	Chief Executive Officer	
Eric Ang Choon Beng	Executive Director	
Ken Tan Aik Kwong	Executive Director	
Edward Chia Puay Hwee	Executive Director	
Lim Siang Kai	Lead Independent Director	
Dr. Wu Chiaw Ching	Independent Director	
William da Silva	Independent Director	

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
The Company		
<u>Ordinary shares</u>		
Joseph Ang Choon Cheng		
- interest held	25,549,385	25,549,385
- deemed interest	3,150,001	3,150,001
Tsng Joo Peng		
- interest held	5,000,000	5,000,000
- deemed interest	12,348,426	12,348,426
Eric Ang Choon Beng		
- interest held	7,831,352	352
- deemed interest	1,000	7,832,000
Ken Tan Aik Kwong		
- interest held	5,000,000	—
- deemed interest	3,790,000	8,790,000
Edward Chia Puay Hwee		
- interest held	10,214,000	10,214,000
- deemed interest	1,000	1,000



DIRECTORS' REPORT

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning, or at the date of appointment, if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2015.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 30 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which he has a substantial financial interest.

Share options

During the financial year, there were:

- (i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit Committee

The members of the Audit Committee during the year and at the date of this report are:

- Lim Siang Kai (Chairman), lead independent director
- Dr. Wu Chiaw Ching, independent director
- William da Silva, independent director

The Audit Committee performs the functions specified in Section 201B (5) of the Act, the SGX-ST Listing Manual Section B: Rules of Catalyst (SGX Listing Manual) and the Code of Corporate Governance.

The Audit Committee has held two meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- half yearly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).



DIRECTORS' REPORT

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing the auditors for the Company and subsidiaries, the Company has complied with Rules 712 and 716 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Joseph Ang Choon Cheng

Director

Tsng Joo Peng

Director

30 March 2015



STATEMENT BY DIRECTORS

In our opinion:

- (a) the financial statements set out on pages 22 to 84 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Joseph Ang Choon Cheng
Director

Tsng Joo Peng
Director

30 March 2015



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NATURAL COOL HOLDINGS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Natural Cool Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 22 and 84.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

30 March 2015



STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		Group		Company	
	Note	2014	2013	2014	2013
		\$	\$	\$	\$
Assets					
Property, plant and equipment	4	25,591,140	18,143,803	5,116	–
Intangible assets	5	8,078,234	7,165,879	–	–
Investment property	6	–	10,347,941	–	–
Subsidiaries	7	–	–	15,006,917	15,006,917
Other investments	8	5,898,240	3,750,000	5,898,240	3,750,000
Deferred tax assets	16	1,404,045	1,465,016	–	–
Non-current assets		40,971,659	40,872,639	20,910,273	18,756,917
Inventories	9	16,785,212	16,409,554	–	–
Trade and other receivables	11	48,392,640	49,089,878	7,466,818	10,557,163
Cash and cash equivalents	12	14,490,329	12,389,679	642,504	18,890
Current assets		79,668,181	77,889,111	8,109,322	10,576,053
Total assets		120,639,840	118,761,750	29,019,595	29,332,970
Equity					
Share capital	13	31,956,902	31,956,902	31,956,902	31,956,902
Reserves	14	(3,431,933)	(3,384,022)	300,000	300,000
Accumulated profits/(losses)		14,481,937	11,383,330	(9,431,741)	(7,184,518)
Equity attributable to owners of the Company		43,006,906	39,956,210	22,825,161	25,072,384
Non-controlling interests	31	227,751	275,340	–	–
Total equity		43,234,657	40,231,550	22,825,161	25,072,384
Liabilities					
Loans and borrowings	15	14,720,898	15,273,227	–	3,450,000
Deferred tax liabilities	16	370,503	238,403	–	–
Non-current liabilities		15,091,401	15,511,630	–	3,450,000
Trade and other payables	17	54,618,590	58,354,291	2,744,434	810,586
Loans and borrowings	15	6,367,356	2,407,780	3,450,000	–
Current tax payable		1,327,836	1,465,145	–	–
Provision	18	–	791,354	–	–
Current liabilities		62,313,782	63,018,570	6,194,434	810,586
Total liabilities		77,405,183	78,530,200	6,194,434	4,260,586
Total equity and liabilities		120,639,840	118,761,750	29,019,595	29,332,970

The accompanying notes form an integral part of these financial statements



CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Group	
	Note	2014	2013
		\$	\$
Revenue	21	142,376,914	154,728,617
Cost of sales		(117,810,985)	(130,915,207)
Gross profit		24,565,929	23,813,410
Other income	22	5,541,925	949,572
Distribution expenses		(5,678,827)	(5,812,276)
Administrative expenses		(18,828,272)	(16,599,321)
Other expenses		(1,099,827)	(676,800)
Results from operating activities		4,500,928	1,674,585
Finance costs	23	(1,216,121)	(1,205,864)
Profit before tax		3,284,807	468,721
Income tax (expense)/credit	24	(237,394)	1,330
Profit for the year	25	3,047,413	470,051
Profit attributable to:			
Owners of the Company		3,098,607	508,813
Non-controlling interests		(51,194)	(38,762)
Profit for the year		3,047,413	470,051
Earnings per share			
Basic and diluted earnings per share (cents)	26	1.51	0.25

The accompanying notes form an integral part of these financial statements



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group	
	2014	2013
	\$	\$
Profit for the year	3,047,413	470,051
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Recognition of equity component from issue of convertible loan notes	–	300,000
<i>Item that is or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences for foreign operations	(44,306)	(127,894)
Other comprehensive income for the year	(44,306)	172,106
Total comprehensive income for the year	<u>3,003,107</u>	<u>642,157</u>
Total comprehensive income attributable to:		
Owners of the Company	3,050,696	696,324
Non-controlling interests	(47,589)	(54,167)
Total comprehensive income for the year	<u>3,003,107</u>	<u>642,157</u>

The accompanying notes form an integral part of these financial statements



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Group	Share capital \$	Capital reserve \$	Translation reserve \$	Accumulated profits \$	Total attributable to owners of the Company \$	Non-controlling interests \$	Total equity \$
At 1 January 2013	31,956,902	(3,377,530)	(194,003)	10,874,517	39,259,886	329,507	39,589,393
Total comprehensive income for the year							
Profit for the year	-	-	-	508,813	508,813	(38,762)	470,051
Other comprehensive income							
Recognition of equity component from issue of convertible loan notes	-	300,000	-	-	300,000	-	300,000
Foreign currency translation differences	-	-	(112,489)	-	(112,489)	(15,405)	(127,894)
Total comprehensive income for the year	-	300,000	(112,489)	508,813	696,324	(54,167)	642,157
At 31 December 2013	31,956,902	(3,077,530)	(306,492)	11,383,330	39,956,210	275,340	40,231,550
At 1 January 2014	31,956,902	(3,077,530)	(306,492)	11,383,330	39,956,210	275,340	40,231,550
Total comprehensive income for the year							
Profit for the year	-	-	-	3,098,607	3,098,607	(51,194)	3,047,413
Other comprehensive income							
Foreign currency translation differences	-	-	(47,911)	-	(47,911)	3,605	(44,306)
Total comprehensive income for the year	-	-	(47,911)	3,098,607	3,050,696	(47,589)	3,003,107
At 31 December 2014	31,956,902	(3,077,530)	(354,403)	14,481,937	43,006,906	227,751	43,234,657

The accompanying notes form an integral part of these financial statements



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group	
	2014	2013
	\$	\$
Cash flows from operating activities		
Profit for the year	3,047,413	470,051
Adjustments for:		
Amortisation of deferred revenue	(1,300,000)	(1,300,000)
Amortisation of club memberships	–	137,180
Amortisation of intangible assets	625,218	372,333
Depreciation of investment property	48,130	288,779
Depreciation of property, plant and equipment	2,961,255	3,125,852
Gain on disposal of investment property, net	(4,758,331)	–
Gain on disposal of property, plant and equipment	(14,654)	(1,669)
Plant and equipment written-off	393,294	26,353
Intangible assets written-off	1,352	–
Interest expenses	1,216,121	1,205,864
Interest income	(7,280)	(29,108)
Income tax expense/(credit)	237,394	(1,330)
	<u>2,449,912</u>	<u>4,294,305</u>
Changes in working capital:		
Inventories	(375,658)	2,505,108
Trade and other receivables	732,346	(1,251,779)
Trade and other payables	(2,762,000)	5,169,704
Cash generated from operations	<u>44,600</u>	<u>10,717,338</u>
Income tax paid	(181,632)	(233,652)
Net cash (used in)/generated from operating activities	<u>(137,032)</u>	<u>10,483,686</u>
Cash flows from investing activities		
Interest received	7,280	27,573
Improvement to investment property	(256,000)	–
Proceeds from disposal of investment property, net	15,345,164	–
Proceeds from disposal of property, plant and equipment	36,999	30,545
Purchase of computer software	(36,907)	(1,131,686)
Purchase of industrial certificates	(1,435,537)	(1,795,378)
Purchase of property, plant and equipment	(10,218,895)	(651,680)
Acquisition of other investments	(2,148,240)	(3,750,000)
Net cash generated from/(used in) investing activities	<u>1,293,864</u>	<u>(7,270,626)</u>

The accompanying notes form an integral part of these financial statements



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Group	
	Note	2014	2013
		\$	\$
Cash flows from financing activities			
Fixed deposits (pledged)/released		(35,797)	136,812
Interest paid		(1,028,621)	(1,018,364)
Non-trade amounts due from a related party		(35,098)	–
Proceeds from issue of convertible loan notes		–	3,750,000
Proceeds from borrowings		10,740,000	1,000,000
Repayment of bank borrowings		(6,047,319)	(2,171,667)
Repayment of finance lease liabilities		(1,624,345)	(741,202)
Net cash generated from financing activities		1,968,820	955,579
Net increase in cash and cash equivalents		3,125,652	4,168,639
Effect of changes in foreign exchange rate		67,234	(11,530)
Cash and cash equivalents at beginning of year		11,047,588	6,890,479
Cash and cash equivalents at end of year	12	14,240,474	11,047,588

Significant non-cash transactions

During the financial year, the Group acquired:

- plant and equipment amounting to \$2,922,818 (2013: \$1,282,282), of which \$675,590 (2013: \$560,833) was acquired under finance lease (see Note 4) and \$75,955 (2013: \$69,769) remained unpaid and was accrued as at year end (see Note 17); and
- intangible assets amounting to \$1,535,288 (2013: \$3,366,313), of which \$62,844 (2013: \$439,249) remained unpaid and was accrued as at year end (see Note 17).

The accompanying notes form an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2015.

1 Domicile and activities

Natural Cool Holdings Limited (the “Company”) is incorporated in the Republic of Singapore and has its registered office at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are as follows:

- Air-conditioning: trading of air-conditioners, air-condition components, systems and units, air-condition installation, servicing and re-conditioning;
- Switchgear: manufacture and sale of standardised and customised switchgear, electrical components; and
- Investment: properties investment holding.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in accounting policies below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company’s functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.



2 Basis of preparation (Continued)

2.4 Use of estimates and judgements (Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – estimated useful lives of property, plant and equipment
- Note 5 – measurement of recoverable amounts of goodwill and estimated useful lives of intangible assets
- Note 7 – measurement of recoverable amounts of investments in subsidiaries
- Note 9 – valuation of carrying amount of inventories
- Note 11 – recoverability of trade and other receivables
- Note 21 – revenue and profit recognition on projects

2.5 Changes in accounting policies

(i) *Subsidiaries*

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. Notwithstanding the above, the change had no impact to the control conclusion made by the Group.

(ii) *Disclosure of interests in other entities*

From 1 January 2014, as a result of FRS 112 *Disclosure of Interests in Other Entities*, the Group has expanded its disclosure about its interest in subsidiaries (see Note 31).

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

(i) *Acquisition of non-controlling interests*

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

(ii) *Subsidiaries (Continued)*

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) *Acquisition from entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity, and any gain/loss arising is recognised directly in equity.

(iv) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(v) *Accounting for subsidiaries*

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.



3 Significant accounting policies (Continued)

3.2 Foreign currency (Continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(i) *Non-derivative financial assets (Continued)*

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on the fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise investment in zero-coupon convertible bonds.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Equity securities which do not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost less impairment losses.

Available-for-sale financial assets comprise equity securities.



3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(ii) *Non-derivative financial liabilities*

All financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings (including bank overdrafts), and trade and other payables.

(iii) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(iv) *Compound financial instruments*

Compound financial instruments issued by the Group comprise convertible loan notes denominated in Singapore dollars that can be converted to share capital at the option of the holder, where the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and gains and losses related to the financial liability component are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(v) *Intra-group financial guarantees in the separate financial statements*

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contracts.

3.4 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for all significant fair value measurement, including Level 2 and Level 3 fair values, and reports directly to the Board of Directors.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Board of Directors and Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 20 – Determination of fair values.



3 Significant accounting policies (Continued)

3.5 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 Significant accounting policies (Continued)

3.5 Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

The estimated useful lives for the current and comparative years are as follows:

Freehold properties	50 years
Leasehold properties	46 years
Computers	3 years
Furniture, fittings and office equipment	5 years
Motor vehicles	5 – 10 years
Tools and machineries	5 – 10 years
Renovation	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill at acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Computer software

Computer software licenses are initially recognised at cost which includes the purchase price (net of any discounts and rebates) and other costs directly attributable to bringing the assets to a working condition for their intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense as incurred.

Computer software licenses are subsequently measured at cost less accumulated amortisation and impairment losses.



3 Significant accounting policies (Continued)

3.6 Intangible assets (Continued)

(ii) Computer software (Continued)

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 3 years from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Amortisation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

(iii) Industrial certificates

Industrial certificates represent costs incurred by the Group to obtain Association of Short Circuit Testing Authority ("ASTA") certificates for developed capabilities to design, construct and develop low-voltage switchboards to meet international standards. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 25 years, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

3.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful life of the investment property. The estimated useful life of the Group's investment property is 41 years. Depreciation method, useful life and residual value are reviewed at each reporting period, and adjusted if appropriate.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and carrying amounts of the replaced components are written off to the profit or loss. The cost of maintenance, repairs and minor improvement is charged to the profit or loss when incurred.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 Significant accounting policies (Continued)

3.8 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sales.

Construction contracts-in-progress

Construction contracts-in-progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 3.14) less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts-in-progress is presented as part of inventories in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed the costs incurred plus recognised profits, then the difference is presented as excess of progress billings over construction contracts-in-progress as part of trade and other payables in the statement of financial position.

3.10 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers in the group, and economic conditions that correlate with defaults. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its costs is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.



3 Significant accounting policies (Continued)

3.10 Impairment (Continued)

(i) *Non-derivative financial assets (Continued)*

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale equity security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 Significant accounting policies (Continued)

3.10 Impairment (Continued)

(ii) *Non-financial assets (Continued)*

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Employee benefits

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as staff costs in profit or loss in the periods during which related services are rendered by employees.

(ii) *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.



3 Significant accounting policies (Continued)

3.12 Deferred revenue

(i) Advance payments received from customers

Deferred revenue relates to advance payments received from customers in respect of servicing of air-conditioners. Deferred revenue is amortised on a straight-line basis over the period stipulated in the respective customer contract commencing from date of supply and upon rendering of services.

