

Setting the Pace for **EXCELLENCE**



Natural Cool
Holdings Limited
Annual Report 2015



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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



EMBRACING CHANGE

In a world where change in customers' end is constant creates challenges for the industry in which our Company operates. To meet these changes, Natural Cool Holdings Limited has set the standard for efficiency and reliability by coming up with products that make life easier, enabling us to engage with our customers in one way or another. This financial year, we have expanded to include another subsidiary in our line of operations – a step in embracing change not only to the benefit of our Company, but also for the convenience of our customers.



Letter to Shareholders



Joseph Ang Choon Cheng
Executive Chairman

“ THIS YEAR,
NATURAL COOL
WILL CONTINUE
TO FOCUS ON
IMPROVING
OPERATIONAL
EFFICIENCY AND
COST CONTROL
MEASURES. ”



Tsng Joo Peng
Chief Executive Officer

DEAR SHAREHOLDERS,

2015 was an eventful year and it ended well for Natural Cool Holdings Limited (“Natural Cool” or together with its subsidiaries, the “Group”).

Natural Cool acquired the entire issued and paid-up share capital of Loh & Sons Paint Co (S) Pte Ltd for an aggregate consideration of approximately S\$7.3 million. We are now working very diligently to grow this paint business as we believe it has untapped growth potential and by this time next year, hopefully we will be able to share more good news with you.

Last year also witnessed the sale of our Gathergates’ Switchgear business to Nitto Kogyo Corporation for approximately S\$34 million. This was a very positive deal for Natural Cool as it unlocked the value of the assets in Gathergates Group in cash and strengthened our financial and capital resources.

This year, Natural Cool will continue to focus on improving operational efficiency and cost control measures.

FINANCIAL REVIEW

The Group achieved revenue of S\$108.98 million in the full year ended 31 December 2015 (“FY2015”), an increase of S\$15.40 million, or 16.45% as compared to S\$93.58 million in the full year ended 31 December 2014 (“FY2014”). This was due mainly to higher revenue registered by the Group’s Aircon division.

Other income decreased by S\$4.62 million or 88.06% to S\$0.63 million due mainly to absence of gain on disposal of Benoi factory which occurred in FY2014.

Distribution expenses decreased by S\$0.20 million or 12.21% to S\$1.41 million due mainly to lower advertisement costs by the Group’s Aircon division.

Finance costs increased by S\$0.24 million or 36.63% to S\$0.89 million due mainly to the unwinding of the discount of the convertible loan notes of S\$0.30 million.

Letter to Shareholders

The Group recorded an income tax expense of S\$0.02 million due to tax savings derived from certain new tax incentives introduced by the government.

Profit from discontinued operation increased by S\$7.99 million to S\$9.99 million. This was due mainly to gain on disposal of Gathergates Group and offset by payment of profit incentive to top management in accordance to their respective service agreements and one-off special bonus paid to employees of Gathergates Group.

Arising from the above, the Group reported a profit attributable to owners of the Company of S\$6.50 million in FY2015.

Property, plant and equipment decreased by S\$3.52 million to S\$22.07 million as at 31 December 2015 due mainly to disposal of Gathergates Group and partially offset by acquisition of Loh & Sons Paint Co (S) Pte Ltd ("Loh & Sons").

Intangible assets decreased by S\$7.01 million to S\$1.07 million as at 31 December 2015 due mainly to disposal of Gathergates Group and partially offset by the goodwill arising from the acquisition of Loh & Sons.

Inventories decreased by S\$2.14 million to S\$14.65 million as at 31 December 2015 due mainly to disposal of Gathergates Group and partially offset

by increase in inventories from Group's Aircon division in anticipation of higher orders in next financial year.

Trade and other receivables decreased by S\$24.12 million to S\$24.28 million as at 31 December 2015 due mainly to disposal of Gathergates Group.

Trade and other payables decreased by S\$16.56 million to S\$38.06 million as at 31 December 2015 due mainly to disposal of Gathergates Group.

Total loans and borrowings decreased by S\$4.06 million to S\$17.03 million as at 31 December 2015 due mainly to disposal of Gathergates Group.

Cash flows from operating activities were an outflow of S\$0.18 million for FY2015. This was due mainly to increase in inventories by Aircon division.

Cash flows from investing activities were an inflow of S\$22.04 million for FY2015. This was due mainly to proceeds from disposal of the Gathergates Group.

Cash flows from financing activities were an inflow of S\$0.54 million for FY2015. This was due mainly to proceeds from bank borrowings and issue of convertible loan notes and offset by repayment of convertible loan notes redeemed, repayment of bank borrowings and interest costs.



Letter to Shareholders

COMMITMENT AND APPRECIATION

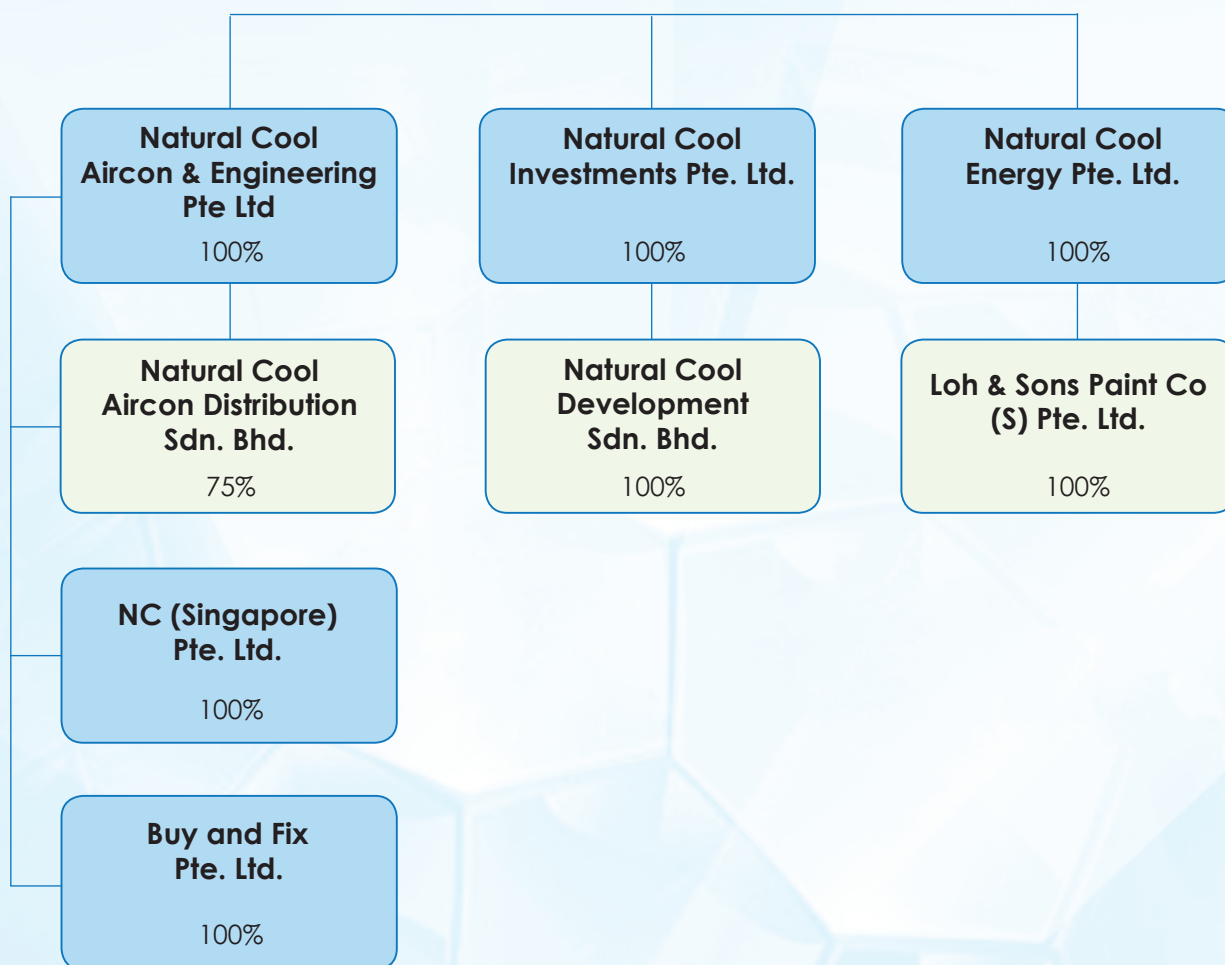
At Natural Cool, we are committed to generating shareholder value and are mindful of our responsibilities and obligations to all our stakeholders. Our customers are pivotal in all that we do and we spare no effort in ensuring that we provide them the best solutions at the shortest possible time. Our investments in people and technology are always about delivering better service with customers as our priority. Of course, our people are what made Natural Cool ticks. To our dedicated staff and management, we thank you for your unrelenting support and many contributions. Your ingenuity and passion will ensure that Natural Cool has what it takes for better performance and results. Last but not least, may we express our heartfelt thanks to all our stakeholders for their strong faith and confidence in us as we continue to do what we do best to create even better value for all.

Yours faithfully

Joseph Ang Choon Cheng	Tsng Joo Peng
Executive Chairman	Chief Executive Officer

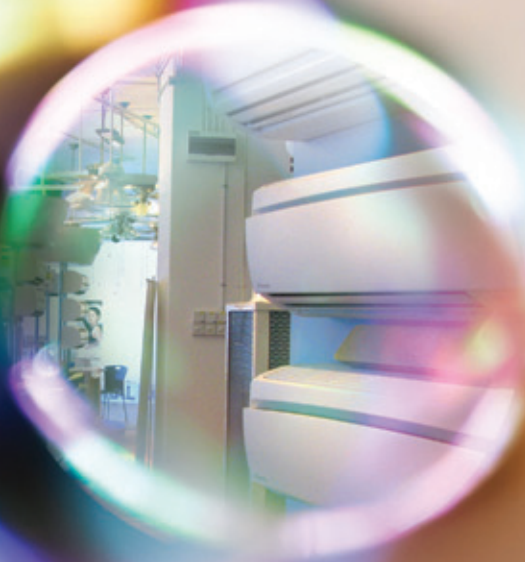
"AT NATURAL COOL, WE ARE COMMITTED TO GENERATING SHAREHOLDER VALUE AND ARE MINDFUL OF OUR RESPONSIBILITIES AND OBLIGATIONS TO ALL OUR STAKEHOLDERS. "

Natural Cool Holdings Limited



CREATING VALUE

Through our synergised businesses, we have been given the opportunity to create value by focusing on leveraging our strengths. As our customers continuously seek for the best, we keep up with their pace by unceasingly finding ways to keep them satisfied in such a way we are able to source out long-term value for them. With our present business portfolio, we boast with confidence that we are well-positioned to lead for the future.



Operations Review

The year in review saw Natural Cool performing well with increased business activities from its air-conditioning systems installed and maintained in both residential and medium commercial sector. 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 repair & servicing services in commercial and industrial spaces. These include public institutions such as schools, hospitals, warehouses, commercial buildings like offices, shopping malls, retail and F&B establishments. Typically, commercial & industrial services in such non-standard buildings are subject to a tendering process as specialized knowledge is required to handle more sophisticated engineering demands.

Over the years, Natural Cool has acquired the necessary skills and knowledge to provide solutions to address air-conditioning mechanical ventilation ("ACMV") systems problems. In addition, our Commercial service 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 Aircor 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 equipment & accessories.

Such equipment are all types of air-conditioners catered for the entire industrial, commercial & residential, brands including Daikin, Mitsubishi, Panasonic, York, LG and many more.

Accessories include air-conditioning supporting brackets, insulation, all types of pipes and ducts, as well as industrial goods like electrical drills, drain pumps, screws, bolts & 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.

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, China Square Central, Marine Bay Sands, PSA Marine.

Financial Review



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Financial Review



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Board of Directors



Mr Joseph Ang Choon Cheng
Executive Chairman

Mr Ang was appointed to our Board on November 3, 2014 (Date of last re-appointment as director: 23 April, 2015). 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 was 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 is the Chief Executive Officer of our Group and was appointed to our Board on 1 August 2005 (Date of last re-appointment as director: 24 April, 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: 23 April, 2014). As Executive Director, he is responsible for the strategic planning and management of the newly acquired Paint business operations. He is also the Chief Operating Officer of Loh & Sons Paint Co (S) Pte Ltd whose primary role is to oversee the business expansion and operations of the Company. Mr Ang has substantial years of experience in the management and operation role. Over the last 20 years, he has held several management positions, rising from factory manager to Assistant Vice President in various manufacturing companies.

