POWERED BY EXPERTISE

ANNUAL REPORT 2010

NATURAL COOL®
HOLDINGS LIMITED

EXCELLENCE & EXPERTISE

In industries where we operate, everyone puts a premium on expertise. Customers are more discerning than ever, that's why we have always been after delivering quality products at all times. It is our inherent mastery of our services that provides our competitive edge. It is this same skill combined with our relentless attitude to pursue new opportunities that will fuel us as we move forward.

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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;
- 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 & unity

Creativity – Our innovation sets us apart of the rest

Safety – Above all, we value lives and assets

Message from Executive Chairman

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you our annual report for the financial year ended 31 December 2010 ("FY2010").

As the economy moved towards recovery during the year under review, both our Aircon and Switchgear business segments benefitted from the upturn and have contributed to the increase in Group revenue. Coupled with our strategy to streamline our business and focus on two core segments, we have adopted an asset-light strategy which has enhanced our ability to pursue new opportunities.

Leveraging on our expertise in climate management and switchgear solutions, we have sought to strengthen our position in the industry by consistently enhancing our product offering and value-added services to clients. By tapping on our experience as an anchor for growth, we have also forged strong relationships with our clients and business partners in order to tap on opportunities for business growth locally and in the region.

Financial Review

In line with renewed exuberance in the economy, I am pleased to report that the Group achieved a turnaround in net profit to S$6.8 million for the financial year ended 31 December 2010 ("FY2010") from a loss of S$0.8 million in the previous corresponding year ended 31 December 2009 ("FY2009"). This came on the back of a 10.3% increase in revenue to S$136.4 million for FY2010.

Both of the Group's core business segments recorded an increase in revenue in FY2010. Our Aircon Division benefitted from the improved economic outlook which translated into an increase in revenue generated from our retail customers. This segment recorded a 15.3% or S$10.5 million increase to S$78.8 million. Of which, our commercial installation segment, under the umbrella of the Aircon Division, contributed to an increase of approximately S$8.0 million in revenue due to the progressive completion of major air-conditioner installation projects.

The Group's Switchgear Division reported a 3.4% or S$1.8 million increase to S$55.0 million in FY2010. This increase in revenue was attributed to the division's expansion in the Malaysian market and revenue generated from the trading of electrical components.

Geographically, Singapore remains as our main revenue contributor, comprising over 96% of total revenue. We are heartened by the positive outlook of the local construction industry and believe that this bodes well for the group going forward.

In line with the growth in revenue, the Group's profit before tax reported an increase of over 280% to S$7.9 million in FY2010. Correspondingly, we achieved a turnaround in net profit after tax from a loss of S$0.8 million in FY2009 to S$6.8 million in FY2010. Our Earnings per Share increased to 4.82 cents in FY2010 from a negative 0.48 cents in FY2009.

I am pleased to report that the Group maintains a healthy balance sheet and strong cash and cash equivalents of approximately S$26.0 million as at 31 December 2010.

Corporate Developments

This year, we have seen the positive effects of our efforts in streamlining our portfolio for growth. Tapping on the positive outlook of the construction sector with robust demand seen in both the public and private sectors, we have seen growth in both our Aircon and Switchgear business segments.

Our Aircon Division has enjoyed healthy growth in 2010 with revenue generated from aircon installation and maintenance and repair services as well as from the trading of aircon systems and spare parts. In addition, through the provision of aircon systems installation services and integrated projects services for commercial projects such as factories, offices and schools, we are able to sustain a stable source of revenue.

In 2010, our projects included installation and servicing works at Nanyang Technological University ("NTU"). In anticipation of the Youth Olympic Games in August 2010, we provided aircon installation services for the Youth Olympic Games' hostel at NTU and continued to provide infrastructure maintenance services for aircons and lifts for the university premise. In the past year, our Group clinched a term contract for M&E maintenance services and A&A works at Airline House, Hangars and Passenger Terminal Buildings 1, 2 & 3 at Changi Airport. These contributed to the increase in revenue for the Aircon Division.

> IN LINE WITH THE GROWTH IN REVENUE, THE GROUP'S PROFIT BEFORE TAX REPORTED AN INCREASE OF OVER 280% TO S$7.9 MILLION IN FY2010.

Establishing strong relationships with both our suppliers and clients has always been a core of our business. Going forward, we will continue to cultivate these relationships, to provide reliable and value-added services to both parties.

Our Switchgear business is headed by our Group's Chief Executive Officer, Mr Joseph Ang. I am pleased to report that under his leadership, we have moved closer towards the proposed listing of our wholly owned subsidiary, Gathergates Holding Limited, on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("SEHK"). The proposed listing is subject to, amongst others, the approvals of the Singapore Exchange, our shareholders and of the relevant government and regulatory authorities in Hong Kong and the prevailing market and economic conditions. If the proposed listing is successful, it will open doors for new opportunities by tapping on the robust economic growth in the PRC and the region.