(ii) Excess of sales proceeds over the fair value of the property

Deferred revenue relates to the excess of sales proceeds over the fair value of the property which is deferred and accreted over the period for which the property is expected to be used, when the sale and leaseback transaction resulted in operating lease.

3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.14 Revenue

(i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. Transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading of the goods on to the relevant carrier at the port. Generally, for such products, the customer has no right of return.

(ii) Rendering of services

Revenue from rendering of services is recognised in profit or loss when the services are rendered.

(iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 Significant accounting policies (Continued)

3.14 Revenue (Continued)

(iii) *Construction contracts (Continued)*

The stage of completion is assessed by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iv) *Rental income*

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

3.15 Government grants

An unconditional government grants related to a computer software and SME Cash Grant are recognised in profit or loss as other income when the grants becomes receivable.

3.16 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the assets.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.



3 Significant accounting policies (Continued)

3.17 Finance income and costs

Finance income comprises interest income on funds placed with banks and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings and fair value losses on financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the profit or loss using the effective interest method.

3.18 Income tax

Income tax comprises current and deferred taxes. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 Significant accounting policies (Continued)

3.18 Income tax (Continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.19 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary share. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprises convertible loan notes.

3.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") and Group's Executive Directors ("GED") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO and GED include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.21 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. Management has assessed that none of these new standards, amendments to standards and interpretations are expected to have a significant effect on the financial statements of the Group and the Company. The Group does not plan to early adopt these standards.



4 Property, plant and equipment

Group	Freehold land	Freehold properties	Leasehold properties	Computers	Furniture, fittings and office equipment	Motor vehicles	Tools and machineries	Renovation	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
At 1 January 2013	1,695,041	4,014,017	4,300,000	968,936	1,734,053	3,438,052	6,843,794	6,874,843	29,868,736
Additions	-	-	-	70,893	105,667	405,193	274,481	426,048	1,282,282
Disposals/write-offs	-	-	-	-	(3,980)	(29,400)	(8,685)	(736,985)	(779,050)
Translation differences on consolidation	(59,082)	(136,270)	-	(7,743)	(14,270)	(4,736)	(125,051)	(49,462)	(396,614)
At 31 December 2013	1,635,959	3,877,747	4,300,000	1,032,086	1,821,470	3,809,109	6,984,539	6,514,444	29,975,354
Additions	-	-	8,047,622	191,232	162,620	1,200,148	757,689	611,129	10,970,440
Disposals/write-offs	-	-	-	(80,923)	(2,727)	(119,347)	(175,398)	(669,191)	(1,047,586)
Reclassification to investment property	-	-	-	-	-	-	-	(320,420)	(320,420)
Translation differences on consolidation	(31,442)	(72,519)	-	(3,142)	(7,719)	(766)	(19,325)	(24,302)	(159,215)
At 31 December 2014	1,604,517	3,805,228	12,347,622	1,139,253	1,973,644	4,889,144	7,547,505	6,111,660	39,418,573
Accumulated depreciation									
At 1 January 2013	-	282,115	78,323	501,480	1,092,929	1,495,017	2,705,507	3,389,795	9,545,166
Depreciation for the year	-	79,628	93,984	225,249	313,474	366,032	852,922	1,194,563	3,125,852
Disposals/write-offs	-	-	-	-	(3,980)	(5,880)	(3,329)	(710,632)	(723,821)
Translation differences on consolidation	-	(7,164)	-	(5,017)	(8,267)	(2,611)	(61,062)	(31,525)	(115,646)
At 31 December 2013	-	354,579	172,307	721,712	1,394,156	1,862,558	3,494,038	3,842,201	11,831,551
Depreciation for the year	-	77,815	258,594	197,855	173,656	417,404	846,649	989,282	2,961,255
Disposals/write-offs	-	-	-	(63,849)	(1,599)	(65,473)	(140,063)	(960,963)	(631,947)
Reclassification to investment property	-	-	-	-	-	-	-	(289,398)	(289,398)
Translation differences on consolidation	-	(6,424)	-	(2,902)	(4,588)	(557)	(7,720)	(21,837)	(44,028)
At 31 December 2014	-	425,970	430,901	852,816	1,561,625	2,203,932	4,192,904	4,159,285	13,827,433
Carrying amounts									
At 1 January 2013	1,695,041	3,731,902	4,221,677	467,456	641,124	1,943,035	4,138,287	3,485,048	20,323,570
At 31 December 2013	1,635,959	3,523,168	4,127,693	310,374	427,314	1,956,551	3,490,501	2,672,243	18,143,803
At 31 December 2014	1,604,517	3,379,258	11,916,721	286,437	412,019	2,685,212	3,354,601	1,952,375	25,591,140



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

4 Property, plant and equipment (Continued)

	Computers
	\$
Company	
Cost	
At 1 January and 31 December 2013	–
Additions	5,725
At 31 December 2014	5,725
Accumulated depreciation	
At 1 January and 31 December 2013	–
Depreciation for the year	609
At 31 December 2014	609
Carrying amounts	
At 1 January and 31 December 2013	–
At 31 December 2014	5,116

Leased assets

During the financial year, the Group acquired plant and equipment under finance leases amounting to \$675,590 (2013: \$560,833). As at the reporting date, net book values of plant and equipment which were held under finance leases were as follows:

	2014	2013
	\$	\$
Motor vehicles	1,492,431	1,814,306
Machineries	758,108	1,550,571
	2,250,539	3,364,877

Securities

As at the reporting date, net book values of property, plant and equipment of the Group pledged as security to secure banking facilities as set out in Note 15 to the financial statements were as follows:

	2014	2013
	\$	\$
Freehold land and properties	4,983,775	5,159,127
Leasehold properties	11,916,721	4,127,693
Machineries	–	298,487
	16,900,496	9,585,307



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

4 Property, plant and equipment (Continued)

Sources of estimation uncertainty

The Group and Company reviews the useful lives of the property, plant and equipment at each reporting date in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's and Company's historical experience with similar assets and taking into account anticipated technological changes and market conditions. Changes in the expected level of usage and market developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised.

5 Intangible assets

	Goodwill on consolidation	Computer software	Industrial certificates	Total
	\$	\$	\$	\$
Group				
Cost				
At 1 January 2013	1,879,134	965,394	2,247,318	5,091,846
Additions	–	1,147,609	2,218,704	3,366,313
Translation differences on consolidation	–	(737)	(15,601)	(16,338)
At 31 December 2013	1,879,134	2,112,266	4,450,421	8,441,821
Additions	–	99,751	1,435,537	1,535,288
Write-offs	–	(58,026)	–	(58,026)
Translation differences on consolidation	–	(393)	3,529	3,136
At 31 December 2014	1,879,134	2,153,598	5,889,487	9,922,219
Accumulated amortisation				
At 1 January 2013	–	635,515	268,953	904,468
Amortisation for the year	–	300,440	71,893	372,333
Translation differences on consolidation	–	(715)	(144)	(859)
At 31 December 2013	–	935,240	340,702	1,275,942
Amortisation for the year	–	536,423	88,795	625,218
Write-offs	–	(56,674)	–	(56,674)
Translation differences on consolidation	–	(394)	(107)	(501)
At 31 December 2014	–	1,414,595	429,390	1,843,985
Carrying amounts				
At 1 January 2013	1,879,134	329,879	1,978,365	4,187,378
At 31 December 2013	1,879,134	1,177,026	4,109,719	7,165,879
At 31 December 2014	1,879,134	739,003	5,460,097	8,078,234

The amortisation charges of computer software and industrial certificates are included in the administrative expenses and cost of sales in the profit or loss respectively.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

5 Intangible assets (Continued)

Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 27.

The carrying amount of goodwill amounted to \$1,879,134 (2013: \$1,879,134) is allocated to the switchgear CGU.

The Group reviews its goodwill annually for impairment, or more frequently if there are indications that the goodwill might be impaired.

The recoverable amount of the goodwill is determined based on the value-in-use from the operation of switchgear CGU. The key assumptions for the value-in-use calculations cover discount rates, growth rates, expected gross margin and expected changes to direct costs. These assumptions are based on past practices and expectations of future changes in the market. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group.

The Group prepares 5-year cash flows forecast derived from the most recent financial budgets approved by the Directors of the Group.

Key assumptions used in the value-in-use calculation for the year ended 31 December 2014 are as follows:

- Anticipated revenue growth of 9% in the year ending 31 December 2015. No growth was assumed for the subsequent years. The order book as at 31 December 2014 was \$32 million. These orders are expected to be delivered by 31 December 2015;
- Pre-tax discount rate of 9% has been applied to pre-tax cash flow projections; and
- The terminal value was estimated using the cash flows forecast at the fifth year at zero terminal growth rate.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

Management believes that any reasonable change in the above key assumptions will not materially cause the recoverable value to be lower than the carrying amount and accordingly, no impairment is required.

Amortisation

Computer software and industrial certificates are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 25 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

6 Investment property

	Leasehold property
	\$
Group	
Cost	
At 1 January 2013 and 31 December 2013	11,214,279
Improvement	256,000
Reclassification from property, plant and equipment	320,420
Disposal	(11,790,699)
At 31 December 2014	—
Accumulated depreciation	
At 1 January 2013	577,559
Depreciation for the year	288,779
At 31 December 2013	866,338
Depreciation for the year	48,130
Reclassification from property, plant and equipment	289,398
Disposal	(1,203,866)
At 31 December 2014	—
Carrying amounts	
At 1 January 2013	10,636,720
At 31 December 2013	10,347,941
At 31 December 2014	—

Securities

In 2013, the Benoi property with a carrying amount of \$10,347,941 was pledged as security to secure bank loans (see Note 15).

Details of the Group's property classified under investment property in 2013 are as follow:

Location	Gross floor area (approximate sq.m.)	Tenure	Existing use	Remaining term of lease
20 Benoi Crescent Singapore 629983	16,388.10	Leasehold	Industrial	36 years

7 Subsidiaries

	Company	
	2014	2013
	\$	\$
Unquoted equity investments, at cost	15,006,917	15,006,917



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

7 Subsidiaries (Continued)

Details of significant subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group	
			2014	2013
			%	%
Held by the Company				
Natural Cool Airconditioning & Engineering Pte Ltd ("NCAE")	Trading and supplying air-conditioners and parts including the manufacturing of air-conditioner ducts and the installation, repair and maintenance of air-conditioners	Singapore	100	100
Natural Cool Investments Pte. Ltd.	Investment holding company and holding of investment property	Singapore	100	100
Gathergates Group Pte. Ltd. ("GGPL")	Investment holding company	Singapore	100	100
Held by GGPL				
Gathergates Switchgear Pte. Ltd. ("GSPL")	Manufacturing, assembling, repairing, rebuilding and installing switchgears and other analogous articles	Singapore	100	100
Titans Power System Pte. Ltd.	Trading and repair of switchgear and switchboard apparatus	Singapore	100	100
Gathergates Industries (M) Sdn. Bhd.	Manufacturing of electrical switchboards	Malaysia	100	100
Held by GSPL				
Gathergates Switchgear (M) Sdn. Bhd.	Manufacturing, installation and contracting of switchgear products	Malaysia	100	100
Gathergates Elektrik Sdn. Bhd.	Trading of electrical switchboards	Malaysia	100	100

KPMG LLP, Singapore is the auditor of the Singapore incorporated subsidiaries listed above. Other member firms of KPMG International are auditors of the Company's significant foreign-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

Source of estimation uncertainty

When a subsidiary is in net equity deficit and has suffered operating losses, the Company's management would undertake an impairment assessment to determine the estimated recoverable amount. This determination requires significant judgement. An estimate is made of the future profitability of the subsidiary, the financial health of and near-term business outlook for the subsidiary, including factors such as industry and sector performance, and operational and financing cash flows. The recoverable amount of the subsidiary could change significantly as a result of changes in market conditions and the assumptions used in determining the recoverable amount.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

8 Other investments

	Group and Company 2014	2013
	\$	\$
Available-for-sale financial assets:		
- Unquoted equity securities	3,750,000	3,750,000
Financial assets designated at fair value through profit or loss:		
- Zero-coupon convertible bonds	2,148,240	–
	<u>5,898,240</u>	<u>3,750,000</u>

The zero-coupon convertible bonds (“bonds”) are convertible in full into 240,000 ordinary shares of the issuer at the option of the bond holders, at US\$7 per share. Unconverted bonds will be redeemed and repayable by the issuer at the initial principal amount in August 2017. The bonds have been designated at fair value through profit or loss because the embedded derivative in the instrument is equity instrument whose fair value does not have a quoted market price and cannot be reliably measured.

The Group and Company’s exposures to credit and foreign currency risks are disclosed in Note 19.

9 Inventories

	Note	Group 2014	2013
		\$	\$
Raw materials		4,811,894	5,024,115
Work-in-progress		954,575	772,955
Finished goods		10,420,209	8,535,356
Construction contracts-in-progress	10	598,534	2,077,128
		<u>16,785,212</u>	<u>16,409,554</u>

The cost of inventories recognised as an expense and included in the cost of sales of the Group amounted to \$86,157,732 (2013: \$88,241,377). As at the reporting date, inventories amounting to \$69,402 (2013: \$254,696) are pledged under fixed and floating charges to secure banking facilities.

Sources of estimation uncertainty

Management reviews an ageing analysis at each reporting date, and makes allowance for obsolete and slow-moving inventory items that are identified as obsolete and slow-moving, if any. Management estimates the net realisable value for goods for resale based primarily on the latest selling prices and current market conditions. As at 31 December 2014, the inventories are stated after allowance for inventory obsolescence of \$198,117 (2013: \$42,830). Adjustments to the carrying amount of inventories may be made in future periods in the event that their carrying amounts may not be recoverable resulting from future loss events.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10 Construction contracts-in-progress

	Note	Group	
		2014	2013
		\$	\$
Contract costs incurred		60,061,844	54,508,722
Attributable profits		7,898,974	7,519,318
		67,960,818	62,028,040
Progress billings		(70,221,386)	(61,379,108)
		(2,260,568)	648,932
Comprising:			
Construction contracts-in-progress	9	598,534	2,077,128
Retention sum included in accrued revenue	11	4,110,713	3,278,184
Excess of progress billings over construction contracts-in-progress	17	(6,969,815)	(4,706,380)
		(2,260,568)	648,932

Advances for which the related work has not started, and billings in excess of costs incurred and recognised profits, are presented as excess of progress billings over construction contracts-in-progress (see Note 17).

11 Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
Trade receivables – third parties	30,390,555	31,926,423	–	–
Amounts due from subsidiaries:				
- trade	–	–	331,309	333,995
- non-trade	–	–	7,009,888	9,768,607
Amounts due from related parties:				
- trade	67,714	67,698	69,550	–
- non-trade	35,098	–	–	–
Accrued discounts receivable	1,738,022	1,385,740	–	–
Other receivables	880,682	1,162,749	32	436,645
Deposits	8,044,593	9,335,557	–	–
	41,156,664	43,878,167	7,410,779	10,539,247
Impairment losses	(1,154,308)	(1,013,635)	–	–
Loans and receivables	40,002,356	42,864,532	7,410,779	10,539,247
Accrued revenue	5,935,404	5,688,859	–	–
Prepayments	497,914	388,403	56,039	17,916
Advances to suppliers	1,956,966	148,084	–	–
	48,392,640	49,089,878	7,466,818	10,557,163

Outstanding balances due from subsidiaries and related parties are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11 Trade and other receivables (Continued)

In prior year, other receivables include a loan to a third party amounting to \$406,000 for working capital purposes. The loan was unsecured, interest-free and repaid in 2014.