Board of Directors



Mr Choy Bing Choong

Executive Director and
Chief Investment Officer

Mr Choy joined the Company as Chief Investment Officer in July 2014 and was appointed to our Board on 27 December 2015.

He is responsible for formulating, planning and executing the Company's corporate strategies, charting the growth of the Group through identification of merger and acquisition opportunities, management of the Group's investments more effectively by working closely with our Chief Financial Officer, and involving in the planning of operational strategy.

Mr Choy has more than 25 years of work experience in a variety of roles in multiple industries and countries. Prior to joining our Company, he spent 8 years with the corporate finance department at CIMB Bank Berhad, Singapore Branch, where he last held the position of Director, Corporate Finance. Before his stint at CIMB Bank Berhad, Singapore Branch, Mr Choy spent 3 years at the Corporate and Capital Markets Group in Rajah & Tann.

He is a Chartered Accountant (Singapore) and holds a Bachelor's of Accountancy Degree from the National University of Singapore.



Mr Lim Siang Kai

Lead Independent Director

Mr Lim is currently the Chairman and Independent Director of ISDN Holdings Limited and an Independent Director of Blue Sky Power Holdings Limited (formerly known as China Print Power Group Limited) and Joyas International Holdings Limited, all of which are public companies listed in Singapore. Mr Lim was appointed to our Board as an Independent Director on March 7, 2006 (Date of last re-appointment as director: 23 April, 2015). 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 also has a Master of Arts in Economics degree from University of Canterbury, New Zealand, that he obtained in 1984.

Board of Directors



Dr Wu Chiaw Ching
Independent Director

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

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



Mr William da Silva
Independent Director

Mr William da Silva was appointed to our Board on March 7, 2006. (Date of last re-appointment as a director: 23 April, 2015) 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.

Key Management



Mr Sean Leaw Wei Siang
Chief Financial Officer

Mr Leaw was appointed on January 20, 2012. As the 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 more than 20 years of working experience in accounting and financial management. Mr Leaw joined the Group in 2008, as Chief Financial Officer in 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 Chartered Accountant of Singapore and a member of Certified Public Accountants Australia. He holds a Bachelor of Commerce Degree majoring in Accounting and Finance from University of Western Australia.



Mr Neo Han Cheng
Executive Director and Chief Operating Officer, 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:

Mr Joseph Ang Choon Cheng
Executive Chairman and
Executive Director

Mr Tsng Joo Peng
Chief Executive Officer and
Executive Director

Mr Eric Ang Choon Beng
Executive Director

Mr Choy Bing Choong
Executive Director and
Chief Investment Officer

Mr Lim Siang Kai
Lead Independent Director

Dr Wu Chiaw Ching
Independent Director

Mr William da Silva
Independent Director

Audit Committee:

Mr Lim Siang Kai
Chairman

Dr Wu Chiaw Ching
Member

Mr William da Silva
Member

Nominating Committee:

Dr Wu Chiaw Ching
Chairman

Mr Lim Siang Kai
Member

Mr William da Silva
Member

Remuneration Committee:

Mr William da Silva
Chairman

Dr Wu Chiaw Ching
Member

Mr Lim Siang Kai
Member

Company Secretaries:

Mr Leaw Wei Siang

Ms Tan Siew Hua

Auditor:

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:

United Overseas Bank

Standard Chartered Bank

Investor Relations Contact:
Email: corporateaffairs@natcool.com



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 2015.

In our opinion:

- (a) the financial statements set out on pages 22 to 87 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, 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.

Directors

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

Joseph Ang Choon Cheng	Executive Chairman
Tsng Joo Peng	Chief Executive Officer
Eric Ang Choon Beng	Executive Director
Choy Bing Choong	Executive Director and Chief Investment Officer (Appointed on 27 December 2015)
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 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	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



Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
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	352	352
- deemed interest	7,832,000	7,832,000

Except as disclosed in this statement, 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 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 2016.

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.

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 statement 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 of the Act, the SGX-ST Listing Manual Section B: Rules of Catalist (SGX Listing Manual) and the Code of Corporate Governance.

The Audit Committee has held two meetings since the last directors’ statement. 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).

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 our auditors for the Company and subsidiaries, we have 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

31 March 2016



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 2015, 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 to 87.

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 financial statements 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 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.



Independent Auditors' Report



To the members of Natural Cool Holdings Limited

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 subsidiary corporations 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

31 March 2016



Statements of Financial Position

As at 31 December 2015



		Group		Company	
	Note	2015	2014	2015	2014
		\$	\$	\$	\$
Assets					
Property, plant and equipment	4	22,067,196	25,591,140	15,746	5,116
Intangible assets	5	1,065,824	8,078,234	45,124	–
Investment property	6	–	–	–	–
Subsidiaries	7	–	–	6,899,028	15,006,917
Other investments	8	6,018,240	5,898,240	6,018,240	5,898,240
Deferred tax assets	16	1,023,016	1,404,045	–	–
Non-current assets		<u>30,174,276</u>	<u>40,971,659</u>	<u>12,978,138</u>	<u>20,910,273</u>
Inventories	9	14,649,326	16,785,212	–	–
Trade and other receivables	11	24,277,234	48,392,640	7,188,016	7,466,818
Cash and cash equivalents	12	36,900,347	14,490,329	28,363,934	642,504
Current assets		<u>75,826,907</u>	<u>79,668,181</u>	<u>35,551,950</u>	<u>8,109,322</u>
Total assets		<u>106,001,183</u>	<u>120,639,840</u>	<u>48,530,088</u>	<u>29,019,595</u>
Equity					
Share capital	13	31,956,902	31,956,902	31,956,902	31,956,902
Reserves	14	(3,445,315)	(3,431,933)	300,000	300,000
Accumulated profits/(losses)		<u>20,977,105</u>	<u>14,481,937</u>	<u>8,107,082</u>	<u>(9,431,741)</u>
Equity attributable to owners of the Company		<u>49,488,692</u>	<u>43,006,906</u>	<u>40,363,984</u>	<u>22,825,161</u>
Non-controlling interests		<u>9,692</u>	<u>227,751</u>	<u>–</u>	<u>–</u>
Total equity		<u>49,498,384</u>	<u>43,234,657</u>	<u>40,363,984</u>	<u>22,825,161</u>
Liabilities					
Loans and borrowings	15	8,554,600	14,720,898	–	–
Deferred tax liabilities	16	299,707	370,503	–	–
Non-current liabilities		<u>8,854,307</u>	<u>15,091,401</u>	<u>–</u>	<u>–</u>
Trade and other payables	17	38,061,618	54,618,590	5,466,104	2,744,434
Loans and borrowings	15	8,472,846	6,367,356	2,700,000	3,450,000
Current tax payable		<u>1,114,028</u>	<u>1,327,836</u>	<u>–</u>	<u>–</u>
Current liabilities		<u>47,648,492</u>	<u>62,313,782</u>	<u>8,166,104</u>	<u>6,194,434</u>
Total liabilities		<u>56,502,799</u>	<u>77,405,183</u>	<u>8,166,104</u>	<u>6,194,434</u>
Total equity and liabilities		<u>106,001,183</u>	<u>120,639,840</u>	<u>48,530,088</u>	<u>29,019,595</u>

The accompanying notes form an integral part of these financial statements.

Consolidated Income Statement

Year ended 31 December 2015

	Note	Group 2015 \$	2014 \$ Restated*
Continuing operations			
Revenue	20	108,978,080	93,581,908
Cost of sales		(95,893,918)	(80,635,688)
Gross profit		13,084,162	12,946,220
Other income	21	626,393	5,246,121
Distribution expenses		(1,410,791)	(1,607,073)
Administrative expenses		(14,369,479)	(14,030,811)
Other expenses		(545,332)	(621,410)
Results from operating activities		(2,615,047)	1,933,047
Finance costs	22	(886,629)	(648,929)
(Loss)/Profit before tax		(3,501,676)	1,284,118
Income tax expense	23	(15,636)	(231,535)
(Loss)/Profit from continuing operations	24	(3,517,312)	1,052,583
Discontinued operation			
Profit from discontinued operation (net of income tax)	25	9,988,362	1,994,830
Profit for the year		6,471,050	3,047,413
Profit attributable to:			
Owners of the Company		6,495,168	3,098,607
Non-controlling interests		(24,118)	(51,194)
Profit for the year		6,471,050	3,047,413
Earnings per share			
Basic and diluted earnings per share (cents)	26	3.16	1.51
Earnings per share – Continuing operations			
Basic and diluted earnings per share (cents)	26	(1.70)	0.54

* see Note 25

The accompanying notes form an integral part of these financial statements.



Consolidated Statement of Comprehensive Income



Year ended 31 December 2015

	Note	Group 2015 \$	2014 \$
Profit for the year		6,471,050	3,047,413
Other comprehensive income			
<i>Item that is or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences from translation of foreign operations		(429,974)	(44,306)
Exchange differences on monetary items forming part of net investment in foreign operations		(220,427)	–
Exchange differences realised from discontinued operation	25	635,823	–
Other comprehensive income for the year		(14,578)	(44,306)
Total comprehensive income for the year		<u>6,456,472</u>	<u>3,003,107</u>
Total comprehensive income attributable to:			
Owners of the Company		6,481,786	3,050,696
Non-controlling interests		(25,314)	(47,589)
Total comprehensive income for the year		<u>6,456,472</u>	<u>3,003,107</u>

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

Group	Share capital	Capital reserve	Translation reserve	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$
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 from translation of foreign operations	–	–	(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
At 1 January 2015	31,956,902	(3,077,530)	(354,403)	14,481,937	43,006,906	227,751	43,234,657
Total comprehensive income for the year							
Profit for the year	–	–	–	6,495,168	6,495,168	(24,118)	6,471,050
Other comprehensive income							
Foreign currency translation differences from translation of foreign operations	–	–	(428,778)	–	(428,778)	(1,196)	(429,974)
Exchange differences on monetary items forming part of net investment in foreign operations	–	–	(220,427)	–	(220,427)	–	(220,427)
Exchange differences realised from discontinued operation (Note 25)	–	–	635,823	–	635,823	–	635,823
Total comprehensive income for the year	–	–	(13,382)	6,495,168	6,481,786	(25,314)	6,456,472
Changes in ownership interests in subsidiaries							
Sale of discontinued operation (Note 25)	–	–	–	–	–	(192,745)	(192,745)
At 31 December 2015	31,956,902	(3,077,530)	(367,785)	20,977,105	49,488,692	9,692	49,498,384

The accompanying notes form an integral part of these financial statements.



Consolidated Statement of Cash Flows

Year ended 31 December 2015



	Note	Group 2015 \$	2014 \$
Cash flows from operating activities			
Profit for the year		6,471,050	3,047,413
Adjustments for:			
Amortisation of deferred revenue		(1,300,000)	(1,300,000)
Amortisation of intangible assets		667,555	625,218
Depreciation of investment property		–	48,130
Depreciation of property, plant and equipment		2,836,730	2,961,255
Gain on disposal of investment property, net		–	(4,758,331)
Gain on sale of discontinued operation		(15,516,670)	–
Loss/(Gain) on disposal of property, plant and equipment		443,336	(14,654)
Plant and equipment written-off		33,553	393,294
Intangible assets written-off		7	1,352
Interest expenses		1,405,416	1,216,121
Interest income		(24,739)	(7,280)
Tax expense on continuing operations		15,636	231,535
Tax (credit)/expense from discontinued operation		(180,486)	5,859
Unrealised foreign exchange gain on convertible bond		(120,000)	–
		(5,268,612)	2,449,912
Changes in working capital:			
Inventories		(5,289,417)	(375,658)
Trade and other receivables		4,810,745	732,346
Trade and other payables		5,643,321	(2,762,000)
Cash (used in)/generated from operations		(103,963)	44,600
Income tax paid		(73,954)	(181,632)
Net cash used in operating activities		(177,917)	(137,032)
Cash flows from investing activities			
Interest received		24,739	7,280
Improvement to investment property		–	(256,000)
Proceeds from disposal of investment property, net		–	15,345,164
Proceeds from disposal of property, plant and equipment		300,968	36,999
Sale of discontinued operation, net of cash disposed	25	31,845,553	–
Acquisition of subsidiary, net of cash acquired	28	(7,316,842)	–
Purchase of computer software		(103,156)	(36,907)
Purchase of industrial certificates		(1,330,759)	(1,435,537)
Purchase of property, plant and equipment		(1,382,865)	(10,218,895)
Acquisition of other investments		–	(2,148,240)
Net cash from investing activities		22,037,638	1,293,864

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2015

	Note	2015 \$	2014 \$
Cash flows from financing activities			
Fixed deposits released/(pledged)		249,855	(35,797)
Interest paid		(1,105,416)	(1,028,621)
Non-trade amounts due from related parties		7,210	(35,098)
Redemption of convertible loan notes	15	(3,750,000)	–
Proceeds from issue of convertible loan notes	15	2,700,000	–
Proceeds from borrowings		6,000,000	10,740,000
Repayment of bank borrowings		(3,329,362)	(6,047,319)
Repayment of finance lease liabilities		(235,729)	(1,624,345)
Net cash from financing activities		536,558	1,968,820
Net increase in cash and cash equivalents		22,396,279	3,125,652
Effect of changes in foreign exchange rate		263,594	67,234
Cash and cash equivalents at beginning of year		14,240,474	11,047,588
Cash and cash equivalents at end of year	12	36,900,347	14,240,474

Significant non-cash transactions

During the financial year, the Group acquired plant and equipment amounting to \$2,545,715 (2014: \$2,922,818), of which \$217,205 (2014: \$675,590) was acquired under finance lease (see Note 4) and \$1,238,805 (2014: \$75,955) 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



Year ended 31 December 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2016.