Accrued revenue for the Group includes retention sum relating to construction contracts-in-progress of \$4,110,713 (2013: \$3,278,184) and completed projects of \$688,445 (2013: \$1,089,124).

The Group and Company's exposures to credit and currency risks, and impairment losses related to loans and receivables are disclosed in Note 19.

Sources of estimation uncertainty

The Group evaluates whether there is any objective evidence that loans and receivables are impaired, and determines the amount of impairment losses as a result of the customer's inability to make the required payments. The Group determines the estimates based on the ageing of the loans and receivables balance, credit-worthiness and historical write-off experience. If, however, the financial conditions of the customers were to deteriorate, actual write-offs or additional allowance for impairment losses would be higher than estimated.

12 Cash and cash equivalents

	Note	Group		Company	
		2014	2013	2014	2013
		\$	\$	\$	\$
Cash at bank and in hand		13,240,474	12,175,621	642,504	18,890
Fixed deposits		1,249,855	214,058	–	–
Cash and cash equivalents in the statements of financial position		14,490,329	12,389,679	642,504	18,890
Pledged deposits		(249,855)	(214,058)		
Cash restricted in use		–	(791,354)		
Bank overdrafts – secured	15	–	(336,679)		
		(249,855)	(1,342,091)		
Cash and cash equivalents in the consolidated statement of cash flows		14,240,474	11,047,588		

Pledged deposits represent bank balances of subsidiaries pledged as security to obtain credit facilities and security for customer contract.

In prior year, cash restricted in use was related to the remaining insurance compensation of \$791,354 received in 2012, which was restricted solely for the purpose of reinstatement of an investment property (see Note 18).

In prior year, bank overdrafts were secured by joint and several personal guarantees by two directors of the Company and two directors of a subsidiary.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13 Share capital

	Group and Company			
	2014		2013	
	No. of shares	\$	No. of shares	\$
Fully paid ordinary shares, with no par value:				
At 1 January and 31 December	205,447,985	31,956,902	205,447,985	31,956,902

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled the one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14 Reserves

	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
Capital reserve	(3,077,530)	(3,077,530)	300,000	300,000
Translation reserve	(354,403)	(306,492)	–	–
	(3,431,933)	(3,384,022)	300,000	300,000

The capital reserve arises from a common control transaction accounted for using the “pooling of interest” method and equity component of convertible loan notes.

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

15 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see Note 19.

Note	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
Non-current liabilities				
<i>Unsecured</i>				
Convertible loan notes	–	3,450,000	–	3,450,000
Term loans	2,447,141	368,169	–	–
	2,447,141	3,818,169	–	3,450,000
<i>Secured</i>				
Bank loans	11,253,404	9,720,570	–	–
Finance lease liabilities	1,020,353	1,734,488	–	–
	12,273,757	11,455,058	–	–
Total non-current liabilities	14,720,898	15,273,227	–	3,450,000



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

15 Loans and borrowings (Continued)

		Group		Company	
	Note	2014	2013	2014	2013
		\$	\$	\$	\$
Current liabilities					
<i>Unsecured</i>					
Convertible loan notes		3,450,000	–	3,450,000	–
Term loans		1,612,842	475,165	–	–
		5,062,842	475,165	3,450,000	–
<i>Secured</i>					
Bank overdrafts	12	–	336,679	–	–
Current portion of bank loans		808,420	865,222	–	–
Finance lease liabilities		496,094	730,714	–	–
		1,304,514	1,932,615	–	–
Total current liabilities		6,367,356	2,407,780	3,450,000	–
Total loans and borrowings		21,088,254	17,681,007	3,450,000	3,450,000

Terms and conditions of outstanding loans and borrowings are as follows:

			2014		2013	
	Nominal interest rate	Year of maturity	Face Value	Carrying amount	Face value	Carrying amount
	%		\$	\$	\$	\$
Group						
Bank overdrafts	Benchmark prime lending rate + 0.25%	2014	N.A.	–	N.A.	336,679
RM floating rate loans	Prime rate - 1.25%	2023	1,601,842	1,601,842	1,774,389	1,774,389
S\$ floating rate loans	From 0.25% to 3.00% above prime rate	2016 - 2032	11,484,917	11,484,917	8,811,403	8,811,403
S\$ fixed rate term loans	2.64% - 3.50%	2015 - 2019	3,035,048	3,035,048	843,334	843,334
Finance lease liabilities	1.88% - 4.25%	2015 - 2022	N.A.	1,516,447	N.A.	2,465,202
Convertible loan notes	5.00%	2015	3,750,000	3,450,000	3,750,000	3,450,000
Company						
Convertible loan notes	5.00%	2015	3,750,000	3,450,000	3,750,000	3,450,000

As at the reporting date, certain banking facilities are secured with the Group's freehold land and properties, leasehold properties and machineries with net carrying amount of \$16,900,496 (2013: \$9,585,307).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

15 Loans and borrowings (Continued)

The Group's banking facilities are subject to the fulfilment of covenants relating to certain financial ratios, minimum paid-up capital of its subsidiaries and minimum level of net worth by the Group and its subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group and its subsidiaries were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 19. As at the reporting date, none of the covenants relating to drawn down facilities had been breached.

Convertible loan notes

	Group and Company	
	2014	2013
	\$	\$
Proceeds from issue of convertible loan notes ("notes")	3,750,000	3,750,000
Amount classified as equity	(300,000)	(300,000)
Carrying amount of liability at 31 December	<u>3,450,000</u>	<u>3,450,000</u>

The notes which were issued on 3 April 2013 are convertible in full into 25,000,000 ordinary shares at the option of the holder, at \$0.15 per share. Unconverted notes will be redeemed and repayable by the Company at the initial principal amount in April 2015.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2014			2013		
	Future minimum lease payments	Interest	Payments	Future minimum lease payments	Interest	Payments
	\$	\$	\$	\$	\$	\$
Group						
Within 1 year	496,092	58,912	555,004	730,714	110,355	841,069
Between 1 year and 5 years	881,227	96,017	977,244	1,563,841	136,063	1,699,904
More than 5 years	139,128	4,519	143,647	170,647	8,808	179,455
	<u>1,516,447</u>	<u>159,448</u>	<u>1,675,895</u>	<u>2,465,202</u>	<u>255,226</u>	<u>2,720,428</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16 Deferred tax assets and liabilities

Movement in temporary differences (prior to offsetting of balances) during the year are as follows:

Group	At 1/1/2013	Recognised in profit or loss (Note 24)	Other (Note 17(ii))	Foreign currency translation difference	At 31/12/2013	Recognised in profit or loss (Note 24)	Other (Note 17(ii))	Foreign currency translation difference	At 31/12/2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Deferred tax assets									
Deferred revenue	(1,686,016)	-	221,000	-	(1,465,016)	-	221,000	-	(1,244,016)
Unutilised tax losses	-	-	-	-	-	(143,012)	-	-	(143,012)
Other items	-	-	-	-	-	(15,037)	-	(1,980)	(17,017)
	<u>(1,686,016)</u>	<u>-</u>	<u>221,000</u>	<u>-</u>	<u>(1,465,016)</u>	<u>(158,049)</u>	<u>221,000</u>	<u>(1,980)</u>	<u>(1,404,045)</u>
Deferred tax liabilities									
Property, plant and equipment	275,335	(41,278)	-	(6,550)	227,507	146,269	-	(3,273)	370,503
Investment property	10,896	-	-	-	10,896	(10,896)	-	-	-
	<u>286,231</u>	<u>(41,278)</u>	<u>-</u>	<u>(6,550)</u>	<u>238,403</u>	<u>135,373</u>	<u>-</u>	<u>(3,273)</u>	<u>370,503</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the statements of financial position are as follows:

Group	Assets		Liabilities	
	2014	2013	2014	2013
	\$	\$	\$	\$
Property, plant and equipment	-	-	370,503	227,507
Investment property	-	-	-	10,896
Deferred revenue	(1,244,016)	(1,465,016)	-	-
Tax losses carry-forwards	(143,012)	-	-	-
Other items	(17,017)	-	-	-
Net deferred tax (assets)/ liabilities	<u>(1,404,045)</u>	<u>(1,465,016)</u>	<u>370,503</u>	<u>238,403</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16 Deferred tax assets and liabilities (Continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
Unabsorbed capital allowances	–	217,341	–	–
Unutilised tax losses	1,509,437	1,560,414	–	–

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised by the subsidiaries in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

17 Trade and other payables

		Group		Company	
	Note	2014	2013	2014	2013
		\$	\$	\$	\$
Trade payables:					
- third parties		16,628,222	19,869,572	52,942	52,306
- subsidiaries		–	–	22,139	59,867
- related party		10,927	–	–	–
Non-trade amount due to subsidiaries		–	–	559,263	315,024
Non-trade amount due to directors		112,662	–	–	–
Bills payable		13,800,923	16,946,689	–	–
Excess of progress billings over construction contracts-in-progress	10	6,969,815	4,706,380	–	–
Deposits received	(i)	573,195	2,125,944	–	–
Deferred revenue	(ii)	10,018,751	9,439,101	–	–
Accrued expenses		5,970,083	4,463,163	2,110,090	317,764
Other payables	(iii)	534,012	803,442	–	65,625
		54,618,590	58,354,291	2,744,434	810,586

- (i) In 2013, this balance included deposit amounting to approximately \$1.1 million for the planned sale of the Benoi property which had been refunded in full during 2014.
- (ii) Includes deferred revenue of \$7.3 million (2013: \$8.6 million) representing the excess of selling price over the fair value, i.e. market value at the date of disposal for property located at 29 Tai Seng Avenue, Singapore 534119, which was disposed off under a sale and leaseback arrangement. The deferred revenue is amortised on a straight-line basis over the leaseback period of 10 years. As at the reporting date, deferred tax assets amounting to \$1,244,016 (2013: \$1,465,016) in respect of the deferred revenue have been recognised.
- (iii) Includes payables for acquisition of property, plant and equipment of \$75,955 (2013: \$69,769) and payables for acquisition of intangible assets of \$62,844 (2013: \$439,249).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17 Trade and other payables (Continued)

Outstanding balances due to subsidiaries, a related party and directors are unsecured, interest-free and repayable on demand.

The weighted average effective interest rate of bills payable of the Group at the end of the financial year ranges from 2.07% to 3.27% (2013: 2.26% to 5.10%) per annum.

The Group and the Company's exposures to currency and liquidity risks related to trade and other payables are disclosed in Note 19.

18 Provision

	Provision for reinstatement costs	
	2014	2013
	\$	\$
Group		
At 1 January	791,354	4,500,000
Provision utilised during the year (Note 12)	(791,354)	(3,708,646)
At 31 December	–	791,354

The provision relates to an initial amount of \$4,500,000 set aside for the purpose of reinstatement of the Group's investment property in 2012.

19 Financial instruments

Overview

The Group has exposure to the following risks arising from financial instruments:

- (i) credit risk
- (ii) liquidity risk
- (iii) market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their rules and obligations.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 Financial instruments (Continued)

Risk management framework (Continued)

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by outsourced Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's respective maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of their financial assets.

The maximum exposure to credit risk at the reporting date was:

		Group		Company	
	Note	2014	2013	2014	2013
		\$	\$	\$	\$
Other investments	8	5,898,240	3,750,000	5,898,240	3,750,000
Loans and receivables	11	40,002,356	42,864,532	7,410,779	10,539,247
Cash and cash equivalents	12	14,490,329	12,389,679	642,504	18,890
Recognised financial assets		60,390,925	59,004,211	13,951,523	14,308,137
Intra-group financial guarantees	29	–	–	30,048,256	26,326,875
		<u>60,390,925</u>	<u>59,004,211</u>	<u>43,999,779</u>	<u>40,635,012</u>

Other investments

Risk management policy

The Group and the Company invest in a wide range of portfolio in respect of other investments. In addition, other investments are made through careful studies of different markets and their environment by the directors.

Loans and receivables

Risk management policy

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has policies in place to ensure sales are made to customers with an appropriate credit history and monitors their balances on an ongoing basis.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Loans and receivables (Continued)

Exposure to credit risk

The maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty was:

	2014	2013
	\$	\$
Group		
Commercial	30,235,479	34,905,433
Retail	234,449	996,693
Trading	9,107,472	6,761,041
Others	424,956	201,365
	<u>40,002,356</u>	<u>42,864,532</u>
Company		
Commercial	7,410,779	9,776,495
Retail	–	762,752
	<u>7,410,779</u>	<u>10,539,247</u>

Impairment

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of loans and receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The ageing of loans and receivables at the reporting date was:

	Gross 2014	Impairment losses 2014	Gross 2013	Impairment losses 2013
	\$	\$	\$	\$
Group				
Not past due	24,568,534	(100,000)	23,274,562	–
Past due 0 – 30 days	7,440,104	–	9,288,721	–
Past due 31 – 120 days	4,119,450	–	4,878,658	–
Past due 121 – 365 days	3,324,259	–	4,540,752	(74,900)
More than one year	1,704,317	(1,054,308)	1,895,474	(938,735)
	<u>41,156,664</u>	<u>(1,154,308)</u>	<u>43,878,167</u>	<u>(1,013,635)</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Loans and receivables (Continued)

	Gross 2014	Impairment losses 2014	Gross 2013	Impairment losses 2013
	\$	\$	\$	\$
Company				
Not past due	7,009,888	—	10,207,012	—
Past due 0 – 30 days	69,582	—	—	—
Past due 31 – 120 days	—	—	361	—
Past due 121 – 365 days	—	—	460	—
More than one year	331,309	—	331,414	—
	<u>7,410,779</u>	<u>—</u>	<u>10,539,247</u>	<u>—</u>

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
At 1 January	1,013,635	1,475,259	—	—
Impairment loss recognised in profit or loss	218,904	544,626	—	—
Impairment loss utilised	(1,674)	(714,114)	—	—
Impairment loss written back in profit or loss	(76,270)	(292,026)	—	—
Translation differences	(287)	(110)	—	—
At 31 December	<u>1,154,308</u>	<u>1,013,635</u>	<u>—</u>	<u>—</u>

Based on historic default rates, the Group believes that, apart from the above, no other significant impairment allowance is necessary. The loans and receivables are mainly from customers that have a good record with the Group.

The allowance accounts in respect of loans and receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written-off against the financial assets directly. At 31 December 2014, the Group and the Company do not have any collective impairment on its loans and receivables (2013: nil).

Cash and cash equivalents

Cash and cash equivalents are held with banks and financial institutions which are regulated.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Intra-group financial guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantees.

(ii) Liquidity risk

Risk management policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

At the reporting date, the Group maintains \$14.1 million (2013: \$15.8 million) of uncommitted credit facilities that can be drawn down to meet short-term financing needs. The ability of the Group to renew these facilities is dependent on the Group complying with the various financial covenants, continued support from its bankers and the operation of the Group's key bankers not being adversely affected by economic uncertainties and unfavourable business developments.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual undiscounted cash flows			
		Total	Within 1 year	Within 2 to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Group					
2014					
Non-derivative financial liabilities					
Variable interest rate loans	13,086,759	(15,591,588)	(1,913,691)	(5,078,460)	(8,599,437)
Fixed interest rate loans	3,035,048	(3,423,000)	(1,064,333)	(2,358,667)	–
Convertible loan notes	3,450,000	(3,750,000)	(3,750,000)	–	–
Finance lease liabilities	1,516,447	(1,675,895)	(555,004)	(977,244)	(143,647)
Trade and other payables*	44,599,839	(44,684,409)	(44,684,409)	–	–
	<u>65,688,093</u>	<u>(69,124,892)</u>	<u>(51,967,437)</u>	<u>(8,414,371)</u>	<u>(8,743,084)</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 Financial instruments (Continued)

Risk management framework (Continued)

(ii) Liquidity risk (Continued)

	Carrying amount	Contractual undiscounted cash flows			
		Total	Within 1 year	Within 2 to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Group					
2013					
Non-derivative financial liabilities					
Variable interest rate loans	10,585,792	(12,848,201)	(1,235,619)	(5,006,629)	(6,605,953)
Fixed interest rate loan	843,334	(849,474)	(465,794)	(383,680)	–
Convertible loan notes	3,450,000	(3,937,500)	–	(3,937,500)	–
Finance lease liabilities	2,465,202	(2,720,428)	(841,069)	(1,699,904)	(179,455)
Trade and other payables*	48,915,190	(49,048,832)	(48,861,332)	(187,500)	–
Bank overdrafts	336,679	(336,679)	(336,679)	–	–
	<u>66,596,197</u>	<u>(69,741,114)</u>	<u>(51,740,493)</u>	<u>(11,215,213)</u>	<u>(6,785,408)</u>
Company					
2014					
Non-derivative financial liabilities					
Convertible loan notes	3,450,000	(3,750,000)	(3,750,000)	–	–
Trade and other payables	2,744,434	(2,744,434)	(2,744,434)	–	–
Intra-group financial guarantees	–	(30,048,256)	(30,048,256)	–	–
	<u>6,194,434</u>	<u>(3,654,690)</u>	<u>(3,654,690)</u>	<u>–</u>	<u>–</u>
2013					
Non-derivative financial liabilities					
Convertible loan notes	3,450,000	(3,937,500)	–	(3,937,500)	–
Trade and other payables	810,586	(810,586)	(623,086)	(187,500)	–
Intra-group financial guarantees	–	(26,326,875)	(26,326,875)	–	–
	<u>4,260,586</u>	<u>(31,074,961)</u>	<u>(26,949,961)</u>	<u>(4,125,000)</u>	<u>–</u>

* Exclude deferred revenue

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. Except for the cash flow arising from the intra-group financial guarantees, it is not expected that the cash flows included in the maturity analyses of the Group and the Company could occur significantly earlier, or at significantly different amounts.



19 Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk

Risk management policy

Market risk is the risk that changes in market prices, such as foreign currencies and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group does not use derivatives to hedge its exposure in the fluctuations in foreign currencies and interest rates.

Foreign currency risk

Exposure to foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings, including inter-company sales, purchases and inter-company balances, that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies in which these transactions primarily are denominated are the Singapore dollar ("SGD") and US dollar ("USD").

The summary of quantitative data about the Group's exposure to foreign currency risk, primarily SGD and USD, as reported to the management of the Group based on its risk management policy was as follows:

	Group	
	SGD	USD
	\$	\$
2014		
Trade and other receivables	13,392,281	3,532,699
Cash and cash equivalents	12,483	91,927
Trade and other payables	(16,427,257)	(3,598,253)
Zero-coupon convertible bonds	–	2,148,240
	<u>(3,022,493)</u>	<u>2,174,613</u>
2013		
Trade and other receivables	9,882,625	2,021,709
Cash and cash equivalents	5,754	229,475
Trade and other payables	(15,211,059)	(2,366,644)
	<u>(5,322,680)</u>	<u>(115,460)</u>

The Company did not have any foreign currency transactions.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated against the above currencies at 31 December would have decreased profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2013, as indicated below:

	Group	
	2014	2013
	\$	\$
Profit before tax		
SGD	(302,249)	(532,268)
USD	(217,461)	11,546
	<u>(519,710)</u>	<u>(520,722)</u>

A 10% weakening of Singapore dollar against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to management, was as follows:

	Group	
	2014	2013
	\$	\$
Fixed rate instruments		
Loans and borrowings	(8,001,495)	(6,758,536)
Bills payable	(13,800,923)	(16,946,689)
Fixed deposits	1,249,855	214,058
	<u>(20,552,563)</u>	<u>(23,491,167)</u>
Variable rate instruments		
Loans and borrowings	<u>(13,086,759)</u>	<u>(10,922,471)</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased)/increased profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013 as indicated below:

	2014		2013	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	\$	\$	\$	\$
Group				
Profit before tax				
Variable rate instruments	(130,868)	130,868	(109,225)	109,225

Capital management

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves, accumulated profits/(losses) and non-controlling interests of the Group. The Board of Directors monitors the return on capital which the Group defines as net operating income divided by total average shareholders' equity excluding minority interests, as well as the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.





19 Financial instruments (Continued)

Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

Group	Note	Loans and receivables	Available-for-sale	Fair value through profit or loss	Other financial liabilities		Total carrying amount	Fair value
					within scope of FRS 39	outside scope of FRS 39		
		\$	\$	\$	\$	\$	\$	\$
31 December 2014								
Other investments:								
- Unquoted equity securities	8	-	3,750,000	-	-	-	3,750,000	3,750,000
- Zero-coupon convertible bonds	8	-	-	2,148,240	-	-	2,148,240	2,148,240
Trade and other receivables	11	40,002,356	-	-	-	-	40,002,356	40,002,356
Cash and cash equivalents	12	14,490,329	-	-	-	-	14,490,329	14,490,329
		54,492,685	3,750,000	2,148,240	-	-	60,390,925	60,390,925
31 December 2013								
Other investments:								
Loans and borrowings*	15	-	-	-	19,571,807	-	19,571,807	19,703,844
Finance lease liabilities	15	-	-	-	-	1,516,447	1,516,447	1,611,608
Trade and other payables**	17	-	-	-	44,599,839	-	44,599,839	44,599,839
		-	-	-	64,171,646	1,516,447	65,688,093	65,915,291
31 December 2013								
Other investments:								
- Unquoted equity securities	8	-	3,750,000	-	-	-	3,750,000	3,750,000
Trade and other receivables	11	42,864,532	-	-	-	-	42,864,532	42,864,532
Cash and cash equivalents	12	12,389,679	-	-	-	-	12,389,679	12,389,679
		55,254,211	3,750,000	-	-	-	59,004,211	59,004,211
31 December 2012								
Loans and borrowings*	15	-	-	-	15,215,805	-	15,215,805	15,517,708
Finance lease liabilities	15	-	-	-	-	2,465,202	2,465,202	2,627,557
Trade and other payables**	17	-	-	-	48,915,190	-	48,915,190	48,915,190
		-	-	-	64,130,995	2,465,202	66,596,197	67,060,455

* Exclude finance lease liabilities

** Exclude deferred revenue

19 Financial instruments (Continued)

Accounting classifications and fair values (Continued)

	Note	Loans and receivables	Available-for-sale	Fair value through profit or loss	Other financial liabilities within scope of FRS 39	Total carrying amount	Fair value
		\$	\$	\$	\$	\$	\$
Company							
31 December 2014							
Other investments:							
- Unquoted equity securities	8	-	3,750,000	-	-	3,750,000	3,750,000
- Zero-coupon convertible bonds	8	-	-	2,148,240	-	2,148,240	2,148,240
Trade and other receivables	11	7,410,779	-	-	-	7,410,779	7,410,779
Cash and cash equivalents	12	642,504	-	-	-	642,504	642,504
		8,053,283	3,750,000	2,148,240	-	13,951,523	13,951,523
Convertible loan notes	15	-	-	-	3,450,000	3,450,000	3,750,000
Trade and other payables	17	-	-	-	2,744,434	2,744,434	2,744,434
		-	-	-	6,194,434	6,194,434	6,194,434
31 December 2013							
Other investments:							
- Unquoted equity securities	8	-	3,750,000	-	-	3,750,000	3,750,000
Trade and other receivables	11	10,539,247	-	-	-	10,539,247	10,539,247
Cash and cash equivalents	12	18,890	-	-	-	18,890	18,890
		10,558,137	3,750,000	-	-	14,308,137	14,308,137
Convertible loan notes	15	-	-	-	3,450,000	3,450,000	3,725,909
Trade and other payables	17	-	-	-	810,586	810,586	810,586
		-	-	-	4,260,586	4,260,586	4,536,495

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 Financial instruments (Continued)

Accounting classifications and fair values (Continued)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the prevailing market borrowing rates which are available to the Group at the reporting date.

Fair value hierarchy

The table below analyses fair value measurements for assets and liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments carried at fair value and financial instruments and non-financial instruments which are not carried at fair value but for which fair values are disclosed*:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Group				
2014				
Financial instruments carried at fair value:				
Other investments:				
- Unquoted equity securities	–	–	3,750,000	3,750,000
- Zero-coupon convertible bonds	–	–	2,148,240	2,148,240
	–	–	5,898,240	5,898,240
Financial instruments which are not carried at fair value but for which fair values are disclosed:				
Loans and borrowings**	–	19,703,844	–	19,703,844
Finance lease liabilities	–	1,611,608	–	1,611,608
	–	21,315,452	–	21,315,452



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 Financial instruments (Continued)

Fair value hierarchy (Continued)

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Group				
2013				
Financial instrument carried at fair value:				
Other investment:				
- Unquoted equity securities	–	–	3,750,000	3,750,000
Financial instruments which are not carried at fair value but for which fair values are disclosed:				
Loans and borrowings**	–	15,517,708	–	15,517,708
Finance lease liabilities	–	2,627,557	–	2,627,557
	–	18,145,265	–	18,145,265
Company				
2014				
Financial instruments carried at fair value:				
Other investments:				
- Unquoted equity securities	–	–	3,750,000	3,750,000
- Zero-coupon convertible bonds	–	–	2,148,240	2,148,240
	–	–	5,898,240	5,898,240
Financial instrument which is not carried at fair value but for which fair value is disclosed:				
Convertible loan notes	–	3,750,000	–	3,750,000
2013				
Financial instrument carried at fair value:				
Other investments:				
- Unquoted equity securities	–	–	3,750,000	3,750,000
Financial instrument which is not carried at fair value but for which fair value is disclosed:				
Convertible loan notes	–	3,725,909	–	3,725,909

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial

** Exclude finance lease liabilities



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20 Determination of fair values

A number of Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Non-derivative financial liabilities

The fair values of non-derivative financial liabilities which are determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other non-derivative financial assets and liabilities

The carrying amounts of other non-derivative financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

Other investments

The following table shows the valuation techniques used in measuring the Level 3 fair values as well as the significant unobservable inputs used for other investments:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable input and fair value measurement
Other investments	The fair values of available-for-sale financial assets and financial assets designated at fair value through profit or loss which are not traded in active markets are determined using applicable valuation techniques (e.g. income approach). The Group may use a variety of methods and make assumptions that are based on existing market conditions at each reporting date. Valuation techniques, such as estimated discounted cash flows, are used to determine fair value of these financial assets. Where discounted cash flows techniques are used, management will estimate the future cash flows and use relevant market rate as the discount rate at the reporting date.	Risk-adjusted discount rate of 1.34%.	The fair value of the instruments will increase/(decrease) if the discount rates were lower/(higher).

Sensitivity analysis

Management considers that changing the significant unobservable inputs used to other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

21 Revenue

	Group	
	2014	2013
	\$	\$
Sale of goods	102,564,239	98,796,042
Revenue from construction contracts	29,174,806	42,703,587
Revenue from services rendered	6,044,112	8,065,116
Rental income	4,593,757	5,163,872
	<u>142,376,914</u>	<u>154,728,617</u>

Sources of estimation uncertainty

Revenue and profit recognition on projects are dependent on estimating the eventual outcome of the construction contract, as well as work done to date. Actual outcome in terms of total costs or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years. As at the reporting date, management considered that all costs to complete and revenue can be reliably estimated.

22 Other income

		Group	
	Note	2014	2013
		\$	\$
Bad debts written back		–	3,665
Gain on disposal of investment property, net	(i)	4,758,331	–
Gain on disposal of property, plant and equipment		14,654	1,669
Government grants		251,526	195,141
Income from cafeteria		16,312	129,788
Interest income		7,280	29,108
Rental income		6,000	95,031
Others		487,822	495,170
		<u>5,541,925</u>	<u>949,572</u>

- (i) The net gain on disposal of investment property amounting to \$4,758,331 is derived after a compensation amount of \$6,452,159 paid to Toyochem Marketing Pte Ltd (“Toyochem”) in accordance with the terms of the final and amicable settlement agreement entered with Toyochem on 18 March 2014 relating to the litigation of the investment property as reported in the financial statements for the year ended 31 December 2013.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23 Finance costs

	Group	
	2014	2013
	\$	\$
Interest expenses:		
- bank loans	910,230	857,975
- bank overdrafts	1,585	20,773
- finance leases	116,806	139,616
- convertible loan notes	187,500	187,500
	<u>1,216,121</u>	<u>1,205,864</u>

24 Income tax (expense)/credit

	Group	
	2014	2013
	\$	\$
Current tax expense		
Current year	207,183	38,887
Under provision in respect of prior years	52,887	1,061
	<u>260,070</u>	<u>39,948</u>
Deferred tax credit		
Origination and reversal of temporary differences	(118,035)	(7,859)
Under/(over) provision in respect of prior years	95,359	(33,419)
	<u>(22,676)</u>	<u>(41,278)</u>
Total income tax expense/(credit)	<u>237,394</u>	<u>(1,330)</u>
Reconciliation of effective tax rate		
Profit before tax	<u>3,284,807</u>	<u>468,721</u>
Tax using Singapore tax rate at 17% (2013: 17%)	558,417	79,683
Effect of different tax rates in other countries	(31,259)	6,480
Tax exempt income, capital gains and tax incentives under Productivity and Innovation Credit scheme	(1,019,287)	(425,671)
Singapore statutory stepped income exemption	(31,934)	(20,334)
Non-deductible expenses	645,988	435,320
Effect of previously unrecognised tax losses	(143,012)	(151,793)
Under/(over) provision in respect of prior years	148,246	(32,358)
Deferred tax assets not recognised	137,053	97,568
Others	(26,818)	9,775
	<u>237,394</u>	<u>(1,330)</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25 Profit for the year

The following items have been included in arriving at profit for the year:

		Group	
	Note	2014	2013
		\$	\$
Amortisation of deferred revenue		(1,300,000)	(1,300,000)
Amortisation of club memberships		–	137,180
Amortisation of intangible assets	5	625,218	372,333
Depreciation of investment property	6	48,130	288,779
Depreciation of property, plant and equipment	4	2,961,255	3,125,852
Bad debts written-off		155,401	105,035
Staff costs		25,493,069	22,945,991
Contributions to defined contribution plans, included in staff costs		1,150,873	1,148,832
Foreign exchange loss – net		153,566	373,238
Impairment loss on trade and other receivables recognised	19	218,904	544,626
Impairment loss on trade and other receivables written-back	19	(76,270)	(292,026)
Allowance for inventory obsolescence recognised		155,287	–
Audit fees paid to:			
- auditors of the Company			
- current year		267,400	215,756
- under provision in respect of prior year		48,817	–
- other auditors		7,658	5,069
Non-audit fees paid to:			
- auditors of the Company		45,804	41,642
Operating expenses arising from rental of investment property		251,265	373,417
Operating lease expenses		5,130,575	6,295,747
Plant and equipment written-off		393,294	26,353
Intangible assets written-off		1,352	–

26 Earnings per share

Profit attributable to ordinary shareholders

	Group	
	2014	2013
	\$	\$
Basic and diluted earnings per share are based on:		
Net profit attributable to ordinary shareholders	3,098,607	508,813



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

26 Earnings per share (Continued)

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share was based on weighted average number of ordinary shares outstanding of 205,447,985 (2013: 205,447,985), calculated as follows:

Weighted average number of ordinary shares

	2014	2013
	\$	\$
Issued ordinary shares at 1 January	205,447,985	205,447,985
Weighted average number of ordinary shares during the year	205,447,985	205,447,985

At 31 December 2014, 25,000,000 (2013: 25,000,000) options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

27 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer ("CEO") and Group's Executive Directors ("GED") review internal management reports on at least a quarterly basis. The following summary describes the operations in each Group's reportable segments:

Air-conditioning (Aircon)	:	trading of air-conditioners, air-condition components, systems and units, air-condition installation, servicing and re-conditioning.
Switchgear	:	manufacture and sale of standardised and customised switchgear, electrical components.
Investment	:	properties investment holding.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports review by the CEO and GED. Segment profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27 Operating segments (Continued)

Information about reportable segments

	Aircon	Switchgear	Investment	Total
	\$	\$	\$	\$
Revenue and expenses				
2014				
Total revenue from external customers	88,913,495	48,795,006	4,668,413	142,376,914
Inter-segment revenue	78,079	78,704	1,215,296	1,372,079
Total revenue of reportable segments	88,991,574	48,873,710	5,883,709	143,748,993
Finance income	1,282	1,349	4,630	7,261
Finance costs	378,852	560,445	89,324	1,028,621
Depreciation and amortisation	1,199,101	1,999,221	433,713	3,632,035
Reportable segment profit before income tax	1,435,909	474,749	3,618,028	5,528,686
Other material non-cash items:				
- Bad debts written-off	11,585	137,171	6,645	155,401
- Impairment loss on trade and other receivables - net	148,796	(6,162)	—	142,634
- Allowance for inventory obsolescence	—	155,287	—	155,287
- Plant and equipment written-off	337,193	56,101	—	393,294
Reportable segment assets	55,356,374	43,987,731	16,998,160	116,342,265
Capital expenditure	10,148,564	2,174,340	438,824	12,761,728
Reportable segment liabilities	38,701,184	27,960,005	16,414,705	83,075,894
Revenue and expenses				
2013				
Total revenue from external customers	98,731,941	50,529,750	5,466,926	154,728,617
Inter-segment revenue	52,950	281,572	1,718,618	2,053,140
Total revenue of reportable segments	98,784,891	50,811,322	7,185,544	156,781,757
Finance income	1,020	26,025	1,571	28,616
Finance costs	244,357	624,375	149,632	1,018,364
Depreciation and amortisation	1,133,270	1,962,039	689,653	3,784,962
Reportable segment profit/(loss) before income tax	1,239,716	364,045	(544,980)	1,058,781
Other material non-cash items:				
- Bad debts written-off	81,857	21,663	1,515	105,035
- Impairment loss on trade and other receivables - net	159,580	93,020	—	252,600
- Plant and equipment written-off	26,353	—	—	26,353
Reportable segment assets	45,054,708	47,823,409	26,103,026	118,981,143
Capital expenditure	269,740	3,960,598	418,257	4,648,595
Reportable segment liabilities	29,536,645	31,588,726	29,172,156	90,297,527



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27 Operating segments (Continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2014	2013
	\$	\$
Revenue		
Total revenue for reportable segments	143,748,993	156,781,757
Elimination of inter-segment revenue	(1,372,079)	(2,053,140)
Consolidated revenue	142,376,914	154,728,617
Profit or loss before income tax		
Total profit before income tax for reportable segments	5,528,686	1,058,780
Other losses	(2,239,688)	(588,056)
	3,288,998	470,724
Elimination of inter-segment profits	(4,191)	(2,003)
Consolidated profit before tax	3,284,807	468,721
Assets		
Total assets for reportable segments	116,342,265	118,981,143
Other assets	29,019,595	29,341,717
Elimination of inter-segment assets	(24,722,020)	(29,561,110)
Consolidated total assets	120,639,840	118,761,750
Liabilities		
Total liabilities for reportable segments	83,075,894	90,297,527
Other liabilities	6,194,434	4,269,332
Elimination of inter-segment liabilities	(11,865,145)	(16,036,659)
Consolidated total liabilities	77,405,183	78,530,200



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27 Operating segments (Continued)

Other material items

	Reportable segment totals	Adjustments	Consolidated totals
	\$	\$	\$
2014			
Finance income	7,261	19	7,280
Finance costs	1,028,621	187,500	1,216,121
Depreciation and amortisation	3,632,035	2,568	3,634,603
Bad debts written-off	155,401	–	155,401
Impairment of trade and other receivables - net	142,634	–	142,634
Allowance for inventory obsolescence	155,287	–	155,287
Plant and equipment written-off	393,294	–	393,294
Capital expenditure	12,761,728	–	12,761,728
2013			
Finance income	28,616	492	29,108
Finance costs	1,018,364	187,500	1,205,864
Depreciation and amortisation	3,784,962	139,182	3,924,144
Bad debts written-off	105,035	–	105,035
Impairment of trade and other receivables - net	252,600	–	252,600
Plant and equipment written-off	26,353	–	26,353
Capital expenditure	4,648,595	–	4,648,595

Geographical information

Geographical segments are analysed by four principal geographical areas: Singapore, India, Malaysia and other countries.

In presenting information on the basis of geographical segments, segment revenue is based on a geographical location of customers. Segment non-current assets are based on the geographical location of the assets.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27 Operating segments (Continued)

Geographical information (Continued)

	Revenue	Non-current assets*
	\$	\$
31 December 2014		
Singapore	139,472,580	32,752,056
India	723,751	456,423
Malaysia	1,369,717	6,359,135
Other countries	810,866	–
	<u>142,376,914</u>	<u>39,567,614</u>
31 December 2013		
Singapore	147,670,286	32,134,536
India	200,886	487,182
Malaysia	5,468,321	6,785,905
Other countries	1,389,124	–
	<u>154,728,617</u>	<u>39,407,623</u>

* Exclude deferred tax assets

Major customer

Revenue from one customer of the Group's Aircon segment represents approximately \$3,405,202 (2013: \$6,398,000) of the Group's total revenue.

28 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2014	2013
	\$	\$
Within one year	6,020,639	6,586,643
Between one and five years	22,157,192	22,981,059
More than five years	3,347,559	17,431,716
	<u>31,525,390</u>	<u>46,999,418</u>

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date. Lease payments are usually increased upon renewal to reflect market rentals. There is no contingent rental.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

28 Operating leases (Continued)

Leases as lessor

The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2014	2013
	\$	\$
Within one year	2,280,529	2,996,937
Between one and five years	1,884,413	1,135,665
	<u>4,164,942</u>	<u>4,132,602</u>

During the year, \$420,000 (2013: \$700,000) of income arising from investment property was recognised in profit or loss by the Group.

29 Contingencies

	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
Corporate guarantees				
Banking facilities for subsidiaries	–	–	30,048,256	26,326,875
Unsecured guarantees given to financial institutions for issuance of performance bonds on behalf of subsidiaries	<u>628,858</u>	<u>546,072</u>	<u>–</u>	<u>–</u>

Intra-group financial guarantees as disclosed above will expire when the loans have been paid and discharged and/or when the banking facilities are no longer available to the subsidiaries, delivery of contracts with customers and suppliers. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is the credit risk in connection with the guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the subsidiary to which the guarantee was given for the benefit of.

There are no terms and conditions attached to the guarantee contract that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The intra-group financial guarantee is eliminated in preparing the consolidated financial statements.

Estimates of the Company's obligation arising from the financial guarantee contracts may be affected by future events, which cannot be predicted with certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As at the reporting date, there is no provision made in respect of the obligation.

Continuing financial support

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. As at 31 December 2014, the net current liabilities of these subsidiaries amounted to approximately \$1,061,000 (2013: \$11,783,000).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

30 Related parties

Key management personnel compensation

Key management personnel of the Group and the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and senior management staff of the Group and the Company are considered as key management personnel.

Key management personnel compensation, included in staff costs comprised:

	Group	
	2014	2013
	\$	\$
Short-term employee benefits	5,283,618	3,809,643
Post-employment benefits	118,507	128,947
	<u>5,402,125</u>	<u>3,938,590</u>

Included in key management personnel compensation is director's remuneration of the Company of \$1,982,835 (2013: \$630,764).

Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Director	Transaction	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
		2014	2013	2014	2013
		\$	\$	\$	\$
William da Silva	Legal fees	9,616	–	–	–

From time to time, directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

Other related party transactions

	Group	
	2014	2013
	\$	\$
Related parties		
Sale of goods	(269,017)	(99,681)
Purchase of goods	<u>861,408</u>	<u>703,397</u>

Directors of the Company and subsidiaries

Bank facilities secured by personal guarantees from 2 directors of the Company and 2 directors of a subsidiary

	–	336,679
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

31 Non-controlling interests

The following summarises the financial information of each of the Group's subsidiaries with material non-controlling interests, based on their respective financial statements prepared in accordance with FRS.

	VNS Manufacturing Pte. Ltd.	VNS Switchgear (India) Pvt. Ltd.	Other individually immaterial subsidiaries	Total
	\$	\$	\$	\$
NCI percentage	19%	49%		
2014				
Revenue	6,135,461	1,045,174	–	
Loss for the year	(56,090)	(79,996)	(4,187)	
Other comprehensive income	–	7,331	51	
Total comprehensive income	(56,090)	(72,665)	(4,136)	
Attributable to NCI:				
- Loss for the year	(10,657)	(39,198)	(1,339)	(51,194)
- Other comprehensive income	–	3,592	13	3,605
Total comprehensive income	(10,657)	(35,606)	(1,326)	(47,589)
Non-current assets	57,680	456,423	–	
Current assets	4,009,053	1,641,244	80,641	
Non-current liabilities	–	(22,076)	–	
Current liabilities	(3,718,907)	(1,814,008)	(2,622)	
Net assets	347,826	261,583	78,019	
Net assets attributable to NCI	72,147*	128,176	27,428	227,751
Cash flows (used in)/generated from operating activities	(500,378)	294,465	(1,524)	
Cash flows used in investing activities	(46,236)	(49,280)	–	
Cash flows generated from/(used in) financing activities, before dividends to NCI	714,377	(335,900)	–	
Net increase/(decrease) in cash and cash equivalents	167,763	(90,715)	(1,524)	



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

31 Non-controlling interests (Continued)

	VNS Manufacturing Pte. Ltd.	VNS Switchgear (India) Pvt. Ltd.	Other individually immaterial subsidiaries	Total
	\$	\$	\$	\$
NCI percentage	19%	49%		
2013				
Revenue	6,836,791	1,008,547	–	
Loss for the year	(74,577)	(43,384)	(9,527)	
Other comprehensive income	–	(31,438)	–	
Total comprehensive income	(74,577)	(74,822)	(9,527)	
Attributable to NCI:				
- Loss for the year	(14,170)	(21,258)	(3,334)	(38,762)
- Other comprehensive income	–	(15,405)	–	(15,405)
Total comprehensive income	(14,170)	(36,663)	(3,334)	(54,167)
Non-current assets	30,064	487,182	–	
Current assets	3,105,931	1,440,381	82,155	
Non-current liabilities	–	(25,348)	–	
Current liabilities	(2,732,079)	(1,567,967)	–	
Net assets	403,916	334,248	82,155	
Net assets attributable to NCI*	82,804*	163,782	28,754	275,340
Cash flows generated from/(used in) operating activities	229,713	57,813	(22,125)	
Cash flows used in investing activities	(10,326)	(15,601)	–	
Cash flows (used in)/generated from financing activities, before dividends to NCI	(97,179)	111,096	–	
Net increase/(decrease) in cash and cash equivalents	122,208	153,308	(22,125)	

* Net assets attributable to NCI post step-up acquisition in prior years.



DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2012 AND CATALIST RULES

The Board of Directors (the “**Board**”) of Natural Cool Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This report outlines the Company’s corporate governance practices that were in place during the financial year ended 31 December 2014 (“**FY2014**”), with specific reference made to the principles of the Code of Corporate Governance 2012 (the “**Code**”) and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in January 2015 (the “**Guide**”).

Guideline	Code and/or Guide Description	Company’s Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	The alternative corporate governance practices which the Company have adopted in relation to board composition and remuneration are more suited to the Group’s current size of operations and nature of business and take into account business competition (in particular, for key talent). Further details are provided in the relevant sections below.



CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																				
BOARD MATTERS																						
The Board's Conduct of Affairs																						
1.1	What is the role of the Board?	The Board has 8 members and comprises the following: <table><tr><th colspan="2">Table 1.1 – Composition of the Board</th></tr><tr><th>Name of Director</th><th>Designation</th></tr><tr><td>Joseph Ang Choon Cheng ⁽¹⁾</td><td>Executive Chairman</td></tr><tr><td>Tsng Joo Peng</td><td>Chief Executive Officer</td></tr><tr><td>Eric Ang Choon Beng</td><td>Executive Director</td></tr><tr><td>Ken Tan Aik Kwong</td><td>Executive Director</td></tr><tr><td>Edward Chia Puay Hwee</td><td>Executive Director</td></tr><tr><td>Lim Siang Kai</td><td>Lead Independent Director</td></tr><tr><td>Wu Chiaw Ching</td><td>Independent Director</td></tr><tr><td>William da Silva</td><td>Independent Director</td></tr></table> (1) Mr Joseph Ang Choon Cheng was appointed as the Executive Chairman on 3 November 2014 The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interest of the Company. In addition to its statutory duties, the Board's principle functions are: • protect and enhance long-term shareholder value; • review management performance; • identify key stakeholder groups and recognise that their perceptions affect the company's reputation; • set the company's values and standards, and ensure that obligations to shareholders and other stakeholders are understood and met; • develops the overall strategy for the Group and supervises its management; and providing leadership, developing its strategic direction, establishing risk policy and goals for the management as well as monitoring the achievement of these goals.	Table 1.1 – Composition of the Board		Name of Director	Designation	Joseph Ang Choon Cheng ⁽¹⁾	Executive Chairman	Tsng Joo Peng	Chief Executive Officer	Eric Ang Choon Beng	Executive Director	Ken Tan Aik Kwong	Executive Director	Edward Chia Puay Hwee	Executive Director	Lim Siang Kai	Lead Independent Director	Wu Chiaw Ching	Independent Director	William da Silva	Independent Director
Table 1.1 – Composition of the Board																						
Name of Director	Designation																					
Joseph Ang Choon Cheng ⁽¹⁾	Executive Chairman																					
Tsng Joo Peng	Chief Executive Officer																					
Eric Ang Choon Beng	Executive Director																					
Ken Tan Aik Kwong	Executive Director																					
Edward Chia Puay Hwee	Executive Director																					
Lim Siang Kai	Lead Independent Director																					
Wu Chiaw Ching	Independent Director																					
William da Silva	Independent Director																					



Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																												
1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	The Board has delegated certain responsibilities to the Audit Committee (the “AC”), the Remuneration Committee (the “RC”), the Nominating Committee (the “NC”) and (collectively, the “Board Committees”). The compositions of the Board Committees are as follows: <table><tr><th></th><th>AC</th><th>NC</th><th>RC</th></tr><tr><td>Chairman</td><td>Lim Siang Kai</td><td>Wu Chiaw Ching</td><td>William da Silva</td></tr><tr><td>Member</td><td>Wu Chiaw Ching</td><td>Lim Siang Kai</td><td>Wu Chiaw Ching</td></tr><tr><td>Member</td><td>William da Silva</td><td>William da Silva</td><td>Lim Siang Kai</td></tr></table>		AC	NC	RC	Chairman	Lim Siang Kai	Wu Chiaw Ching	William da Silva	Member	Wu Chiaw Ching	Lim Siang Kai	Wu Chiaw Ching	Member	William da Silva	William da Silva	Lim Siang Kai																																												
	AC	NC	RC																																																											
Chairman	Lim Siang Kai	Wu Chiaw Ching	William da Silva																																																											
Member	Wu Chiaw Ching	Lim Siang Kai	Wu Chiaw Ching																																																											
Member	William da Silva	William da Silva	Lim Siang Kai																																																											
1.4	Have the Board and Board Committees met in the last financial year?	The Board meets on a half yearly basis, and as and when circumstances require. In FY2014, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below. <table><tr><th colspan="5">Table 1.4 – Board and Board Committee Meetings in FY2014</th></tr><tr><th></th><th>Board</th><th>AC</th><th>NC</th><th>RC</th></tr><tr><td>Number of Meetings Held</td><td>2</td><td>2</td><td>1</td><td>2</td></tr><tr><th>Name of Director</th><th colspan="4">Number of Meetings Attended</th></tr><tr><td>Tsng Joo Peng</td><td>2</td><td>2*</td><td>1*</td><td>2*</td></tr><tr><td>Eric Ang Choon Beng</td><td>2</td><td>2*</td><td>1*</td><td>2*</td></tr><tr><td>Tan Aik Kwong</td><td>2</td><td>2*</td><td>1*</td><td>2*</td></tr><tr><td>Chia Puay Hwee</td><td>2</td><td>2*</td><td>1*</td><td>2*</td></tr><tr><td>Lim Siang Kai</td><td>2</td><td>2</td><td>1</td><td>2</td></tr><tr><td>Wu Chiaw Ching</td><td>2</td><td>2</td><td>1</td><td>2</td></tr><tr><td>William da Silva</td><td>2</td><td>2</td><td>1</td><td>2</td></tr><tr><td>Joseph Ang Choon Cheng ⁽¹⁾</td><td>--</td><td>NA</td><td>NA</td><td>NA</td></tr></table>	Table 1.4 – Board and Board Committee Meetings in FY2014						Board	AC	NC	RC	Number of Meetings Held	2	2	1	2	Name of Director	Number of Meetings Attended				Tsng Joo Peng	2	2*	1*	2*	Eric Ang Choon Beng	2	2*	1*	2*	Tan Aik Kwong	2	2*	1*	2*	Chia Puay Hwee	2	2*	1*	2*	Lim Siang Kai	2	2	1	2	Wu Chiaw Ching	2	2	1	2	William da Silva	2	2	1	2	Joseph Ang Choon Cheng ⁽¹⁾	--	NA	NA	NA
Table 1.4 – Board and Board Committee Meetings in FY2014																																																														
	Board	AC	NC	RC																																																										
Number of Meetings Held	2	2	1	2																																																										
Name of Director	Number of Meetings Attended																																																													
Tsng Joo Peng	2	2*	1*	2*																																																										
Eric Ang Choon Beng	2	2*	1*	2*																																																										
Tan Aik Kwong	2	2*	1*	2*																																																										
Chia Puay Hwee	2	2*	1*	2*																																																										
Lim Siang Kai	2	2	1	2																																																										
Wu Chiaw Ching	2	2	1	2																																																										
William da Silva	2	2	1	2																																																										
Joseph Ang Choon Cheng ⁽¹⁾	--	NA	NA	NA																																																										

⁽¹⁾ Appointed with effect from 3 November 2014

* By Invitation

The Company's Articles of Association (the “**Articles**”) allow for meetings to be held through audio visual communication equipment.



CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.5	What are the types of material transactions which require approval from the Board?	Matters that require the Board's approval include, amongst others, the following: • approval of the Group's strategic objectives; • approval of the annual operating and capital expenditure budgets and any material changes to them; • changes relating to the Group's capital structure including reduction of capital, share issues and share buy backs; • major changes to the Group's corporate structure, including, but not limited to acquisitions and disposals; • changes to the Group's management and control structure; • approval of the half-yearly/full year's results announcements; annual reports and accounts, including the corporate governance report; • approval of the dividend policy, declaration of the interim dividend and recommendation of the final dividend; • approval of any significant changes in accounting policies or practices; • approval of major capital projects; • contracts regarding acquisitions or disposals of fixed assets (including intangible assets such as intellectual property) and substantial bank borrowings, etc; • approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting including approval of all circulars, prospectuses, etc; • approval of press releases concerning matters decided by the Board; • approval of policies, including code of conduct, share dealing code, whistle blowing policy, environment and sustainability policy, corporate social responsibility policy, etc; and • any decision likely to have a material impact on the Group from any perspective, including, but not limited to, financial, operational, strategic or reputational.
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group's structure, business and governance policies as well as the expected duties of a Director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel.



Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	Briefings, updates and trainings for the Directors in FY2014 include: • The External Auditors ("EA") had briefed the AC on changes or amendments to accounting standards during AC meetings; • The Company Secretary had briefed the Board on new releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority that are relevant to the Board ; and • The Chief Executive Officer ("CEO") updates the Board at each board meeting on business and strategic developments of the Group.
<u>Board Composition and Guidance</u>		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Guideline 2.1 of the Code is met as the Independent Directors make up 3/8 of the Board. The Board believes there is a strong element of independence in the Board, and that no individual or small group of individuals dominates the Board's decision making. The Board exercises independent judgment on corporate affairs and provides Management with a diverse, professional and objective perspective on issues.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.	There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.



CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																											
2.4	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation. Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	Notwithstanding that Mr Lim Siang Kai, Dr Wu Chiaw Ching and Mr William da Silva has served beyond nine years since the date of their first appointment, the Board is of the view that Mr Lim, Dr Wu and Mr da Silva are independent as they have: - contributed constructively throughout their term in the Company; - sought clarification and amplification as they deemed necessary, including through direct access to key management personnel; and - provided impartial advice and insights, and has exercised their independent judgement in doing so.																											
2.6	(a) What is the Board's policy with regard to diversity in identifying Director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	The Board's policy in identifying Director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows: <table> <tr> <th colspan="3">Table 2.6 – Balance and Diversity of the Board</th></tr> <tr> <th></th><th>Number of Directors</th><th>Proportion of Board (%)</th></tr> <tr> <td>Core Competencies</td><td></td><td></td></tr> <tr> <td>- Accounting or finance</td><td>2</td><td>25</td></tr> <tr> <td>- Business management</td><td>8</td><td>100</td></tr> <tr> <td>- Legal or corporate governance</td><td>3</td><td>38</td></tr> <tr> <td>- Relevant industry knowledge or experience</td><td>5</td><td>63</td></tr> <tr> <td>- Strategic planning experience</td><td>8</td><td>100</td></tr> <tr> <td>- Customer based experience or knowledge</td><td>5</td><td>63</td></tr> </table>	Table 2.6 – Balance and Diversity of the Board				Number of Directors	Proportion of Board (%)	Core Competencies			- Accounting or finance	2	25	- Business management	8	100	- Legal or corporate governance	3	38	- Relevant industry knowledge or experience	5	63	- Strategic planning experience	8	100	- Customer based experience or knowledge	5	63
Table 2.6 – Balance and Diversity of the Board																													
	Number of Directors	Proportion of Board (%)																											
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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: • Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and • Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.
2.8	Have the Non-Executive Directors/Independent Directors met in the absence of key management personnel in the last financial year?	The Independent Directors have met up informally in the absence of key management personnel in FY2014.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	The roles of the Executive Chairman and CEO are separate to ensure a clear division of their responsibilities, increased accountability and greater capacity of the Board for independent decision making. The Executive Chairman leads the Board to ensure effectiveness on all aspects of its role. With assistance from the Company Secretary who co-ordinates with management and CEO, the Executive Chairman sets the meeting agenda and ensures that directors are provided with complete, adequate and timely information. Board papers are sent to directors at least three days in advance in order for Directors to be adequately prepared for the meeting. The Executive Chairman ensures effective communication with shareholders and encourages constructive relations within the Board and between the Board and management by promoting a culture of transparency and openness in such relationship and in discussion at meetings. Management staffs who have prepared the papers or who can provide additional insight into the matters to be discussed are invited to carry out presentations or attend the Board meeting at the relevant time. The Executive Chairman also facilitates the effective contribution of non-executive Directors and promotes high standards of corporate governance. The CEO works with the Board to determine the strategy for the Group and is responsible for the Group's business performance. The CEO also works with the management of the Group to ensure that the Group operates in accordance with its strategic and operational objectives.



CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: (a) evaluate and review nominations for appointment and re-appointment to the Board and the various committees; (b) nominate a Director for re-election at the Annual General Meeting ("AGM"), having regard to the director's contribution and performance; (c) to determine annually whether or not a Director is independent as set out in the guidelines of the Code; (d) recommend to the Board the process for the evaluation of the performance of the Board, the Board committees and individual Directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director, annual assessment of the effectiveness of the Board; (e) decide whether a Director who has multiple board representations is able to and has been adequately carrying out his duties as director of the Company; (f) review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman/CEO) and senior management personnel; and (g) review of training and professional development programmes for the Board.
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its Directors? What are the reasons for this number? (b) If a maximum has not been determined, what are the reasons?	The Board has not capped the maximum number of listed company board representations each Director may hold. The NC is of the view that all the directors are able to devote to the Company's affairs in light of their other commitments. However, a Director who holds more than six listed company representations should be rigorously assessed by the Board to ensure that sufficient time and attention is given to the affairs of each company and he is able to and has been adequately carrying his duties as a Director of the Company.
	(c) What are the specific considerations in deciding on the capacity of Directors?	The considerations in assessing the capacity of Directors include the following: • Expected and/or competing time commitments of Directors; • Geographical location of Directors; • Size and composition of the Board; and • Nature and scope of the Group's operations and size.



Guideline	Code and/or Guide Description	Company's Compliance or Explanation																		
4.5	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2014.																		
4.6	Are there alternate Directors?	The Company does not have any alternate Directors.																		
	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.	Table 4.6(a) – Process for the Selection and Appointment of New Directors <table> <tr> <td>1.</td><td>Determination of selection criteria</td><td>The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience and knowledge to complement and strengthen the Board.</td></tr> <tr> <td>2.</td><td>Search for suitable candidates</td><td>The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr> <tr> <td>3.</td><td>Assessment of shortlisted candidates</td><td>The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr> <tr> <td>4.</td><td>Appointment of Director</td><td>The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr> </table> Table 4.6(b) – Process for the Re-electing Incumbent Directors <table> <tr> <td>1.</td><td>Assessment of Director</td><td> - The NC reviews and ensures that the director to be re-nominated or appointed is able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgement, and has demonstrated leadership experience, high levels of professional skills and appropriate personal qualities. </td></tr> <tr> <td>2.</td><td>Re-appointment of Director</td><td> - Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval. Pursuant to Article 101 of the Articles, at least one-third of the Directors are required to retire by rotation and submit themselves for re-election at each Annual General Meeting of the Company. The Articles also provides that every Director must retire from office and submit themselves for re-nomination and re-election at least once every three years. Pursuant to Article 105 of the Articles, any Director so appointed shall hold office until the next AGM and shall then be eligible for re-election. </td></tr> </table>	1.	Determination of selection criteria	The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience and knowledge to complement and strengthen the Board.	2.	Search for suitable candidates	The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.	3.	Assessment of shortlisted candidates	The NC would meet and interview the shortlisted candidates to assess their suitability.	4.	Appointment of Director	The NC would recommend the selected candidate to the Board for consideration and approval.	1.	Assessment of Director	The NC reviews and ensures that the director to be re-nominated or appointed is able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgement, and has demonstrated leadership experience, high levels of professional skills and appropriate personal qualities.	2.	Re-appointment of Director	Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval. Pursuant to Article 101 of the Articles, at least one-third of the Directors are required to retire by rotation and submit themselves for re-election at each Annual General Meeting of the Company. The Articles also provides that every Director must retire from office and submit themselves for re-nomination and re-election at least once every three years. Pursuant to Article 105 of the Articles, any Director so appointed shall hold office until the next AGM and shall then be eligible for re-election.
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CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		As such, the Board has accepted the NC's recommendations to seek the approval of shareholders at the forthcoming AGM to re-elect Mr Lim Siang Kai and Mr William da Silva who will be retiring pursuant to Article 101 of the Articles. Mr Joseph Ang Choon Cheng who was appointed as Executive Chairman with effect from 3 November 2014 has been nominated for re-election at the forthcoming AGM pursuant to Article 105 of the Articles. In making the recommendations, the NC had considered the Directors' overall contribution and performance. Mr Lim Siang Kai and Mr William da Silva, upon re-election as Directors, remain as Independent Directors. They will be considered independent for the purposes of Rule 704(7) of the Catalyst Rules. Mr Joseph Ang Choon Cheng, upon re-election as a Director, remains as Executive Chairman. He is the brother of Mr Eric Ang Choon Beng who is an Executive Director. He is also the brother of Madam Ang Siew Khim who is a Director of VNS Manufacturing Pte. Ltd., a subsidiary of the Group. Mr Joseph Ang Choon Cheng is the brother-in-law of Mr Chia Puay Hwee who is an Executive Director.
4.7	Please provide Directors' key information.	The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out on pages 12 to 14 of this annual report.