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 during the year 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;
- Investment: properties investment holding; and
- Paint: manufacturing and trading of paint and basic chemicals.

Please refer to Note 25 on details for the sale of the Switchgear segment (discontinued operation).

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.

2 Basis of preparation (Continued)

2.4 Use of estimates and judgements (Continued)

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.

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 – impairment losses on trade and other receivables
- Note 20 – revenue and profit recognition from construction contracts
- Note 28 – acquisition of subsidiary: fair value measured on a provisional basis

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.

The comparative statement of profit or loss and statement of comprehensive income has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see Note 25).

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes to the Financial Statements

Year ended 31 December 2015

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

(i) *Business combinations (Continued)*

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(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.

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) *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(v) *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.

(vi) *Accounting for subsidiaries*

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

3 Significant accounting policies (Continued)

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.

(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 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.



Notes to the Financial Statements



Year ended 31 December 2015

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

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

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.

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.

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

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

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 unquoted equity securities.

(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 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.



Notes to the Financial Statements



Year ended 31 December 2015

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(iv) *Compound financial instruments (Continued)*

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.

(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.

3 Significant accounting policies (Continued)

3.4 Measurement of fair values (Continued)

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 19 – Measurement of fair values.

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.

Notes to the Financial Statements

Year ended 31 December 2015

3 Significant accounting policies (Continued)

3.5 Property, plant and equipment (Continued)

(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.

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

Freehold properties	50 years
Leasehold properties	34 – 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 acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

3 Significant accounting policies (Continued)

3.6 Intangible assets (Continued)

(i) *Goodwill (Continued)*

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.

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, 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.



Notes to the Financial Statements



Year ended 31 December 2015

3 Significant accounting policies (Continued)

3.7 Investment property (Continued)

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.

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 3.13) 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 Significant accounting policies (Continued)

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.

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. 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.

Notes to the Financial Statements

Year ended 31 December 2015

3 Significant accounting policies (Continued)

3.10 Impairment (Continued)

(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.

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.

3 Significant accounting policies (Continued)

3.11 Employee benefits (Continued)

(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.

3.12 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 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) *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

Year ended 31 December 2015



3 Significant accounting policies (Continued)

3.13 Revenue (Continued)

(ii) *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.

(iii) *Rendering of services*

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

(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.

3.14 Government grants

Unconditional government grants related to Productivity and Innovation Credit Scheme and Wage Credit Scheme are recognised in profit or loss as 'other income' when the grants become receivable.

3.15 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.

3 Significant accounting policies (Continued)

3.15 Lease payments (Continued)

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.

3.16 Finance income and costs

Finance income comprises interest income on funds placed with banks. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. 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.

3.17 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.



Notes to the Financial Statements



Year ended 31 December 2015

3 Significant accounting policies (Continued)

3.17 Income tax (Continued)

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.

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.

3.18 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business of geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

3.19 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. 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 Significant accounting policies (Continued)

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 2015 and have not been applied in preparing these financial statements. The Group has yet to assess the full impact of these standards and will apply these standards as and when they become effective.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for the adoption by the Group on 1 January 2018.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces a new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.
- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Company in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group and the Company. The Group does not plan to adopt these standards early.

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of INT FRS 1 *First-time Adoption of IFRS* when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

Notes to the Financial Statements

Year ended 31 December 2015

4 Property, plant and equipment

	Freehold land	Freehold properties	Leasehold properties	Computers	Furniture, fittings and office equipment	Motor vehicles	Tools and machineries	Renovation	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Group Cost									
At 1 January 2014	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 (Note 6)	-	-	-	-	-	-	-	(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
Acquisition through business combinations (Note 28)	-	-	6,000,000	-	-	1,051	21,828	1,279	6,024,158
Additions	-	-	-	129,906	175,275	219,466	1,177,121	843,947	2,545,715
Discontinued operation (Note 25)	(1,407,148)	(3,245,500)	-	(545,138)	(1,288,676)	(980,090)	(5,198,942)	(3,076,854)	(15,742,348)
Disposals/write-offs	-	-	-	(63,730)	(45,802)	(195,517)	(1,625,178)	(380,587)	(2,310,814)
Translation differences on consolidation	(197,369)	(559,728)	-	(21,906)	(50,135)	(241,456)	(252,496)	(208,251)	(1,531,341)
At 31 December 2015	-	-	18,347,622	638,385	764,306	3,692,598	1,669,838	3,291,194	28,403,943
Accumulated depreciation									
At 1 January 2014	-	354,579	172,307	721,712	1,394,156	1,852,558	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)	(360,963)	(631,947)
Reclassification to investment property (Note 6)	-	-	-	-	-	-	-	(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
Depreciation for the year	-	64,286	313,464	190,285	158,354	471,166	795,612	843,563	2,836,730
Discontinued operation (Note 25)	-	(329,521)	-	(522,492)	(1,143,124)	(339,749)	(3,076,560)	(2,583,829)	(7,995,275)
Disposals/write-offs	-	-	-	(63,728)	(42,536)	(140,421)	(905,699)	(380,573)	(1,532,957)
Translation differences on consolidation	-	(160,735)	-	(20,649)	(35,687)	(295,275)	(136,352)	(150,486)	(799,184)
At 31 December 2015	-	-	744,365	436,232	498,632	1,899,653	869,905	1,887,960	6,336,747
Carrying amounts									
At 1 January 2014	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
At 31 December 2015	-	-	17,603,257	202,153	265,674	1,792,945	799,933	1,403,234	22,067,196

Notes to the Financial Statements

Year ended 31 December 2015

4 Property, plant and equipment (Continued)

	Computers
	\$
Company	
Cost	
At 1 January 2014	–
Additions	5,725
At 31 December 2014	5,725
Additions	13,930
At 31 December 2015	19,655
Accumulated depreciation	
At 1 January 2014	–
Depreciation for the year	609
At 31 December 2014	609
Depreciation for the year	3,300
At 31 December 2015	3,909
Carrying amounts	
At 1 January 2014	–
At 31 December 2014	5,116
At 31 December 2015	15,746

Leased assets

During the financial year, the Group acquired plant and equipment under finance leases amounting to \$217,205 (2014: \$675,590). As at the reporting date, net book value of plant and equipment which were held under finance leases is as follows:

	2015	2014
	\$	\$
Motor vehicles	1,004,170	1,492,431
Machineries	–	758,108
	1,004,170	2,250,539

Securities

As at the reporting date, net book value 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 is as follows:

	2015	2014
	\$	\$
Freehold land and properties	–	4,983,775
Leasehold properties	17,603,257	11,916,721
	17,603,257	16,900,496



Notes to the Financial Statements

Year ended 31 December 2015



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 2014	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
Additions	975,842	77,003	1,330,759	2,383,604
Write-offs	–	(36,600)	–	(36,600)
Discontinued operation (Note 25)	(1,879,134)	(1,914,217)	(7,218,640)	(11,011,991)
Translation differences on consolidation	–	(3,045)	(1,606)	(4,651)
At 31 December 2015	975,842	276,739	–	1,252,581
Accumulated amortisation				
At 1 January 2014	–	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	–	(393)	(108)	(501)
At 31 December 2014	–	1,414,596	429,389	1,843,985
Amortisation for the year	–	464,408	203,147	667,555
Write-offs	–	(36,593)	–	(36,593)
Discontinued operation (Note 25)	–	(1,653,035)	(631,834)	(2,284,869)
Translation differences on consolidation	–	(2,619)	(702)	(3,321)
At 31 December 2015	–	186,757	–	186,757
Carrying amounts				
At 1 January 2014	1,879,134	1,177,026	4,109,719	7,165,879
At 31 December 2014	1,879,134	739,002	5,460,098	8,078,234
At 31 December 2015	975,842	89,982	–	1,065,824

5 Intangible assets (Continued)

	Computer software
	\$
Company	
Cost	
At 1 January 2014 and 31 December 2014	–
Additions	48,540
At 31 December 2015	<u>48,540</u>
Accumulated depreciation	
At 1 January 2014 and 31 December 2014	–
Depreciation for the year	3,416
At 31 December 2015	<u>3,416</u>
Carrying amounts	
At 1 January 2014 and 31 December 2014	–
At 31 December 2015	<u>45,124</u>

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.

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 amounting to \$975,842 arise as a result of a newly acquired subsidiary during the year (Note 28). In prior year, the carrying amount of goodwill amounting to \$1,879,134 was allocated to the switchgear CGU which was disposed during the year (Note 25).

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

Paint CGU

The recoverable amount of the goodwill is determined based on fair value less costs of disposal of paint CGU which is derived from the recent purchase consideration. The fair value measurement is categorised as a Level 2 fair value based on the inputs in the valuation techniques used (see Note 3.4).

Sources of estimation uncertainty

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.



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Year ended 31 December 2015



6 Investment property

	Leasehold property
	\$
Group	
Cost	
At 1 January 2014	11,214,279
Improvement	256,000
Reclassification from property, plant and equipment (Note 4)	320,420
Disposal	(11,790,699)
At 31 December 2014 and 31 December 2015	–
Accumulated depreciation	
At 1 January 2014	866,338
Depreciation for the year	48,130
Reclassification from property, plant and equipment (Note 4)	289,398
Disposal	(1,203,866)
At 31 December 2014 and 31 December 2015	–
Carrying amounts	
At 1 January 2014	10,347,941
At 31 December 2014 and 31 December 2015	–

7 Subsidiaries

	Company	
	2015	2014
	\$	\$
Unquoted equity investments, at cost	6,899,028	15,006,917

Notes to the Financial Statements

Year ended 31 December 2015

7 Subsidiaries (Continued)

Details of significant subsidiaries are as follows:

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective equity held by the Group	
			2015 %	2014 %
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
Natural Cool Energy Pte. Ltd. ("NCE")	Investment holding company	Singapore	100	100
Gathergates Group Pte. Ltd. ("GGPL")	Investment holding company	Singapore	–	100
Held by GGPL				
Gathergates Switchgear Pte. Ltd. ("GSPL")	Manufacturing, assembling, repairing, rebuilding and installing switchgears and other analogous articles	Singapore	–	100
Titans Power System Pte. Ltd.	Trading and repair of switchgear and switchboard apparatus	Singapore	–	100
Gathergates Industries (M) Sdn. Bhd.	Manufacturing of electrical switchboards	Malaysia	–	100
Held by GSPL				
Gathergates Switchgear (M) Sdn. Bhd.	Manufacturing, installation and contracting of switchgear products	Malaysia	–	100
Gathergates Elektrik Sdn. Bhd.	Trading of electrical switchboards	Malaysia	–	100
Held by NCE				
Loh & Sons Paint Co (S) Pte. Ltd. ("L&S")	Manufacturing and trading of paint and basic chemicals	Singapore	100	–



Notes to the Financial Statements

Year ended 31 December 2015



7 Subsidiaries (Continued)

KPMG LLP, Singapore is the auditor of all significant Singapore incorporated subsidiaries listed above. Other member firms of KPMG International are auditors of the Company's significant foreign-incorporated subsidiaries.

Sources 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.

8 Other investments

	Group and Company	
	2015	2014
	\$	\$
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	2,268,240	2,148,240
	<u>6,018,240</u>	<u>5,898,240</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 18.

9 Inventories

		Group	
	Note	2015	2014
		\$	\$
Raw materials		–	4,811,894
Work-in-progress		–	954,575
Finished goods		13,215,869	10,420,209
Construction contracts-in-progress	10	1,433,457	598,534
		<u>14,649,326</u>	<u>16,785,212</u>

9 Inventories (Continued)

The cost of inventories recognised as an expense and included in the cost of sales of the Group amounting to \$67,201,388 (2014: \$57,708,034).

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 2015, the inventories are stated after allowance for inventory obsolescence of \$413,010 (2014: \$198,117). 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.

10 Construction contracts-in-progress

	Note	Group	
		2015	2014
		\$	\$
Contract costs incurred		76,202,862	60,061,844
Attributable profits		9,101,937	7,898,974
		85,304,799	67,960,818
Progress billings		(88,131,516)	(70,221,386)
		(2,826,717)	(2,260,568)
Comprising:			
Construction contracts-in-progress	9	1,433,457	598,534
Retention sum included in accrued revenue	11	4,482,930	4,110,713
Excess of progress billings over construction contracts-in-progress	17	(8,743,104)	(6,969,815)
		(2,826,717)	(2,260,568)

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).



Notes to the Financial Statements

Year ended 31 December 2015



11 Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Trade receivables – third parties	9,736,886	30,390,555	–	–
Amounts due from subsidiaries:				
- trade	–	–	741,697	331,309
- non-trade	–	–	6,348,353	7,009,888
Amounts due from related parties:				
- trade	86,248	67,714	–	69,550
- non-trade	27,888	35,098	–	–
Accrued discounts receivable	1,874,035	1,738,022	–	–
Deposits	6,880,516	8,044,593	–	–
Other receivables	128,684	880,682	43,177	32
	18,734,257	41,156,664	7,133,227	7,410,779
Impairment losses	(181,008)	(1,154,308)	–	–
Loans and receivables	18,553,249	40,002,356	7,133,227	7,410,779
Accrued revenue	5,538,423	5,935,404	–	–
Prepayments	185,562	497,914	54,789	56,039
Advances to suppliers	–	1,956,966	–	–
	24,277,234	48,392,640	7,188,016	7,466,818

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.

Accrued revenue for the Group includes retention sum relating to construction contracts-in-progress of \$4,482,930 (2014: \$4,110,713) and completed projects of \$281,241 (2014: \$688,445).

The Group and Company's exposures to credit and currency risks, and impairment losses related to loans and receivables are disclosed in Note 18.

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.

Notes to the Financial Statements

Year ended 31 December 2015

12 Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Cash at bank and in hand	21,889,374	13,240,474	13,363,934	642,504
Fixed deposits	15,010,973	1,249,855	15,000,000	–
Cash and cash equivalents in the statements of financial position	36,900,347	14,490,329	28,363,934	642,504
Pledged deposits	–	(249,855)		
Cash and cash equivalents in the consolidated statement of cash flows	36,900,347	14,240,474		

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

13 Share capital

	Group and Company			
	2015		2014	
	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 to 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	
	2015	2014	2015	2014
	\$	\$	\$	\$
Capital reserve	(3,077,530)	(3,077,530)	300,000	300,000
Translation reserve	(367,785)	(354,403)	–	–
	(3,445,315)	(3,431,933)	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.



Notes to the Financial Statements

Year ended 31 December 2015



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 and liquidity risks, see Note 18.

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Non-current liabilities				
<i>Unsecured</i>				
Term loans	765,311	2,447,141	–	–
<i>Secured</i>				
Bank loans	7,233,325	11,253,404	–	–
Finance lease liabilities	555,964	1,020,353	–	–
	7,789,289	12,273,757	–	–
Total non-current liabilities	8,554,600	14,720,898	–	–
Current liabilities				
<i>Unsecured</i>				
Convertible loan notes	2,700,000	3,450,000	2,700,000	3,450,000
Term loans	177,681	1,612,842	–	–
	2,877,681	5,062,842	2,700,000	3,450,000
<i>Secured</i>				
Bank loans	420,492	808,420	–	–
Term loan	5,000,000	–	–	–
Finance lease liabilities	174,673	496,094	–	–
	5,595,165	1,304,514	–	–
Total current liabilities	8,472,846	6,367,356	2,700,000	3,450,000
Total loans and borrowings	17,027,446	21,088,254	2,700,000	3,450,000

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

			2015		2014	
	Nominal interest rate per annum	Year of maturity	Face Value	Carrying amount	Face value	Carrying amount
	%		\$	\$	\$	\$
Group						
RM floating rate loans	Prime rate – 1.25%	2023	–	–	1,601,842	1,601,842
S\$ floating rate loans	From 0.25% to 3.00% above prime rate	2016–2035	12,653,817	12,653,817	11,484,917	11,484,917
S\$ fixed rate term loans	2.64% – 3.50%	2015–2019	942,992	942,992	3,035,048	3,035,048
Finance lease liabilities	1.88% – 4.25%	2015–2022	N.A.	730,637	N.A.	1,516,447
Convertible loan notes	5.00%	2015–2016	2,700,000	2,700,000	3,750,000	3,450,000
Company						
Convertible loan notes	5.00%	2015–2016	2,700,000	2,700,000	3,750,000	3,450,000

Notes to the Financial Statements

Year ended 31 December 2015

15 Loans and borrowings (Continued)

As at the reporting date, certain banking facilities are secured with the Group's freehold land and properties and leasehold properties with net carrying amount of \$17,603,257 (2014: \$16,900,496).

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 18. As at the reporting date, none of the covenants relating to drawn down facilities had been breached.

Convertible loan notes

	Group and Company	
	2015	2014
	\$	\$
At 1 January	3,450,000	3,750,000
Unwinding of discount	300,000	–
Redemption of convertible loan notes	(3,750,000)	–
Proceeds from issue of convertible loan notes ("notes")	2,700,000	–
Amount classified as equity	–	(300,000)
At 31 December	2,700,000	3,450,000

The notes which were issued on 3 April 2013 were redeemed by the Company in April 2015. On 22 May 2015, the Company issued another set of notes which are convertible in full into 18,000,000 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 May 2016.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2015			2014		
	Future minimum lease payments	Interest	Payments	Future minimum lease payments	Interest	Payments
	\$	\$	\$	\$	\$	\$
Group						
Within 1 year	174,673	15,629	190,302	496,094	58,912	555,006
Between 1 year and 5 years	552,434	60,347	612,781	881,225	96,017	977,242
More than 5 years	3,530	16	3,546	139,128	4,519	143,647
	730,637	75,992	806,629	1,516,447	159,448	1,675,895

Notes to the Financial Statements

Year ended 31 December 2015

16 Deferred tax assets and liabilities

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

Group	At 1/1/2014	Recognised in profit or loss for continuing operations (Note 23)	Recognised in profit or loss for discontinued operation	Other	Foreign currency translation difference	At 31/12/2014	Recognised in profit or loss for continuing operations (Note 23)	Recognised in profit or loss for discontinued operation	Other	Discontinued operation (Note 25)	Foreign currency translation difference	At 31/12/2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Deferred tax assets												
Deferred revenue (Note 17(ii))	(1,465,016)	-	-	221,000	-	(1,244,016)	-	-	221,000	-	-	(1,023,016)
Unutilised tax losses	-	-	(143,012)	-	-	(143,012)	-	(108,738)	-	260,423	(8,673)	-
Other items	-	-	(15,037)	-	(1,980)	(17,017)	-	14,144	-	1,625	1,248	-
	(1,465,016)	-	(158,049)	221,000	(1,980)	(1,404,045)	-	(94,594)	221,000	262,048	(7,425)	(1,023,016)
Deferred tax liabilities												
Property, plant and equipment	227,507	216,580	(70,311)	-	(3,273)	370,503	(46,788)	(1,774)	-	(22,283)	49	299,707
Investment property	10,896	(10,896)	-	-	-	-	-	-	-	-	-	-
	238,403	205,684	(70,311)	-	(3,273)	370,503	(46,788)	(1,774)	-	(22,283)	49	299,707

Notes to the Financial Statements

Year ended 31 December 2015

16 Deferred tax assets and liabilities (Continued)

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:

	Assets		Liabilities	
	2015	2014	2015	2014
	\$	\$	\$	\$
Group				
Property, plant and equipment	–	–	299,707	370,503
Deferred revenue	(1,023,016)	(1,244,016)	–	–
Tax losses carry-forwards	–	(143,012)	–	–
Other items	–	(17,017)	–	–
Net deferred tax (assets)/liabilities	<u>(1,023,016)</u>	<u>(1,404,045)</u>	<u>299,707</u>	<u>370,503</u>

Unrecognised deferred tax assets

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Unabsorbed capital allowances	4,458	–	4,458	–
Unutilised tax losses	<u>5,060,420</u>	<u>3,767,733*</u>	<u>3,845,715</u>	<u>2,258,296</u>

* Includes unutilised tax losses from discontinued operation of \$1,434,083.

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.



Notes to the Financial Statements

Year ended 31 December 2015



17 Trade and other payables

	Note	Group		Company	
		2015	2014	2015	2014
		\$	\$	\$	\$
Trade payables:					
- third parties		7,139,069	16,628,222	1,000,894	52,942
- subsidiaries		–	–	2,493	22,139
- related party		–	10,927	–	–
Non-trade amount due to subsidiaries		–	–	–	559,263
Non-trade amount due to directors		–	112,662	–	–
Bills payable		5,413,652	13,800,923	–	–
Excess of progress billings over construction contracts-in-progress	10	8,743,104	6,969,815	–	–
Deposits received		580,687	573,195	–	–
Deferred revenue	(i)	6,912,994	10,018,751	–	–
Accrued expenses	(ii)	8,599,688	5,970,083	4,374,709	2,110,090
Other payables	(ii)	672,424	534,012	88,008	–
		<u>38,061,618</u>	<u>54,618,590</u>	<u>5,466,104</u>	<u>2,744,434</u>

(i) Includes deferred revenue of \$6.0 million (2014: \$7.3 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 \$1,023,016 (2014: \$1,244,016) in respect of the deferred revenue have been recognised.

(ii) Includes accruals for acquisition of plant and equipment of \$1,238,805 (2014: \$75,955) and payables for acquisition of intangible assets of \$36,691 (2014: \$62,844).

Outstanding balances due to subsidiaries 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 is 3.07% (2014: 2.07% to 3.27%) per annum.

The Group and the Company's exposures to currency and liquidity risks related to trade and other payables are disclosed in Note 18.

18 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.

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 as follows:

		Group		Company	
	Note	2015	2014	2015	2014
		\$	\$	\$	\$
Other investments	8	6,018,240	5,898,240	6,018,240	5,898,240
Loans and receivables	11	18,533,249	40,002,356	7,133,227	7,410,779
Cash and cash equivalents	12	36,900,347	14,490,329	28,363,934	642,504
Recognised financial assets		61,451,836	60,390,925	41,515,401	13,951,523
Intra-group financial guarantees	30	–	–	21,710,463	30,048,256
		<u>61,451,836</u>	<u>60,390,925</u>	<u>63,225,864</u>	<u>43,999,779</u>



Notes to the Financial Statements



Year ended 31 December 2015

18 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. The maximum exposure of the Company in respect of the intra-group financial guarantee at the reporting date is \$21,710,463 (2014: \$30,048,256). 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.

Other investments

Risk management policy

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.

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.

Notes to the Financial Statements

Year ended 31 December 2015

18 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:

	2015	2014
	\$	\$
Group		
Commercial	10,242,355	30,235,479
Retail	251,203	234,449
Trading	7,634,931	9,107,472
Others	424,760	424,956
	<u>18,553,249</u>	<u>40,002,356</u>
Company		
Commercial	7,095,543	7,410,779
Others	37,684	–
	<u>7,133,227</u>	<u>7,410,779</u>

There is no concentration of customer risk as at year end.

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

	Gross 2015	Impairment losses 2015	Gross 2014	Impairment losses 2014
	\$	\$	\$	\$
Group				
Not past due	8,431,082	–	24,568,534	(100,000)
Past due 0 – 30 days	7,386,894	–	7,440,104	–
Past due 31 – 120 days	2,174,795	–	4,119,450	–
Past due 121 – 365 days	309,874	(51,140)	3,324,259	–
More than one year	431,612	(129,868)	1,704,317	(1,054,308)
	<u>18,734,257</u>	<u>(181,008)</u>	<u>41,156,664</u>	<u>(1,154,308)</u>
Company				
Not past due	6,722,839	–	7,341,197	–
Past due 0 – 30 days	63,707	–	69,582	–
Past due 31 – 120 days	115,560	–	–	–
Past due 121 – 365 days	231,121	–	–	–
	<u>7,133,227</u>	<u>–</u>	<u>7,410,779</u>	<u>–</u>



Notes to the Financial Statements

Year ended 31 December 2015



18 Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Loans and receivables (Continued)

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
At 1 January	1,154,308	1,013,635	–	–
Impairment loss recognised in profit or loss	750,854	218,904	–	–
Impairment loss utilised	(771,848)	(1,674)	–	–
Impairment loss written back in profit or loss	–	(76,270)	–	–
Discontinued operation	(941,822)	–	–	–
Translation differences	(10,484)	(287)	–	–
At 31 December	181,008	1,154,308	–	–

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 2015, the Group and the Company do not have any collective impairment on its loans and receivables (2014: nil).