Guideline	Code and/or Guide Description	Company's Compliance or Explanation												
Board Performance														
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?	Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board: <table> <tr> <th colspan="3">Table 5</th></tr> <tr> <th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr> <tr> <td>Qualitative</td><td> 1. Size and composition 2. Conduct of Meetings 3. Access to information 4. Board processes 5. Strategic planning 6. Board accountability 7. Risk management and Internal Control 8. Compensation 9. Financial Reporting 10. Communication with shareholders </td><td> 1. Commitment of time 2. Knowledge and abilities 3. Teamwork 4. Independence 5. Overall effectiveness </td></tr> <tr> <td>Quantitative</td><td> 1. Measuring and monitoring performance </td><td> 1. Attendance at Board and Board Committee meetings </td></tr> </table>	Table 5			Performance Criteria	Board and Board Committees	Individual Directors	Qualitative	1. Size and composition 2. Conduct of Meetings 3. Access to information 4. Board processes 5. Strategic planning 6. Board accountability 7. Risk management and Internal Control 8. Compensation 9. Financial Reporting 10. Communication with shareholders	1. Commitment of time 2. Knowledge and abilities 3. Teamwork 4. Independence 5. Overall effectiveness	Quantitative	1. Measuring and monitoring performance	1. Attendance at Board and Board Committee meetings
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Performance Criteria	Board and Board Committees	Individual Directors												
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Quantitative	1. Measuring and monitoring performance	1. Attendance at Board and Board Committee meetings												
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The review of the performance of the Board and the Board Committees is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election. For FY2014, the review process was as follows: 1. All Directors individually completed a board assessment checklist on the effectiveness of the Board, the Board Committees and the individual Directors based on criteria disclosed in Table 5 above; 2. The Company Secretary collated and submitted the questionnaire results to the NC Chairman in the form of a report; and 3. The NC discussed the report and concluded the performance results during the NC meeting.												



CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																								
		All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance.																								
	(b) Has the Board met its performance objectives?	No external facilitator was used in the evaluation process. Yes, the Board has met its performance objectives.																								
Access to Information																										
6.1 10.3	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	<table><tr><th colspan="3">Table 6 – Types of information provided by key management personnel to Independent Directors</th></tr><tr><th></th><th>Information</th><th>Frequency</th></tr><tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Half yearly</td></tr><tr><td>2.</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>Half yearly</td></tr><tr><td>3.</td><td>Budgets and/or forecasts (with variance analysis), management accounts (with financial ratios analysis), and EA' report(s)</td><td>Monthly</td></tr><tr><td>4.</td><td>Reports on on-going or planned corporate actions</td><td>Half yearly</td></tr><tr><td>5.</td><td>Enterprise risk framework and internal auditors' ("IA") report(s)</td><td>Half yearly</td></tr><tr><td>6.</td><td>Shareholding statistics</td><td>Yearly</td></tr></table>	Table 6 – Types of information provided by key management personnel to Independent Directors				Information	Frequency	1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Half yearly	2.	Updates to the Group's operations and the markets in which the Group operates in	Half yearly	3.	Budgets and/or forecasts (with variance analysis), management accounts (with financial ratios analysis), and EA' report(s)	Monthly	4.	Reports on on-going or planned corporate actions	Half yearly	5.	Enterprise risk framework and internal auditors' ("IA") report(s)	Half yearly	6.	Shareholding statistics	Yearly
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5.	Enterprise risk framework and internal auditors' ("IA") report(s)	Half yearly																								
6.	Shareholding statistics	Yearly																								
		Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.																								



Guideline	Code and/or Guide Description	Company's Compliance or Explanation
6.3	What is the role of the Company Secretary?	The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows: - assist the Chairman and the Chairman of each Board committees in the development of the agendas for the various Board and Board committees meetings; - administers and attends all Board and Board committees meetings of the Company and prepares minutes of meetings; - ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the SGX-ST Listing Manual Section B: Rules of Catalyst are complied with; and - advising the Board on all governance matters as well as facilitating orientation and assisting with professional developments as directed by the Chairman.
REMUNERATION MATTERS		
<u>Developing Remuneration Policies</u>		
7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: (a) review and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each director (executive and independent) as well as for the key management personnel; (b) ensuring that a formal and transparent procedure is in place for developing policy on executive remuneration and for determining the remuneration packages of individual directors and key management personnel; and (c) reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment of and recommendation for remuneration and bonus.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2014
<u>Disclosure on Remuneration</u>		
9	What is the Company's remuneration policy?	The Group's remuneration policy is to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.



CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																																						
9.1 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/ fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The breakdown for the remuneration of the Directors for FY2014 is as follows: <table><tr><th colspan="7">Table 9 – Directors' Remuneration</th></tr><tr><th>Name</th><th>Remuneration Band</th><th>Salary (%)</th><th>Bonus (%)</th><th>Benefits-in-kind (%)</th><th>Directors Fees (%)</th><th>Total (%)</th></tr><tr><td>Joseph Ang Choon Cheng</td><td>S\$750,000 to S\$999,999</td><td>48</td><td>38</td><td>14</td><td>–</td><td>100</td></tr><tr><td>Tsng Joo Peng</td><td>S\$750,000 to S\$999,999</td><td>46</td><td>39</td><td>15</td><td>–</td><td>100</td></tr><tr><td>Eric Ang Choon Beng</td><td>S\$750,000 to S\$999,999</td><td>45</td><td>42</td><td>13</td><td>–</td><td>100</td></tr><tr><td>Chia Puay Hwee</td><td>S\$750,000 to S\$999,999</td><td>45</td><td>41</td><td>14</td><td>–</td><td>100</td></tr><tr><td>Tan Aik Kwong</td><td>S\$750,000 to S\$999,999</td><td>45</td><td>41</td><td>14</td><td>–</td><td>100</td></tr><tr><td>Wu Chiaw Ching</td><td>Below S\$250,000</td><td>–</td><td>–</td><td>–</td><td>100</td><td>100</td></tr><tr><td>Lim Siang Kai</td><td>Below S\$250,000</td><td>–</td><td>–</td><td>–</td><td>100</td><td>100</td></tr><tr><td>William da Silva</td><td>Below S\$250,000</td><td>–</td><td>–</td><td>–</td><td>100</td><td>100</td></tr></table> After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment.	Table 9 – Directors' Remuneration							Name	Remuneration Band	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Directors Fees (%)	Total (%)	Joseph Ang Choon Cheng	S\$750,000 to S\$999,999	48	38	14	–	100	Tsng Joo Peng	S\$750,000 to S\$999,999	46	39	15	–	100	Eric Ang Choon Beng	S\$750,000 to S\$999,999	45	42	13	–	100	Chia Puay Hwee	S\$750,000 to S\$999,999	45	41	14	–	100	Tan Aik Kwong	S\$750,000 to S\$999,999	45	41	14	–	100	Wu Chiaw Ching	Below S\$250,000	–	–	–	100	100	Lim Siang Kai	Below S\$250,000	–	–	–	100	100	William da Silva	Below S\$250,000	–	–	–	100	100
Table 9 – Directors' Remuneration																																																																								
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William da Silva	Below S\$250,000	–	–	–	100	100																																																																		



Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																								
9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/ fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2014 is as follows: <table><caption>Table 9.3 – Remuneration of Key Management Personnel</caption><thead><tr><th>Name</th><th>Salary (%)</th><th>Bonus (%)</th><th>Benefits-in-kind (%)</th><th>Total (%)</th></tr></thead><tbody><tr><td colspan="5">S\$250,000 to S\$499,999</td></tr><tr><td>Sean Leaw Wei Siang</td><td>52</td><td>38</td><td>10</td><td>100</td></tr><tr><td>Kelvin Neo Han Cheng</td><td>68</td><td>24</td><td>8</td><td>100</td></tr><tr><td>Tan Kian Yong</td><td>66</td><td>23</td><td>11</td><td>100</td></tr><tr><td colspan="5">Below S\$250,000</td></tr><tr><td>Lim Yong San</td><td>83</td><td>7</td><td>10</td><td>100</td></tr><tr><td>Lee Wan Kah</td><td>70</td><td>22</td><td>8</td><td>100</td></tr></tbody></table> The total remuneration paid to the top 5 key management personnel for FY2014 was S\$1,549,242.	Name	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)	S\$250,000 to S\$499,999					Sean Leaw Wei Siang	52	38	10	100	Kelvin Neo Han Cheng	68	24	8	100	Tan Kian Yong	66	23	11	100	Below S\$250,000					Lim Yong San	83	7	10	100	Lee Wan Kah	70	22	8	100
Name	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)																																						
S\$250,000 to S\$499,999																																										
Sean Leaw Wei Siang	52	38	10	100																																						
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Below S\$250,000																																										
Lim Yong San	83	7	10	100																																						
Lee Wan Kah	70	22	8	100																																						
9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	<table><caption>Table 9.4 – Remuneration of Employees who are immediate family members of a Director</caption><thead><tr><th>Name</th><th>Salary (%)</th><th>Bonus (%)</th><th>Benefits-in-kind (%)</th><th>Total (%)</th></tr></thead><tbody><tr><td colspan="5">Below S\$250,000</td></tr><tr><td>Ang Choon Teck ⁽¹⁾</td><td>70</td><td>12</td><td>18</td><td>100</td></tr><tr><td>Ang Siew Khim ⁽²⁾</td><td>75</td><td>5</td><td>20</td><td>100</td></tr><tr><td>Cheong Kim Hock ⁽³⁾</td><td>71</td><td>5</td><td>24</td><td>100</td></tr><tr><td>Lee Poh Hong ⁽⁴⁾</td><td>82</td><td>6</td><td>12</td><td>100</td></tr><tr><td>Yap Geok Khim ⁽⁵⁾</td><td>70</td><td>6</td><td>24</td><td>100</td></tr><tr><td>Chia Peck Huan ⁽⁶⁾</td><td>70</td><td>6</td><td>24</td><td>100</td></tr></tbody></table>	Name	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)	Below S\$250,000					Ang Choon Teck ⁽¹⁾	70	12	18	100	Ang Siew Khim ⁽²⁾	75	5	20	100	Cheong Kim Hock ⁽³⁾	71	5	24	100	Lee Poh Hong ⁽⁴⁾	82	6	12	100	Yap Geok Khim ⁽⁵⁾	70	6	24	100	Chia Peck Huan ⁽⁶⁾	70	6	24	100
Name	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)																																						
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Chia Peck Huan ⁽⁶⁾	70	6	24	100																																						



CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(1) Brother of Joseph Ang Choon Cheng, Executive Chairman and Eric Ang Choon Beng, Executive Director. (2) Spouse of Edward Chia Puay Hwee, Executive Director and also sister of Joseph Ang Choon Cheng, Executive Chairman and Eric Ang Choon Beng, Executive Director. (3) Cousin of Joseph Ang Choon Cheng, Executive Chairman and Eric Ang Choon Beng, Executive Director. (4) Spouse of Eric Ang Choon Beng, Executive Director and also a sister-in-law of Joseph Ang Choon Cheng, Executive Chairman. (5) Spouse of Joseph Ang Choon Cheng, Executive Chairman and also a sister-in-law of Eric Ang Choon Beng, Executive Director. (6) Sister of Edward Chia Puay Hwee, Executive Director and also a sister-in-law of Ang Siew Khim, Executive Director of VNS Manufacturing Pte. Ltd.
9.5	Please provide details of the employee share scheme(s).	The Company had no employee share schemes during FY2014
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2014. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:
Table 9.6(b)		
Performance Conditions		Short-term Incentives (such as performance bonus)
Qualitative		- Leadership - People development - Commitment - Teamwork - Current market and industry practices - Macro-economic factors
Quantitative		PBT of at least S\$3.5m



Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) Were all of these performance conditions met? If not, what were the reasons?	Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2014.
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2014. The bases for the Board's view are as follows: 1. Assurance has been received from the CEO, CFO and Internal Auditors (the "IA") (refer to Section 11.3(b) below); 2. An internal audit has been done by the IA and significant matters highlighted to the AC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the AC on material risks; and 4. Discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns. Yes, the Board has obtained such assurance from the CEO, CFO and IA in respect of FY2014. The Board has relied on the independent auditors' report as set out in this Annual Report as assurance that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances. The Board has additionally relied on IA's reports in respect of operational scope issued to the Company since FY2014 as assurances that the Company's risk management and internal control systems are effective.



CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Audit Committee		
12.1 12.4	What is the role of the AC?	The duties and roles of the AC is guided by the following key terms of reference: (a) review with the EA and IA the audit plans, their evaluation of the system of internal accounting controls, and their audit report including the scope and results of the external audit, the independence and objectivity of the external auditors; (b) review the financial statements including reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and the Company and any announcements relating to the Company's financial performance, before submission to the Board for approval; (c) review the internal control procedures, its scope and the results and to ensure co-ordination between the EA/IA and the management and review the assistance given by management to the EA, and discuss problems and concerns, if any, arising from the interim and final audits; (d) review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls; (e) review the effectiveness of the Group's IA function; (f) review and discuss with the EA on any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the management's response; (g) make recommendation to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the EA; (h) review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual; (i) review potential conflicts of interest, if any; (j) undertake such other review and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and which requires the attention of the AC; and (k) generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made from time to time.
12.5	Has the AC met with the auditors in the absence of key management personnel?	Yes, the AC has met with the IA and the EA once in the absence of key management personnel in FY2014.



Guideline	Code and/or Guide Description	Company's Compliance or Explanation																					
12.6	Has the AC reviewed the independence of the EA?	The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.																					
	(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.	Table 12.6(a) – Fees Paid/Payable to the EA for FY2014 <table> <tr> <th></th><th>S\$</th><th>% of total</th></tr> <tr> <td>Audit fees</td><td></td><td></td></tr> <tr> <td>- Current year</td><td>267,400</td><td>74</td></tr> <tr> <td>- Under provision in respect of prior year</td><td>48,817</td><td>13</td></tr> <tr> <td>Non-audit fees</td><td></td><td></td></tr> <tr> <td>- Tax compliance</td><td>45,804</td><td>13</td></tr> <tr> <td>Total</td><td>362,021</td><td>100</td></tr> </table>		S\$	% of total	Audit fees			- Current year	267,400	74	- Under provision in respect of prior year	48,817	13	Non-audit fees			- Tax compliance	45,804	13	Total	362,021	100
	S\$	% of total																					
Audit fees																							
- Current year	267,400	74																					
- Under provision in respect of prior year	48,817	13																					
Non-audit fees																							
- Tax compliance	45,804	13																					
Total	362,021	100																					
	(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.	The AC review the independence of the external auditors annually. The AC has conducted an annual review of the volume of non-audit services provided by the external auditors to satisfy the AC that the nature and extent of such services will not prejudice the independence of the external auditors. The AC is satisfied with the external auditors' confirmation of their independence.																					
12.7	Does the Company have a whistle-blowing policy?	The Company has put in place a whistle blowing policy which has been reviewed, endorsed by the AC and approved by the Board. Under the whistle blowing policy, employees can, in confidence, raise concerns about improper conduct for investigation. The procedures for the whistle blowing policy are made public to the employees of the Group. For the financial year ended 31 December 2014, there were no reported incidents pertaining to whistle blowing.																					
12.8	What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	All the AC members receive updates from the external auditors on updates to accounting and issues which have a direct impact on financial statements.																					



CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Internal Audit		
13.1	Please provide details of the Company's internal audit function, if any.	The Company's internal audit function is outsourced to Goh Boon Kok & Co that reports directly to the AC Chairman and administratively to the CEO. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that IA is adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.
13.2		
13.3		
13.4		
13.5		
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.2	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group. Information will first be disseminated through SGXNET and where relevant, followed by news release and the Company's website. The Company will also make announcements from time to time to update investors and shareholders on developments that are of interest to them. The Company strives to supply shareholders with reliable and timely information so as to strengthen the relationship with its shareholders based on trust and accessibility.
15.3		
15.4		
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The Company has an internal investor relations function to facilitate the communications with all stakeholders, shareholders, analysts and media on a regular basis, to attend to their queries or concerns as well as to keep the investors apprised of the Group's corporate developments and financial performance.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	To enable shareholders to contact the Company easily, the contact details of the investor relations function are set out in the contents page of this Annual Report as well as on the Company's website. The Company have procedures in place for responding to investors' queries.