Cash and cash equivalents

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

(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.

18 Financial instruments (Continued)

Risk management framework (Continued)

(ii) Liquidity risk (Continued)

Risk management policy (Continued)

At the reporting date, the Group maintains \$12.4 million (2014: \$14.1 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.

Exposure to liquidity risk

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					
2015					
Non-derivative financial liabilities					
Variable interest rate loans	12,653,817	(14,393,527)	(5,535,999)	(2,143,997)	(6,713,531)
Fixed interest rate loans	942,992	(942,992)	(942,992)	–	–
Convertible loan notes	2,700,000	(2,835,000)	(2,835,000)	–	–
Finance lease liabilities	730,637	(806,629)	(190,302)	(612,781)	(3,546)
Trade and other payables*	22,405,520	(22,426,687)	(22,426,687)	–	–
	<u>39,432,966</u>	<u>(41,404,835)</u>	<u>(31,930,980)</u>	<u>(2,756,778)</u>	<u>(6,717,077)</u>

Notes to the Financial Statements

Year ended 31 December 2015

18 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					
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*	37,630,024	(37,714,594)	(37,714,594)	–	–
	<u>58,718,278</u>	<u>(62,155,077)</u>	<u>(44,997,622)</u>	<u>(8,414,371)</u>	<u>(8,743,084)</u>
Company					
2015					
Non-derivative financial liabilities					
Convertible loan notes	2,700,000	(2,835,000)	(2,835,000)	–	–
Trade and other payables	5,466,104	(5,466,104)	(5,466,104)	–	–
Intra-group financial guarantees	–	(21,710,463)	(21,710,463)	–	–
	<u>8,166,104</u>	<u>(30,011,567)</u>	<u>(30,011,567)</u>	<u>–</u>	<u>–</u>
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>(36,542,690)</u>	<u>(36,542,690)</u>	<u>–</u>	<u>–</u>

* Exclude deferred revenue and excess of progress billings over construction contracts-in-progress

The maturity analysis shows 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 analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

18 Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk

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

Risk management policy

The Group is exposed to foreign currency risk on sales and purchases, 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").

Exposure to foreign currency risk

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
	\$	\$
2015		
Other investments	–	2,268,240
Trade and other receivables	36,184	–
Cash and cash equivalents	–	243,808
Trade and other payables	(1,415,897)	(392,763)
	<u>(1,379,713)</u>	<u>2,119,285</u>
2014		
Other investments	–	2,148,240
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)
	<u>(3,022,493)</u>	<u>2,174,613</u>

The Company did not have any foreign currency transactions.



Notes to the Financial Statements

Year ended 31 December 2015



18 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.

	Group	
	2015	2014
	\$	\$
Profit before tax		
SGD	(137,971)	(302,249)
USD	(211,929)	(217,461)
	<u>(349,900)</u>	<u>(519,710)</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	
	2015	2014
	\$	\$
Fixed rate instruments		
Loans and borrowings	(4,373,629)	(8,001,495)
Bills payable	(5,413,652)	(13,800,923)
Fixed deposits	15,010,973	1,249,855
	<u>(5,223,692)</u>	<u>(20,552,563)</u>
Variable rate instruments		
Loans and borrowings	<u>(12,653,817)</u>	<u>(13,086,759)</u>

18 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.

	2015		2014	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	\$	\$	\$	\$
Group				
Profit before tax				
Variable rate instruments	(126,538)	126,538	(130,868)	130,868

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 non-controlling 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.

Notes to the Financial Statements

Year ended 31 December 2015

18 Financial instruments (Continued)

Accounting classifications and fair values

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	Carrying amount			Fair value			
		Designated at fair value	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2
		\$	\$	\$	\$	\$	\$	\$
31 December 2015								
Financial assets measured at fair value								
Other investments:								
- Unquoted equity securities	8	-	-	3,750,000	-	3,750,000	-	3,750,000
- Zero-coupon convertible bonds	8	2,268,240	-	-	-	2,268,240	-	2,268,240
		<u>2,268,240</u>	<u>-</u>	<u>3,750,000</u>	<u>-</u>	<u>6,018,240</u>		
Financial assets not measured at fair value								
Trade and other receivables	11	-	18,553,249	-	-	18,553,249	-	-
Cash and cash equivalents	12	-	36,900,347	-	-	36,900,347	-	-
		<u>-</u>	<u>55,453,596</u>	<u>-</u>	<u>-</u>	<u>55,453,596</u>		
Financial liabilities not measured at fair value								
Loans and borrowings*	15	-	-	-	16,296,809	16,296,809	-	16,298,065
Finance lease liabilities	15	-	-	-	730,637	730,637	-	783,944
Trade and other payables**	17	-	-	-	22,405,520	22,405,520	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>39,432,966</u>	<u>39,432,966</u>		
31 December 2014								
Financial assets measured at fair value								
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
		<u>2,148,240</u>	<u>-</u>	<u>3,750,000</u>	<u>-</u>	<u>5,898,240</u>		
Financial assets not measured at fair value								
Trade and other receivables	11	-	40,002,356	-	-	40,002,356	-	-
Cash and cash equivalents	12	-	14,490,329	-	-	14,490,329	-	-
		<u>-</u>	<u>54,492,685</u>	<u>-</u>	<u>-</u>	<u>54,492,685</u>		
Financial liabilities not measured at fair value								
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	-	-	-	37,630,024	37,630,024	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>58,718,278</u>	<u>58,718,278</u>		

* Exclude finance lease liabilities

** Exclude deferred revenue and excess of progress billings over construction contracts-in-progress

Notes to the Financial Statements

Year ended 31 December 2015

18 Financial instruments (Continued)

Accounting classifications and fair values (Continued)

Company	Note	Carrying amount				Fair value				
		Designated at fair value \$	Loans and receivables \$	Available- for-sale \$	Other financial liabilities \$	Total \$	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
31 December 2015										
Financial assets measured at fair value										
Other investments:										
- Unquoted equity securities	8	-	-	3,750,000	-	3,750,000	-	-	3,750,000	3,750,000
- Zero-coupon convertible bonds	8	2,268,240	-	-	-	2,268,240	-	-	2,268,240	2,268,240
		<u>2,268,240</u>	<u>-</u>	<u>3,750,000</u>	<u>-</u>	<u>6,018,240</u>				
Financial assets not measured at fair value										
Trade and other receivables	11	-	7,133,227	-	-	7,133,227				
Cash and cash equivalents	12	-	28,363,934	-	-	28,363,934				
		<u>-</u>	<u>35,497,161</u>	<u>-</u>	<u>-</u>	<u>35,497,161</u>				
Financial liabilities not measured at fair value										
Loans and borrowings	15	-	-	-	2,700,000	2,700,000	-	2,700,000	-	2,700,000
Trade and other payables	17	-	-	-	5,466,104	5,466,104				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>8,166,104</u>	<u>8,166,104</u>				
31 December 2014										
Financial assets measured at fair value										
Other investments:										
- Unquoted equity securities	8	-	-	3,750,000	-	3,750,000	-	-	3,750,000	3,750,000
- Zero-coupon convertible bonds	8	2,148,240	-	-	-	2,148,240	-	-	2,148,240	2,148,240
		<u>2,148,240</u>	<u>-</u>	<u>3,750,000</u>	<u>-</u>	<u>5,898,240</u>				
Financial assets not measured at fair value										
Trade and other receivables	11	-	7,410,779	-	-	7,410,779				
Cash and cash equivalents	12	-	642,504	-	-	642,504				
		<u>-</u>	<u>8,053,283</u>	<u>-</u>	<u>-</u>	<u>8,053,283</u>				
Financial liabilities not measured at fair value										
Loans and borrowings	15	-	-	-	3,450,000	3,450,000	-	3,450,000	-	3,450,000
Trade and other payables	17	-	-	-	2,744,434	2,744,434				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>6,194,434</u>	<u>6,194,434</u>				



Notes to the Financial Statements

Year ended 31 December 2015



18 Financial instruments (Continued)

Accounting classifications and fair values (Continued)

Level 3 fair value

The following table shows a reconciliation from the opening balance to the ending balance for Level 3 fair value:

	Zero-coupon convertible bonds
	\$
Group and Company	
At 1 January 2014	–
Purchases	2,148,240
At 31 December 2014	2,148,240
Total unrealised gains recognised in profit or loss	120,000
At 31 December 2015	<u>2,268,240</u>

19 Measurement 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.

19 Measurement of fair values (Continued)

Other investments

The following table shows the valuation technique used in measuring the Level 3 fair value 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
Group and Company Other investments	The fair values of financial assets designated at fair value through profit or loss and available-for-sale investments 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.

20 Revenue

	Continuing operations		Discontinued operation (see Note 25)		Consolidated	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Group						
Sale of goods	64,630,583	53,769,233	45,349,606	48,795,006	109,980,189	102,564,239
Revenue from construction contracts	36,450,913	29,174,806	–	–	36,450,913	29,174,806
Revenue from services rendered	5,091,206	6,044,112	–	–	5,091,206	6,044,112
Rental income	2,805,378	4,593,757	–	–	2,805,378	4,593,757
	<u>108,978,080</u>	<u>93,581,908</u>	<u>45,349,606</u>	<u>48,795,006</u>	<u>154,327,686</u>	<u>142,376,914</u>



Notes to the Financial Statements

Year ended 31 December 2015



20 Revenue (Continued)

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.

21 Other income

	Group	
	2015	2014
	\$	\$
		Restated*
Bad debts written back	4,900	–
Gain on disposal of investment property, net ⁽ⁱ⁾	–	4,758,331
Gain on disposal of property, plant and equipment	–	11,476
Government grants	269,479	96,018
Income from cafeteria	–	16,312
Interest income	19,692	5,931
Maintenance service income	61,333	–
Rental income	66,282	6,000
Project management service income	66,120	66,120
Others	138,587	285,933
	<u>626,393</u>	<u>5,246,121</u>

* see Note 25

- (i) In prior year, the net gain on disposal of investment property amounting to \$4,758,331 was 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.

22 Finance costs

	Group	
	2015	2014
	\$	\$
		Restated*
Interest expenses:		
- bank loans	442,049	407,682
- convertible loan notes	410,610	187,500
- finance leases	33,970	53,747
	<u>886,629</u>	<u>648,929</u>

* see Note 25

Notes to the Financial Statements

Year ended 31 December 2015

23 Income tax expense

	Group	
	2015	2014
	\$	\$
		Restated*
Current tax expense		
Current year	89,870	14,280
(Over)/Under provision in respect of prior years	(27,446)	11,571
	<u>62,424</u>	<u>25,851</u>
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(15,209)	33,999
(Over)/Under provision in respect of prior years	(31,579)	171,685
	<u>(46,788)</u>	<u>205,684</u>
Tax expense on continuing operations	<u>15,636</u>	<u>231,535</u>
Tax expense on continuing operations excludes the tax credit from discontinued operation of \$180,486 (2014: tax expense of \$5,859), which has been included in "profit from discontinued operation, net of tax" in the income statement (see Note 25).		
Reconciliation of effective tax rate		
(Loss)/Profit before tax	(3,501,676)	1,284,118
Tax using Singapore tax rate at 17% (2014: 17%)	(595,285)	218,300
Effect of different tax rates in other countries	(25,622)	(2,619)
Tax exempt income and tax incentives under Productivity and Innovation Credit scheme	(123,699)	(987,245)
Singapore statutory stepped income exemption	(37,882)	(31,934)
Non-deductible expenses	412,120	853,866
Effect of previously unrecognised tax losses	(12,810)	–
(Over)/Under provision in respect of prior years	(59,025)	183,256
Deferred tax assets not recognised	476,361	13,023
Others	(18,522)	(15,112)
	<u>15,636</u>	<u>231,535</u>

* see Note 25



Notes to the Financial Statements

Year ended 31 December 2015



24 Profit for the year

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

		Group	
	Note	2015	2014
		\$	\$
Amortisation of deferred revenue		(1,300,000)	(1,300,000)
Amortisation of intangible assets	5	667,555	625,218
Allowance for inventory obsolescence recognised		422,109	155,287
Audit fees paid to:			
- auditors of the Company			
• current year		211,552	267,400
• under provision in respect of prior year		5,570	48,817
- other auditors		6,519	7,658
Non-audit fees paid to:			
- auditors of the Company		24,462	45,804
Bad debts written-off		85,847	155,401
Depreciation of investment property	6	–	48,130
Depreciation of property, plant and equipment	4	2,836,730	2,961,255
Foreign exchange loss – net		1,039,686	153,566
Impairment loss on trade and other receivables recognised	18	750,854	218,904
Impairment loss on trade and other receivables written-back	18	–	(76,270)
Intangible assets written-off		7	1,352
Operating expenses arising from rental of investment property		–	251,265
Operating lease expenses		4,515,574	5,130,575
Plant and equipment written-off		33,553	393,294
Staff costs		27,606,351	25,493,069
Contributions to defined contribution plans, included in staff costs		1,265,519	1,150,873

Notes to the Financial Statements

Year ended 31 December 2015

25 Discontinued operation

On 30 November 2015, the Group sold its entire Switchgear segment (see Note 27). The segment was not previously presented as a discontinued operation as at 31 December 2014 and thus the comparative statement of profit or loss has been re-presented to show the discontinued operation separately from continuing operations.