Guideline	Code and/or Guide Description	Company's Compliance or Explanation
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, inter alia, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
	Is the Company is paying dividends for the financial year? If not, please explain why.	No dividend has been declared for the financial year ended 31 December 2014 as the Group intends to conserve cash for future business growth.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company's Articles do not allow for abstentia voting at general meetings of shareholders as authentication of shareholder identity information and other related security issues continue to be a concern. The Company requires all Directors (including the respective chairman of the Board Committees) to be present at all general meetings of shareholders, unless of exigencies. The EA is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. While acknowledging that voting by poll is integral in the enhancement of corporate governance and lead to greater transparency of the level of support for each resolution, the Company is concerned over the cost effectiveness and efficiency of the polling procedures which may be logistically and administratively burdensome. Electronic polling may be efficient in terms of speed but may not be cost effective. The Board will adhere to the requirements of the Catalist Rules where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015. All minutes of general meetings will made available to shareholders upon their request.



CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES									
Catalist Rule	Rule Description	Company's Compliance or Explanation							
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 716.							
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2014 or if not then subsisting, entered into since the end of the previous financial year.							
1204(10)	Confirmation of adequacy of internal controls	The Board and the AC are of the opinion that the internal controls are adequate to address the financial, operational and compliance risks based on the following: • internal controls and the risk management system established by the Company; • work performed by the IA and EA; • assurance from the CEO and CFO; and • reviews done by the various Board Committees and key management personnel.							
1204(17)	Interested Persons Transaction ("IPT")	The following are IPTs with value more than S\$100,000 transacted during FY2014. <table><tr><th>Name of Interested Person</th><th>Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</th><th>Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</th></tr><tr><td>Tsng Joo Ann⁽¹⁾</td><td>S\$249,322</td><td></td></tr></table>		Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	Tsng Joo Ann ⁽¹⁾	S\$249,322	
Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)							
Tsng Joo Ann ⁽¹⁾	S\$249,322								
<i>Note:- 1 – Brother of Tsng Joo Peng, the Chief Executive Officer of the Company</i>									
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information.							
		The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning one month before the announcement of the Company's half-year and full-year financial statements respectively, and ending on the date of the announcement of the relevant results.							
1204(21)	Non-sponsor fees	No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. for FY2014.							



RISK MANAGEMENT POLICIES AND PROCESSES

Business Risk

In our Aircon Division, we install and service air-conditioning systems for our customers. We also manufacture and sell switchgear to our customers. These activities have minimum barriers to entry. In order to differentiate ourselves and diversify our business risk for our air-conditioning business units, we operate in both the retail and commercial markets. Our Switchgear Manufacturing unit is ready to capitalise on Asia's construction boom, with a vision of becoming a preferred choice in building solutions.

With the integrated operations, we are able to tap on the combined network, strengths and resources from our various business segments. Our business segments share the same pool of customers who are mainly property consultants, M&E consultants and contractors, and electrical contractors, as well as potential referrals from property developers, contractors, project managers and building owners. Our customers enjoy convenience, only needing to go through us as one party, for solutions to a wide range of their needs. Management and logistics issues in relation to the engagement of multiple suppliers and services providers are therefore substantially reduced.

In addition, with our combined expertise, resources and track record, we are able to pitch for bigger projects at more competitive bids, and to provide a better range of products and services from design and planning, air-conditioning systems installation, electrical wirings, mechanical and electrical switchgears and switchboxes for residential and commercial properties, to after sales services.

Operational Risk

Operational risk refers to the loss incurred by our Group due to operational failures arising from a breakdown in internal process, deficiencies in people and management. The Group engages external consultants to review our internal processes and controls on a yearly basis to ensure that our operations processes and controls are working effectively. The quality management systems which encompass the entire manufacturing process for our air-conditioning and switchgear business units are also subject to annual audit by an ISO 9000:2000 accreditation body.

In addition, our Switchgear business unit is also subject to additional annual audit by SPRING Singapore for our Singapore Quality Class awarded which recognises organisations for their commitment to achieve business excellence. We have engaged professionals to assist our human resource personnel to improve on our annual performance appraisal system as well as establishing a training roadmap for all our staff. Remuneration for our staff is also reviewed periodically to ensure that the remuneration package offered by the Group remains competitive.

Project Risk

Delays in the completion of our Commercial business projects may occur due to unforeseen circumstances. If such delay in the completion of our projects is attributable to us, we will be liable for liquidated damages which will materially and adversely affect our financial position and performance.

To mitigate this risk, project meetings are held periodically to update management on the progress of all on-going projects. Work-in-progress is monitored closely by the management to avoid the situation of cost overrun. In the event that management perceives a potential delay in a project, we immediately alert the main contractor. A revised project completion date will be negotiated subsequently.

Half yearly Group performance reports are also presented to the Board of Directors for their review and comments.



RISK MANAGEMENT POLICIES AND PROCESSES

Investment Risk

The businesses of our Group may be expanded through organic growth of our activities and through acquisitions of operating business entities. Investment activities are evaluated through performance of due diligence exercises and are supported by advice from external professionals. All business proposals are reviewed by the Company's Executive Directors and senior management before obtaining final approval from the Board.

Foreign Exchange Risk

The foreign exchange risk of the Group arises from sales, purchases and borrowings that are denominated in foreign currencies. The currencies giving rise to the risk are US dollars, Indian Rupees and Ringgit Malaysia. While the Group does not have any formal hedging policies against foreign exchange fluctuation, we continuously monitor the exchange rates of the major currencies.

Credit Risk

Credit risk is managed through the application of credit approvals, setting credit limits and monitoring procedures. Our cash balances are placed with banks and regulated financial institutions. It is our Group's policy to sell to a diverse credit worthy customer base so as to mitigate our credit risk. Cash terms and/or advance payments are required for customers with lower credit rating.

While the Group faces normal business risks associated with ageing collections, we adopt the policy of making specific provisions once trade debts are deemed not collectible. Accordingly, our Group does not expect to incur material credit losses on our risk management or other financial instruments.

Interest Rate Risk

Our Group's exposure to changes in interest rates relates primarily to interest-bearing financial assets and liabilities. Interest rate risk is managed on an on-going basis with the objective of limiting the extent to which net interest expenses could be affected by an adverse movement in interest rates. We also obtain financing through bank borrowings and finance lease arrangements. It is the Group's policy to obtain the most favourable interest rates available without increasing our exposure.

Liquidity Risk

The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and financial obligations. To manage liquidity risk, we monitor our net cash flow and maintain a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows.

Derivative Financial Instrument Risk

The Group does not hold or issue derivative financial instruments.



CLASS OF SHARES

Ordinary Shares with equal voting rights

NUMBER OF SHARES

205,447,985

NUMBER OF ORDINARY SHAREHOLDERS

The number of ordinary shareholders as at 19 March 2015 is 664

VOTING RIGHTS

The Articles of Association provide for:

- (a) on a show of hands : 1 vote
- (b) on a poll : 1 vote for each Ordinary Share held

TREASURY SHARES

Nil

Shareholdings Held in Hands of Public

Based on information available to the Company as at 19 March 2015 approximately 54.79% of the total number of issued shares (excluding treasury shares) in the capital of the Company are held in the hands of the public. Rule 723 of the Listing Manual issued by SGX-ST has therefore been complied with.

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 19 MARCH 2015

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	88	13.25	951	0.00
100 - 1,000	281	42.32	183,973	0.09
1,001 - 10,000	96	14.46	599,716	0.29
10,001-1,000,000	170	25.60	22,704,954	11.05
1,000,001 AND ABOVE	29	4.37	181,958,391	88.57
	664	100.00	205,447,985	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 19 MARCH 2015

Substantial Shareholder	Shareholdings registered in the name of the substantial shareholder	Shareholdings held by substantial shareholder in the name of nominees	Shareholdings in which the substantial shareholder are deemed to be interested	Total	Percentage of issued shares
Joseph Ang Choon Cheng ⁽¹⁾	25,549,385	–	3,150,001	28,699,386	13.97%
Tsng Joo Peng	5,000,000	12,348,426	–	17,348,426	8.44%

Notes:

- (1) Mr Joseph Ang Choon Cheng is deemed to be interested in the 3,150,001 shares held by his spouse, Mdm Yap Geok Khim



SHAREHOLDINGS STATISTICS

AS AT 19 MARCH 2015

TOP 20 SHAREHOLDERS AS AT 19 MARCH 2015

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	26,154,561	12.73
2	ANG CHOON CHENG	25,549,385	12.44
3	DBS NOMINEES PTE LTD	21,477,156	10.45
4	ONG MUN WAH	20,000,000	9.73
5	MAYBANK NOMINEES (S) PTE LTD	13,770,010	6.70
6	SBS NOMINEES PTE LTD	12,831,000	6.25
7	CHIA PUAY HWEE	10,214,000	4.97
8	CIMB SECURITIES (SINGAPORE) PTE LTD	7,325,000	3.57
9	TSNG JOO PENG	5,000,000	2.43
10	NEO CHUAN TIONG	4,240,866	2.06
11	TSNG JOO WEE	3,010,150	1.47
12	LEE CHEE BOON	2,940,000	1.43
13	BANK OF SINGAPORE NOMINEES PTE LTD	2,839,126	1.38
14	KOH SIEW KHING	2,373,000	1.15
15	CHUA KENG HWEE	2,300,000	1.12
16	CHIA PECK HUAN	2,237,834	1.09
17	ANG JUI KHOON	1,963,000	0.96
18	TAN MEOW NOI	1,730,000	0.84
19	LEE BOON SIONG	1,724,000	0.84
20	HONG BOON YOON	1,700,000	0.83
		169,379,088	82.44



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (“AGM”) of Natural Cool Holdings Limited (the “Company”) will be held at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 on Thursday, 23 April 2015 at 10.00 a.m. to transact the following business:-

Ordinary Business

- 1 To receive and adopt the Directors’ Report and Audited Accounts for the financial year ended 31 December 2014 and the Auditors’ Report thereon. **[Resolution 1]**
- 2 To re-elect Mr Lim Siang Kai who is retiring by rotation pursuant to Article 101 of the Company’s Articles of Association as Director of the Company. **[See Explanatory Note (a)]**
[Resolution 2]
- 3 To re-elect Mr William Da Silva who is retiring by rotation pursuant to Article 101 of the Company’s Articles of Association as Director of the Company. **[See Explanatory Note (b)]**
[Resolution 3]
- 4 To re-elect Mr Joseph Ang Choon Cheng who is retiring by rotation pursuant to Article 105 of the Company’s Articles of Association as Director of the Company. **[Resolution 4]**
- 5 To approve Directors’ fees of S\$104,600/- for the financial year ending 31 December 2015. (2014: S\$98,000/-) **[Resolution 5]**
- 6 To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**
- 7 To transact any other business that may be transacted at an Annual General Meeting.

Special Business

To consider and, if thought fit, to pass the following as an Ordinary Resolution, with or without modifications:-

General mandate to allot and issue new shares

- 8 “That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (“**Act**”) and the listing rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:-
 - (A) (i) allot and issue shares in the capital of the Company (“**Shares**”) (whether by way of rights, bonus or otherwise); and/or
 - (ii) make or grant offers, agreements, or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,



NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 100 per cent of the total number of issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a pro-rata basis, then the aggregate number of Shares to be issued under such circumstances (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below); and
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above:-
 - (a) the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares at the time of this Resolution is passed, after adjusting for:
 - (aa) new Shares arising from the conversion or exercise of any instruments or any convertible securities;
 - (bb) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (cc) any subsequent bonus issue, consolidation or subdivision of Shares;
 - (b) in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.”**[See Explanatory Note (c)]**

[Resolution 7]

By Order of the Board

Leaw Wei Siang
Sharon Yeoh
Company Secretaries
8 April 2015

Singapore



NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note:

- (a) Mr Lim Siang Kai, if re-elected, will remain as a member of the Company's Audit Committee, Nominating Committee and Remuneration Committee and will also continue to be the Chairman of the Audit Committee. Mr Lim Siang Kai will be considered as Independent Director of the Company.
- (b) Mr William Da Silva, if re-elected, will remain as a member of the Company's Audit Committee, Nominating Committee and Remuneration Committee and will also continue to be the Chairman of the Remuneration Committee. Mr William Da Silva will be considered as Independent Director of the Company.
- (c) The ordinary resolution 7 set out in item 8 above, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held or such authority is revoked or varied by the Company in general meeting, whichever is earlier, to allot and issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments up to an aggregate number not exceeding 100% of the total number of issued Shares excluding treasury shares in the capital of the Company, with a sub-limit of 50% for issues other than on a pro-rata basis. For determining the aggregate number of Shares that may be issued the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares at the time of this ordinary resolution 7 above is passed after adjusting for new Shares arising from the conversion or exercise of convertible securities, share options or vesting of share awards which are outstanding or subsisting at the time this ordinary resolution 7 above is passed and any subsequent bonus issue, consolidation or subdivision of the Company's Shares.

Note:

A Depositor's name must appear on the Depository Register not less than 48 hours before the time of the Annual General Meeting. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy. The instrument appointing the proxy must be deposited at the registered office of the Company at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 not later than 48 hours before the time appointed for the Annual General Meeting.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



NATURAL COOL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 200509967G

IMPORTANT FOR CPF INVESTORS ONLY:

1. This Annual Report is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR INFORMATION ONLY.
2. This Proxy Form is therefore not valid for use by CPF investors and shall not be effective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of Natural Cool Holdings Limited. If they wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

I/We _____ NRIC/Passport/Co. Registration No. _____

of _____

being a member/members of **NATURAL COOL HOLDINGS LIMITED** hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)	
			No. of Shares	%

Or failing him/her/them, the Chairman of the Annual General Meeting, as my/our proxy/proxies to vote for me/us and on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting ("AGM") of the Company to be held at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 on Thursday, 23 April 2015 at 10.00 a.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box below how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, my/our proxy/proxies may vote or abstain at his/their discretion as he/they will on any other matters arising at the AGM.

No.	Resolutions Relating To:	For	Against
AS ORDINARY BUSINESS			
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2014		
2	Re-election of Mr Lim Siang Kai as Director		
3	Re-election of Mr William da Silva as Director		
4	Re-election of Mr Joseph Ang Choon Cheng as Director		
5	Approval of Directors' fees for the financial year ending 31 December 2015		
6	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
7	Authority to directors to allot and issue new shares		

* Please indicate your vote "For" or "Against" with an "X" within the box provided.

Dated this _____ day of _____ 2015

Total Number of Shares Held

Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT

PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, he shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 29 Tai Seng Avenue #07-01 Natural Cool Lifestyle Hub Singapore 534119 not less than 48 hours before the time set for the Annual General Meeting.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.
5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney the letter or the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.
7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company may reject an instrument of proxy lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time set for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2015.

Natural Cool Holdings Limited

Company Registration No: 200509967G

29 Tai Seng Avenue

#07-01 Natural Cool Lifestyle Hub

Singapore 534119

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