	Group	
	2015	2014
	\$	\$
Results of discontinued operation		
Revenue	45,349,606	48,795,007
Expenses	(51,058,400)	(46,794,318)
Results from operating activities	(5,708,794)	2,000,689
Income tax credit/(expense)	180,486	(5,859)
Results from operating activities, net of tax	(5,528,308)	1,994,830
Gain on sale of discontinued operation	15,516,670	–
Profit for the year	<u>9,988,362</u>	<u>1,994,830</u>
Basic and diluted earnings per share (cents)	4.86	0.97

The profit for the year from discontinued operation of \$9,988,362 (2014: \$1,994,830) is attributable entirely to the owners of the Company. Of the loss from continuing operations of \$3,517,312 (2014: profit of \$1,052,583), an amount of \$3,493,194 is attributable to the owners of the Company (2014: \$1,103,777).

	Group	
	2015	2014
	\$	\$
Cash flows from discontinued operation		
Net cash (used in)/from operating activities	(673,776)	5,179,127
Net cash used in investing activities	(830,435)	(2,216,649)
Net cash from/(used in) financing activities	489,026	(2,090,107)
Net cash flows for the year	<u>(1,015,185)</u>	<u>872,371</u>



Notes to the Financial Statements

Year ended 31 December 2015



25 Discontinued operation (Continued)

Effect of disposal on the financial position of the Group

	Note	2015 \$
Property, plant and equipment	4	(7,747,073)
Intangible assets	5	(8,727,122)
Other investment		(62,036)
Deferred tax assets	16	(262,048)
Inventories		(7,742,145)
Trade and other receivables		(19,296,254)
Cash and cash equivalents		(1,702,357)
Trade and other payables		22,400,082
Loans and borrowings		5,528,508
Deferred tax liabilities	16	22,283
Non-controlling interests		192,745
Foreign currency translation reserve		(635,823)
Net (assets)/liabilities		<u>(18,031,240)</u>
Consideration received, satisfied in cash		33,547,910
Cash and cash equivalents disposed of		(1,702,357)
Net cash inflow		<u>31,845,553</u>

26 Earnings per share

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 (2014: 205,447,985), calculated as follows:

Profit attributable to ordinary shareholders

	2015			2014		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
	\$	\$	\$	\$	\$	\$
Group						
Basic and diluted earnings per share are based on:						
Net (loss)/profit attributable to ordinary shareholders	(3,493,194)	9,988,362	6,495,168	1,103,777	1,994,830	3,098,607

26 Earnings per share (Continued)

Basic and diluted earnings per share (Continued)

Weighted average number of ordinary shares

	2015	2014
	\$	\$
Issued ordinary shares at 1 January, representing weighted average number of ordinary shares during the year	<u>205,447,985</u>	<u>205,447,985</u>

At 31 December 2015, 18,000,000 (2014: 25,000,000) options are 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

Year ended 31 December 2015



27 Operating segments (Continued)

Information about reportable segments

	Aircon	Switchgear (Discontinued)	Investment	Total
	\$	\$	\$	\$
Revenue and expenses				
2015				
Total revenue from external customers	104,445,250	45,349,606	3,322,817	153,117,673
Inter-segment revenue	59,953	109,958	1,094,109	1,264,020
Total revenue of reportable segments	104,505,203	45,459,564	4,416,926	154,381,693
Finance income	12,608	5,047	2,410	20,065
Finance costs	412,830	518,787	41,864	973,481
Depreciation and amortisation	1,245,438	1,881,563	355,304	3,482,305
Reportable segment profit/(loss) before income tax	1,020,121	9,807,876	(1,891,225)	8,936,772
Other material non-cash items:				
- Allowance for inventory obsolescence	413,010	26,082	–	439,092
- Amortisation of deferred revenue	–	–	1,300,000	1,300,000
- Bad debts written-off	36,066	16,084	33,697	85,847
- Loss on disposal of property, plant and equipment	443,336	–	–	443,336
- Impairment loss on trade and other receivables - net	120,510	241,653	–	362,163
- Plant and equipment written-off	33,110	–	–	33,110
Reportable segment assets	53,308,088	–	11,418,484	64,726,572
Capital expenditure	929,162	2,340,903	431,010	3,701,075
Reportable segment liabilities	35,269,042	–	17,639,180	52,908,222
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

Notes to the Financial Statements

Year ended 31 December 2015

27 Operating segments (Continued)

Information about reportable segments (Continued)

	Aircon	Switchgear (Discontinued)	Investment	Total
	\$	\$	\$	\$
Revenue and expenses				
2014 (cont'd)				
Other material non-cash items:				
- Allowance for inventory obsolescence	–	155,287	–	155,287
- Amortisation of deferred revenue	–	–	1,300,000	1,300,000
- Bad debts written-off	11,585	137,171	6,645	155,401
- Gain on disposal of property, plant and equipment	11,476	3,178	–	14,654
- Gain on disposal of investment property	–	–	4,758,331	4,758,331
- Impairment loss on trade and other receivables - net	148,796	(6,162)	–	142,634
- Plant and equipment written-off	337,193	56,101	–	393,294
Reportable segment assets	55,356,374	45,866,865	16,998,160	118,221,399
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

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

	2015	2014
	\$	\$ Restated*
Revenue		
Total revenue for reportable segments	154,381,693	143,748,993
Other revenue	1,210,013	–
Elimination of inter-segment revenue	(1,264,020)	(1,372,079)
Elimination of discontinued operation	(45,349,606)	(48,795,006)
Consolidated revenue	108,978,080	93,581,908
Profit or loss before income tax		
Total profit before income tax for reportable segments	8,936,772	5,528,686
Other losses	(2,630,572)	(2,239,688)
	6,306,200	3,288,998
Elimination of inter-segment profits	–	(4,191)
Elimination of discontinued operation	(9,807,876)	(2,000,689)
Consolidated (loss)/profit before tax	(3,501,676)	1,284,118
Assets		
Total assets for reportable segments	64,726,572	118,221,399
Other assets	43,209,021	27,140,461
Elimination of inter-segment assets	(1,934,410)	(24,722,020)
Consolidated total assets	106,001,183	120,639,840
Liabilities		
Total liabilities for reportable segments	52,908,222	83,075,894
Other liabilities	8,303,546	6,194,434
Elimination of inter-segment liabilities	(4,708,969)	(11,865,145)
Consolidated total liabilities	56,502,799	77,405,183

* see Note 25



Notes to the Financial Statements

Year ended 31 December 2015



27 Operating segments (Continued)

Information about reportable segments (Continued)

Other material items

	Reportable segment totals	Adjustments	Consolidated totals
	\$	\$	\$
2015			
Finance income	20,065	4,674	24,739
Finance costs	973,481	431,935	1,405,416
Depreciation and amortisation	3,482,305	21,980	3,504,285
Allowance for inventory obsolescence	439,092	–	439,092
Amortisation of deferred revenue	1,300,000	–	1,300,000
Bad debts written-off	85,847	–	85,847
Loss on disposal of property, plant and equipment	443,336	–	443,336
Impairment loss on trade and other receivables - net	362,163	–	362,163
Plant and equipment written-off	33,110	443	33,553
Capital expenditure	3,701,075	6,276,560	9,977,635
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
Allowance for inventory obsolescence	155,287	–	155,287
Amortisation of deferred revenue	1,300,000	–	1,300,000
Bad debts written-off	155,401	–	155,401
Gain on disposal of property, plant and equipment	14,654	–	14,654
Gain on disposal of investment property	4,758,331	–	4,758,331
Impairment loss on trade and other receivables - net	142,634	–	142,634
Plant and equipment written-off	393,294	–	393,294
Capital expenditure	12,761,728	–	12,761,728

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

Year ended 31 December 2015

27 Operating segments (Continued)

Information about reportable segments (Continued)

Geographical information (Continued)

	Revenue	Non-current assets*
	\$	\$
31 December 2015		
Singapore	149,544,362	29,151,260
India	429,944	–
Malaysia	3,886,188	–
Other countries**	467,192	–
Switchgear (discontinued)	(45,349,606)	–
	<u>108,978,080</u>	<u>29,151,260</u>
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	–
Switchgear (discontinued)	(48,795,006)	–
	<u>93,581,908</u>	<u>39,567,614</u>

* Non-current assets consist of property, plant and equipment, intangible assets and other investments.

** Other countries include Sri Lanka, Hong Kong, Thailand, Vietnam, Indonesia, etc.

Major customer

Revenue from one customer of the Group's Aircon segment represents approximately \$4,212,000 (2014: \$3,405,202) of the Group's total revenue.

28 Acquisition of subsidiary

On 1 September 2015, the Group completed its acquisition of 100% equity interest in Loh & Sons Paint Co (S) Pte Ltd ("L&S"), obtaining control of L&S.

In the four months to 31 December 2015, L&S contributed revenue of \$1,210,013 and profit after tax of \$105,744 to the Group's results. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue would have been \$111,510,181 and consolidated loss from continuing operations for the year would have been \$2,850,367. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.



Notes to the Financial Statements

Year ended 31 December 2015



28 Acquisition of subsidiary (Continued)

The cash flow and the net assets of the subsidiary acquired during the year ended 31 December 2015 are provided below:

	Note	Recognised values on acquisition \$
Property, plant and equipment	4	6,024,158
Inventories		316,842
Cash and cash equivalents		–
Total identifiable net assets		6,341,000
Goodwill	5	975,842
Acquisition of subsidiary, net of cash acquired		<u>7,316,842</u>

The Group incurred acquisition related costs of \$257,816 on legal fees and due diligence costs. These costs have been included in "administrative expenses".

The acquisition transaction gave rise to a provisional goodwill of \$975,842 based on total consideration paid over the fair value of net assets acquired.

Measurement of fair values

The valuation technique used for measuring the fair value of material assets acquired was as follow:

Asset acquired	Valuation technique
Property, plant and equipment	<i>Market comparison technique and cost technique:</i> The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Notes to the Financial Statements

Year ended 31 December 2015

29 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2015	2014
	\$	\$
Within one year	5,792,626	6,020,639
Between one and five years	20,392,606	22,157,192
More than five years	–	3,347,559
	<u>26,185,232</u>	<u>31,525,390</u>

The Group leases a number of office space and warehouse 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.

Leases as lessor

The Group's leased properties are subleased to external customers. The lease contain an initial non-cancellable period of 1 year to 3 years. Subsequent renewals are negotiated with the lessees at market rates. None of the leases include contingent rentals.

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

	Group	
	2015	2014
	\$	\$
Within one year	2,747,549	2,280,529
Between one and five years	1,207,060	1,884,413
	<u>3,954,609</u>	<u>4,164,942</u>

30 Contingencies

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Corporate guarantees				
Banking facilities for subsidiaries	–	–	21,710,463	30,048,256
Unsecured guarantees given to financial institutions for issuance of performance bonds on behalf of subsidiaries	–	628,858	–	–

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.



Notes to the Financial Statements

Year ended 31 December 2015



30 Contingencies (Continued)

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 2015, the net current liabilities of these subsidiaries amounted to approximately \$2,666,000 (2014: \$1,061,000).

31 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	
	2015	2014
	\$	\$
Short-term employee benefits	8,129,797	5,283,618
Post-employment benefits	132,870	118,507
	<u>8,262,667</u>	<u>5,402,125</u>

Included in key management personnel compensation is directors' remuneration of the Company of \$4,896,929 (2014: \$1,982,835).

31 Related parties (Continued)

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	
		2015	2014	2015	2014
		\$	\$	\$	\$
William da Silva	Legal fees	3,368	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	
	2015	2014
	\$	\$
Related parties		
Sale of goods	(241,118)	(269,017)
Purchase of goods	596,845	861,408

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 2015 (“**FY2015**”), 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?	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.
	If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	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.

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?	During FY2015, the Board comprises the following members: <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</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 ⁽¹⁾</td><td>Executive Director</td></tr><tr><td>Edward Chia Puay Hwee ⁽²⁾</td><td>Executive Director</td></tr><tr><td>Choy Bing Choong ⁽³⁾</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 Ken Tan Aik Kwong resigned as the Executive Director on 30 November 2015. (2) Mr Edward Chia Puay Hwee resigned as the Executive Director on 30 November 2015. (3) Mr Choy Bing Choong was appointed as the Executive Director on 27 December 2015. As at the date of this Report, the Board comprises 7 Directors, three of whom are Independent Directors. The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests 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	Executive Chairman	Tsng Joo Peng	Chief Executive Officer	Eric Ang Choon Beng	Executive Director	Ken Tan Aik Kwong ⁽¹⁾	Executive Director	Edward Chia Puay Hwee ⁽²⁾	Executive Director	Choy Bing Choong ⁽³⁾	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	Executive Chairman																							
Tsng Joo Peng	Chief Executive Officer																							
Eric Ang Choon Beng	Executive Director																							
Ken Tan Aik Kwong ⁽¹⁾	Executive Director																							
Edward Chia Puay Hwee ⁽²⁾	Executive Director																							
Choy Bing Choong ⁽³⁾	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																																																																
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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 FY2015, 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 FY2015</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><td>Name of Director</td><td colspan="4">Number of Meetings Attended</td></tr><tr><td>Joseph Ang Choon Cheng</td><td>2</td><td>2*</td><td>1*</td><td>2*</td></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 ⁽¹⁾</td><td>2</td><td>2*</td><td>1*</td><td>2*</td></tr><tr><td>Edward Chia Puay Hwee ⁽²⁾</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>Choy Bing Choong ⁽³⁾</td><td>–</td><td>NA</td><td>NA</td><td>NA</td></tr></table> * By Invitation (1) Resigned with effect from 30 November 2015 (2) Resigned with effect from 30 November 2015 (3) Appointed with effect from 27 December 2015 The Company's Articles allow for meetings to be held through audio visual communication equipment. When physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions by way of passing resolutions in writing in accordance to the Company's Articles.	Table 1.4 – Board and Board Committee Meetings in FY2015						Board	AC	NC	RC	Number of Meetings Held	2	2	1	2	Name of Director	Number of Meetings Attended				Joseph Ang Choon Cheng	2	2*	1*	2*	Tsng Joo Peng	2	2*	1*	2*	Eric Ang Choon Beng	2	2*	1*	2*	Tan Aik Kwong ⁽¹⁾	2	2*	1*	2*	Edward Chia Puay Hwee ⁽²⁾	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	Choy Bing Choong ⁽³⁾	–	NA	NA	NA
Table 1.4 – Board and Board Committee Meetings in FY2015																																																																			
	Board	AC	NC	RC																																																															
Number of Meetings Held	2	2	1	2																																																															
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William da Silva	2	2	1	2																																																															
Choy Bing Choong ⁽³⁾	–	NA	NA	NA																																																															

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 financial statements, 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 FY2015 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.
Board Composition and Guidance		
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 3/7 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.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(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. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	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.
2.4	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, having undertaken a rigorous review, is of the view that Mr Lim Siang Kai, Dr Wu Chiaw Ching and Mr William da Silva are independent as they have: • contributed constructively throughout their term in the Company; • have no relationship with the Company, its related corporations, substantial shareholders or its officers and is also independent of executive functions 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. Accordingly, the Board is satisfied that Mr Lim Siang Kai, Dr Wu Chiaw Ching and Mr William da Silva have remained independent in character and judgment despite having served on the Board for more than nine years. Mr Lim Siang Kai, Dr Wu Chiaw Ching and Mr William da Silva abstained from such deliberation regarding the determination of their independence and were not involved in any of the discussions of the Board relating to the same.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																								
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 border="1"> <caption>Table 2.6 – Balance and Diversity of the Board</caption> <thead> <tr> <th></th><th>Number of Directors</th><th>Proportion of Board (%)</th></tr> </thead> <tbody> <tr> <td>Core Competencies</td><td></td><td></td></tr> <tr> <td>Accounting or finance</td><td>3</td><td>43</td></tr> <tr> <td>Business management</td><td>7</td><td>100</td></tr> <tr> <td>Legal or corporate governance</td><td>3</td><td>43</td></tr> <tr> <td>Relevant industry knowledge or experience</td><td>3</td><td>43</td></tr> <tr> <td>Strategic planning experience</td><td>7</td><td>100</td></tr> <tr> <td>Customer based experience or knowledge</td><td>4</td><td>57</td></tr> </tbody> </table>		Number of Directors	Proportion of Board (%)	Core Competencies			Accounting or finance	3	43	Business management	7	100	Legal or corporate governance	3	43	Relevant industry knowledge or experience	3	43	Strategic planning experience	7	100	Customer based experience or knowledge	4	57
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	(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 FY2015.																								

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<u>Chairman and Chief Executive Officer</u>		
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. The Independent Directors have met once in the absence of other Directors in FY2015.
3.4	Have the Independent Directors met in the absence of other Directors?	



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 Executive Chairman/CEO) and senior management personnel; and (g) review of training and professional development programmes for the Board. The NC holds at least one (1) meeting in each financial year.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
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?	The Board has not capped the maximum number of listed company board representations each Director may hold.
	(b) If a maximum has not been determined, what are the reasons?	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.
	(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 FY2015.
4.5	Are there alternate Directors?	The Company does not have any alternate Directors.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																		
4.6	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 judgment, 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 Company's Articles, at least one-third of the Directors are required to retire by rotation and submit themselves for re-election at each AGM of the Company. The Company's 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. Article 105 of the Company's Articles provides that any Director appointed to fill casual vacancy 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 judgment, 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 Company's Articles, at least one-third of the Directors are required to retire by rotation and submit themselves for re-election at each AGM of the Company. The Company's 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. Article 105 of the Company's Articles provides that any Director appointed to fill casual vacancy shall hold office until the next AGM and shall then be eligible for re-election.
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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 Messrs Tsng Joo Peng and Eric Ang Choon Beng who will be retiring pursuant to Article 101 of the Company's Articles. Mr Eric Ang Choon Beng, Executive Director, is the brother of Mr Joseph Ang Choon Cheng who is an Executive Chairman and substantial shareholder of the Company. Mr Eric Ang Choon Beng is a brother-in-law of Madam Yap Geok Khim who is the Administrative Manager of Loh & Sons Co (S) Pte Ltd. Mr Choy Bing Choong who was appointed as Executive Director on 27 December 2015 has been nominated for re-election at the forthcoming AGM pursuant to Article 105 of the Company's Articles. In making the recommendations, the NC had considered the Directors' overall contribution and performance. Mr Eric Ang Choon Beng, Mr Tsng Joo Peng and Mr Choy Bing Choong will upon re-election as a Director, remain as Executive Directors of the Company.
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> 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 FY2015, 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. (a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	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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Quantitative	1. Measuring and monitoring performance	1. Attendance at Board and Board Committee meetings												

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.																					
		No external facilitator was used in the evaluation process.																					
	Has the Board met its performance objectives?	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 6 – Types of information provided by key management personnel to Independent Directors <table> <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> 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.		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																					
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 Company's Articles, Companies Act, Securities and Futures Act and the SGX-ST Listing Manual Section B: Rules of Catalist 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.																					



Corporate Governance Report



Guideline	Code and/or Guide Description	Company's Compliance or Explanation
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 FY2015.
<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.

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 FY2015 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\$1,250,000 to S\$1,499,999</td><td>32</td><td>59</td><td>9</td><td>–</td><td>100</td></tr><tr><td>Tsng Joo Peng</td><td>S\$1,250,000 to S\$1,499,999</td><td>31</td><td>60</td><td>9</td><td>–</td><td>100</td></tr><tr><td>Eric Ang Choon Beng</td><td>S\$1,000,000 to S\$1,249,999</td><td>28</td><td>63</td><td>9</td><td>–</td><td>100</td></tr><tr><td>Edward Chia Puay Hwee ⁽¹⁾</td><td>S\$1,000,000 to S\$1,249,999</td><td>42</td><td>50</td><td>8</td><td>–</td><td>100</td></tr><tr><td>Tan Aik Kwong ⁽²⁾</td><td>S\$1,000,000 to S\$1,249,999</td><td>42</td><td>50</td><td>8</td><td>–</td><td>100</td></tr><tr><td>Choy Bing Choong ⁽³⁾</td><td>S\$250,000 to S\$499,999</td><td>76</td><td>6</td><td>18</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> ⁽¹⁾ ⁽²⁾ Resigned on 30 November 2015 ⁽³⁾ Appointed on 27 December 2015 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. There are no termination, retirement, post-employment benefits that may be granted to Directors, the CEO and key management personnel.	Table 9 – Directors' Remuneration							Name	Remuneration Band	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Directors Fees (%)	Total (%)	Joseph Ang Choon Cheng	S\$1,250,000 to S\$1,499,999	32	59	9	–	100	Tsng Joo Peng	S\$1,250,000 to S\$1,499,999	31	60	9	–	100	Eric Ang Choon Beng	S\$1,000,000 to S\$1,249,999	28	63	9	–	100	Edward Chia Puay Hwee ⁽¹⁾	S\$1,000,000 to S\$1,249,999	42	50	8	–	100	Tan Aik Kwong ⁽²⁾	S\$1,000,000 to S\$1,249,999	42	50	8	–	100	Choy Bing Choong ⁽³⁾	S\$250,000 to S\$499,999	76	6	18		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
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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?	The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2015 is as follows: <table><tr><th colspan="5">Table 9.3 – Remuneration of Key Management Personnel</th></tr><tr><th>Name</th><th>Salary (%)</th><th>Bonus (%)</th><th>Benefits-in-kind (%)</th><th>Total (%)</th></tr><tr><td colspan="5">S\$500,000 to S\$749,999</td></tr><tr><td>Sean Leaw Wei Siang</td><td>34</td><td>59</td><td>7</td><td>100</td></tr><tr><td colspan="5">S\$250,000 to S\$499,999</td></tr><tr><td>Kelvin Neo Han Cheng</td><td>63</td><td>28</td><td>9</td><td>100</td></tr><tr><td>Tan Kian Yong</td><td>61</td><td>28</td><td>11</td><td>100</td></tr><tr><td colspan="5">Below S\$250,000</td></tr><tr><td>Ang Siew Khim</td><td>78</td><td>–</td><td>22</td><td>100</td></tr></table>	Table 9.3 – Remuneration of Key Management Personnel					Name	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)	S\$500,000 to S\$749,999					Sean Leaw Wei Siang	34	59	7	100	S\$250,000 to S\$499,999					Kelvin Neo Han Cheng	63	28	9	100	Tan Kian Yong	61	28	11	100	Below S\$250,000					Ang Siew Khim	78	–	22	100
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Ang Siew Khim	78	–	22	100																																											
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	The total remuneration paid to the top 4 key management personnel for FY2015 was S\$1,631,230																																													

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																													
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><tr><th colspan="5">Table 9.4 – Remuneration of Employees who are immediate family members of a Director</th></tr><tr><th>Name</th><th>Salary (%)</th><th>Bonus (%)</th><th>Benefits-in-kind (%)</th><th>Total (%)</th></tr><tr><td colspan="5">S\$100,000 to S\$149,999</td></tr><tr><td>Ang Choon Teck ⁽¹⁾</td><td>81</td><td>–</td><td>19</td><td>100</td></tr><tr><td>Ang Siew Khim ⁽²⁾</td><td>78</td><td>–</td><td>22</td><td>100</td></tr><tr><td colspan="5">S\$50,000 to S\$99,999</td></tr><tr><td>Cheong Kim Hock ⁽³⁾</td><td>73</td><td>–</td><td>27</td><td>100</td></tr><tr><td>Yap Geok Khim ⁽⁴⁾</td><td>75</td><td>–</td><td>25</td><td>100</td></tr><tr><td>Chia Peck Huan ⁽⁵⁾</td><td>75</td><td>–</td><td>25</td><td>100</td></tr></table> ⁽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 Joseph Ang Choon Cheng, Executive Chairman and also a sister-in-law of Eric Ang Choon Beng, Executive Director. ⁽⁵⁾ 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. [®] Resigned as Executive Director on 30 November 2015.	Table 9.4 – Remuneration of Employees who are immediate family members of a Director					Name	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)	S\$100,000 to S\$149,999					Ang Choon Teck ⁽¹⁾	81	–	19	100	Ang Siew Khim ⁽²⁾	78	–	22	100	S\$50,000 to S\$99,999					Cheong Kim Hock ⁽³⁾	73	–	27	100	Yap Geok Khim ⁽⁴⁾	75	–	25	100	Chia Peck Huan ⁽⁵⁾	75	–	25	100
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Chia Peck Huan ⁽⁵⁾	75	–	25	100																																											
9.5	Please provide details of the employee share scheme(s).	The Company had no employee share schemes during FY2015.																																													
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 FY2015. 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.																																													

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																
	(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><tr><th colspan="4">Table 9.6(b)</th></tr><tr><th colspan="2">Performance Conditions</th><th>Short-term Incentives (such as performance bonus)</th><th>Long-term Incentives (such as the PSP)</th></tr><tr><td colspan="2">Qualitative</td><td>1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors</td><td>None</td></tr><tr><td colspan="2">Quantitative</td><td>PBT of at least S\$3.5m</td><td>None</td></tr></table>	Table 9.6(b)				Performance Conditions		Short-term Incentives (such as performance bonus)	Long-term Incentives (such as the PSP)	Qualitative		1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors	None	Quantitative		PBT of at least S\$3.5m	None
Table 9.6(b)																		
Performance Conditions		Short-term Incentives (such as performance bonus)	Long-term Incentives (such as the PSP)															
Qualitative		1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors	None															
Quantitative		PBT of at least S\$3.5m	None															
	(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 FY2015.																
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.	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 FY2015. The bases for the Board's view are as follows: 1. Assurance has been received from the CEO and CFO (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.																

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(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?	Yes, the Board has obtained such assurance from the CEO, CFO and IA in respect of FY2015. 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 FY2015 as assurances that the Company's risk management and internal control systems are effective.

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 EA; (b) review the financial statements including reviewing the significant financial reporting issues and judgments 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 FY2015.

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 FY2015 <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>211,552</td><td>88</td></tr> <tr> <td>Under provision in prior year</td><td>5,570</td><td>2</td></tr> <tr> <td>Non-audit fees</td><td></td><td></td></tr> <tr> <td>Tax compliance</td><td>24,462</td><td>10</td></tr> <tr> <td>Total</td><td>241,584</td><td>100</td></tr> </table>		S\$	% of total	Audit fees			Current year	211,552	88	Under provision in prior year	5,570	2	Non-audit fees			Tax compliance	24,462	10	Total	241,584	100
	S\$	% of total																					
Audit fees																							
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Under provision in prior year	5,570	2																					
Non-audit fees																							
Tax compliance	24,462	10																					
Total	241,584	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 reviews the independence of the EA annually. The AC has conducted an annual review of the volume of non-audit services provided by the EA to satisfy the AC that the nature and extent of such services will not prejudice the independence of the EA. The AC is satisfied with the external auditors' confirmation of their independence and is of the view that the non-audit services rendered in FY2015 were not substantial.																					
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 whistle blowing policy are made public to the employees of the Group. For FY2015, there were no reported incidents pertaining to whistle blowing.																					

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
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 EA on updates to accounting and issues which have a direct impact on financial statements.
Internal Audit		
13.1 13.2 13.3 13.4 13.5	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.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	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. 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. 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, <i>inter alia</i> , 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 paying dividends for the financial year? If not, please explain why.	No dividend has been declared for FY2015 as the Company 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. In line with the Catalist Rules, resolutions tabled at general meetings of the Company will be passed through a process of voting by poll which procedures will be clearly explained by the scrutineers at the Company's general meetings. All minutes of general meetings will made available to shareholders upon their request.
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 FY2015 or if not then subsisting, entered into since the end of the previous financial year.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation						
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 FY2015. <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\$245,732</td><td>–</td></tr> </table> Note: - ⁽¹⁾ – Brother of Tsng Joo Peng, the Chief Executive Officer of the Company 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.	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\$245,732	–
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\$245,732	–						
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	Non-sponsor fees of S\$65,000 were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. in FY2015.						

Business Risk

In our Aircon Division, we install and service air-conditioning systems for our customers. These activities have minimum barriers to entry. In order to differentiate ourselves and diversify our business risk for our air-conditioning business unit, we operate in both the retail and commercial markets.

In addition, with our 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, 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 business unit are also subject to annual audit by an ISO 9000:2000 accreditation body.

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.

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.



Risk Management Policies and Processes



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 and Singapore dollars. 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.

As at 18 March 2016

CLASS OF SHARES

Ordinary Shares

NUMBER OF SHARES

205,447,985

NUMBER OF ORDINARY SHAREHOLDERS

The number of ordinary shareholders as at 18 March 2016 is 671

VOTING RIGHTS

1 vote for each Ordinary Share held

TREASURY SHARES

Nil

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information provided and to the best knowledge of the Directors, approximately 64.05% of the total number of issued shares (excluding treasury shares) in the capital of the Company are held in the hands of the public as at 18 March 2016. Rule 723 of the Listing Manual (Section B: Rules of Catalyst) of the Singapore Exchange Securities Trading Limited has therefore been complied with.

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 18 MARCH 2016

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	85	12.67	950	0.00
100 - 1,000	282	42.03	183,459	0.09
1,001 - 10,000	99	14.75	607,416	0.30
10,001-1,000,000	176	26.23	24,534,295	11.94
1,000,001 AND ABOVE	29	4.32	180,121,865	87.67
	671	100.00	205,447,985	100.00



Shareholdings Statistics

As at 18 March 2016



SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2016

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⁾	5,549,385	20,000,000	3,150,001	28,699,386	13.97%
Tsng Joo Peng	5,000,000	12,348,426	–	17,348,426	8.44%
Ong Mun Wah	20,000,000	–	–	20,000,000	9.73%

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

TOP 20 SHAREHOLDERS AS AT 18 MARCH 2016

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	26,424,561	12.86
2	SBS NOMINEES PTE LTD	22,831,000	11.11
3	DBS NOMINEES PTE LTD	20,460,889	9.96
4	ONG MUN WAH	20,000,000	9.73
5	BANK OF SINGAPORE NOMINEES PTE LTD	12,839,126	6.25
6	MAYBANK KIM ENG SECURITIES PTE LTD	11,048,000	5.38
7	CHIA PUAY HWEE	10,214,000	4.97
8	CIMB SECURITIES (SINGAPORE) PTE LTD	7,325,000	3.57
9	ANG CHOON CHENG	5,549,385	2.70
10	TSNG JOO PENG	5,000,000	2.43
11	NEO CHUAN TIONG	4,320,866	2.10
12	YAP GEOK KHIM	3,150,001	1.53
13	TSNG JOO WEE	3,010,150	1.47
14	LEE CHEE BOON	2,940,000	1.43
15	KOH SIEW KHING	2,373,000	1.16
16	CHUA KENG HWEE	2,300,000	1.12
17	ANG JUI KHOON	2,268,000	1.10
18	CHIA PECK HUAN	2,237,834	1.09
19	TAN MEOW NOI	1,865,300	0.91
20	LEE BOON SIONG	1,724,000	0.84
		167,881,112	81.71



Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 on Tuesday, 26 April 2016 at 10.00 a.m. to transact the following businesses:-

Ordinary Business

- 1 To receive and adopt the Directors' Statements and Audited Financial Statements for the financial year ended 31 December 2015 and the Independent Auditors' Report thereon. **[Resolution 1]**
- 2 To re-elect Mr Tsng Joo Peng who is retiring by rotation pursuant to Article 101 of the Company's Articles of Association as Director of the Company. **[Resolution 2]**
- 3 To re-elect Mr Eric Ang Choon Beng who is retiring by rotation pursuant to Article 101 of the Company's Articles of Association as Director of the Company. **[Resolution 3]**
- 4 To re-elect Mr Choy Bing Choong 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 2016. (2015: S\$104,600/-) **[Resolution 5]**
- 6 To approve a one-time ex-gratia payment of S\$313,800/- to the Independent Directors for the financial year ending 31 December 2016. **[Resolution 6]**
[See Explanatory Note (a)]
- 7 To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 7]**
- 8 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

- 9 "That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Act**") and Rule 806 of the Listing Manual (Section B : Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Articles of Association of the Company, authority be and is hereby given to the Directors of the Company to:-
 - (A) (i) issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or



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- (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,

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 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 annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.”

[See Explanatory Note (b)]

[Resolution 8]

Renewal of share buyback mandate

10 "That :

- (a) for the purposes of Sections 76C and 76E of the Act the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (i) market purchase(s) on the SGX-ST; and/or
- (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may from time to time being applicable, be and is hereby authorized and approved generally and unconditionally (the "**Share Buyback Mandate**");

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
 - (i) the conclusion of the next annual general meeting or the date by which such annual general meeting of the Company is held or required by law to be held;
 - (ii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting; or
 - (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated;
- (c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of the Shares for the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action that occurs after the relevant five (5) Market Day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price for an off-market purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Maximum Limit**" means that number of Shares representing ten per cent. (10%) of the total number of Ordinary Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and



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"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed, pursuant to a market purchase, 105% of the Average Closing Price of the Shares and pursuant to an off-market purchase, 120% of the Average Closing Price of the Shares; and

- (d) the Directors of the Company and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (c)]

[Resolution 9]

By Order of the Board

Leaw Wei Siang
Tan Siew Hua
Company Secretaries
11 April 2016

Singapore

Explanatory Note:

- (a) The proposed one-time ex-gratia payment of S\$313,800/- for financial year ending 31 December 2016 to the Independent Directors of the Company, namely Mr Lim Siang Kai, Dr Wu Chiaw Ching and Mr William da Silva is a token of appreciation and recognition of their contribution in the past years rendered to the Company and/or its subsidiaries as Independent Directors.
- (b) The ordinary resolution 8 set out in item 9 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 8 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 8 above is passed and any subsequent bonus issue, consolidation or subdivision of Shares.
- (c) The ordinary resolution 9, if passed, will renew the Share Buyback Mandate and will authorise the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015 are set out in greater detail in the Letter to Shareholders enclosed together with the Annual Report. The authority will expire at the next Annual General Meeting of the Company, unless previously revoked or waived at a general meeting.



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Note:

1. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the Annual General Meeting. Where a member appoints more than one proxy, 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.
2. Pursuant to Section 181 of the Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the annual general meeting. Relevant intermediary is either :
 - (a) a banking corporation licensed under the Banking Act (Cap 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Future Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund (Cap. 36), in respect of shares purchased on behalf of CPF investors.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies, duly executed, must be deposited together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof at the registered office of the Company at 29 Tai Seng Avenue #07-01 Natural Cool Lifestyle Hub Singapore 534119, not less than forty-eight (48) hours before the time set for holding 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.

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NATURAL COOL HOLDINGS LIMITED

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

IMPORTANT :

1. Relevant intermediary may appoint more than two proxies to attend, speak and vote at the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. An investor who holds shares under the Supplementary Retirement Scheme ("SRS Investors") may attend and cast his vote(s) at the Meeting in person. SRS Investors who are unable to attend the Meeting but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the SRS Investors shall be precluded from attending the Meeting.
3. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes of this Proxy Form.

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, the Chairman of the Annual General Meeting ("**AGM**") of the Company, as my/our proxy/proxies to vote for me/us and on my/our behalf at the AGM of the Company to be held at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 on Tuesday, 26 April 2016 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' Statement and Audited Financial Statements for the financial year ended 31 December 2015		
2	Re-election of Mr Tsng Joo Peng as director		
3	Re-election of Mr Eric Ang Choon Beng as director		
4	Re-election of Mr Choy Bing Choong as director		
5	Approval of directors' fees for the financial year ending 31 December 2016		
6	Approval of a one-time ex-gratia payment to Independent Directors for the financial year ending 31 December 2016		
7	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
8	Authority to allot and issue new shares		
9	Approval for renewal of Share Buyback Mandate		

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

Dated this _____ day of _____ 2016

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

IMPORTANT : PLEASE READ NOTES OVERLEAF

Total number of Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	

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 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. 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 of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the AGM. Where a member appoints more than one proxy, 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. Pursuant to Section 181 of the Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the AGM. Relevant intermediary is either :
 - (a) a banking corporation licensed under the Banking Act (Cap 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Future Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. A proxy need not be a member of the Company.
5. 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 forty-eight (48) hours before the time set for the AGM.
6. 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.
7. 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.
8. 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 AGM.
9. The Company shall be entitled to reject this instrument appointing a proxy or proxies 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 instruments appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time set for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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 AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (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

Company Registration No: 200509967G

29 Tai Seng Avenue

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Singapore 534119

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