In line with our strategy to pursue an asset-light portfolio, we have recently successfully completed the sale and leaseback of the property at 29 Tai Seng Avenue to Mapletree Logistics Trust for S$53.0 million. This has provided a disposal gain of approximately S$7.5 million for the Group in FY2010, which has served to strengthen our balance sheet and improve our gearing. Going forward, we will continue to house our business operations under one roof at Natural Cool Lifestyle Hub at Tai Seng Avenue. We will also benefit from the rental income through space leased out at 29 Tai Seng Avenue to our tenants.

With our collective experience and strong relationships with our business counterparts, we aim to further enhance our services rendered and continue to carve a name for Natural Cool as one of the leading air-conditioning and switchgear specialists in Singapore.

Outlook

Based on a news release by the Building and Construction Authority ("BCA") dated 12 January 2011, construction demand for 2011 is projected to reach between S$22.0 billion and S$28.0 billion, reflecting a sustained workload from 2010's steady growth in total construction demand on the back of strong economic fundamentals. We are heartened by the positive outlook and believe our business operations will stand to benefit from this continued trend. Going forward, we will continue to rationalise our operations and sharpen our ability to anticipate market changes in order to stay competitive and propel Natural Cool forward for greater growth.

Corporate Social Responsibility ("CSR")

Natural Cool has always been committed to the philosophy of "Doing Business with a Heart". Since 2008, we have represented the Singapore Association for the Deaf ("SADeaf") as a corporate ambassador. It is our wish to partner SADeaf in its mission to help the deaf community to achieve a better quality of life and to enable them to integrate and contribute to society.

It is my honour to announce that this year, we received the "I Love You" Award in the Ruby category and the "Employer of the Year 2010" award in recognition for our CSR efforts to partner SADeaf in spearheading its mission. Natural Cool currently has 6 employees with disabilities under our fold and we look forward to providing more employment opportunities to persons with disabilities and are confident of the valued contributions that they are able to offer.

Proposed Dividend

To reward our loyal shareholders for their unyielding support, the Board of Directors is pleased to recommend a final tax-exempt, cash dividend of 2.0 cents per share for FY2010, pending approval of shareholders at the next Annual General Meeting.

Appreciation

I would like to take this opportunity to thank my Board of Directors sharing for their invaluable advice and deep expertise. My appreciation goes out to our business associates for their hard work and dedicated support. I would also like to express my thanks to our valued staff at Natural Cool whose commitment and passion to the company has been an inspiration to me.

To our valued shareholders, thank you for your unyielding support and faith in Natural Cool. Going forward, with your support, I believe that as we continue to anchor deep into our expertise, we will be able to further establish Natural Cool's name as a leading air-conditioning and switchgear specialist locally and in the region. Let us work together to reach new heights and share in the joys and successes that are up ahead.

Yours faithfully,

Steven Chen
Executive Chairman

执行董事主席致辞

尊敬的各位股东：

我谨代表董事会，欣然向各位提呈截至2010年12月31日之财政年度（“2010财年”）的本公司年度报告。

由于本年度经济开始复苏，我们的空调和配电箱设备业务部门得益于经济的好转，为本集团总收入的增加做出重大贡献。配合实施精简业务和专注于两大核心部门的策略，我们采取了轻资产策略，从而提升了我们开拓新机遇的能力。

通过利用我们在空调和配电箱设备的专长，持续扩大产品供应范围并向客户提供增值服务，我们致力于增强自己在业界的地位。此外，我们在促进增长方面所累计的丰富经验，让我们与客户和商业伙伴之间的合作关系得到进一步加强，从而为抓住本地和本区域业务发展的商机创造了有利条件。

财务回顾

我很欣然地向大家报告，随着经济的复苏，在截至2010年12月31日的财政年度中，本集团的业务大为改观，实现净利680万新元，而前一年同期则遭受80万新元的亏损。2010财年，本集团总收入增长10.3%，达到1.364亿新元。

2010财年，本集团的两大核心业务部门双双取得收入增长。得益于经济前景的改善以及来自零售客户的收入的增加，我们的空调部门收入增长15.3%，或1,050万新元，达到7,880万新元。其中，空调部门以内的商业安装部分因主要的空调安装项目逐步完成而贡献了约800万新元的增加额。

2010财年，本集团的配电箱设备部门实现收入5,500万新元，增幅为3.4%，或180万新元。该收入的增长，归功于该部门业务在马来西亚市场的扩大以及来自电子器配件交易的收入增加。

就地理区域而言，新加坡仍是我们的主要收入来源，占本集团总收入的96%以上。让我们感到高兴的，是本地的建筑业前景乐观，我们认为这预示着接下来的本集团业务将有不错的表现。

伴随收入的增长，2010财年，本集团的税前利润飙升280%，达到790万新元。我们的税后净利也因此而改头换面，从2009财年亏损80万新元一跃增长至680万新元。2010财年，我们的每股收益增至4.82新分，而2009财年则为负0.48新分。

我高兴地向大家报告，截至2010年12月31日，本集团的资产负债表保持稳健，拥有现金及现金等价物约2,600万新元。

公司的发展

今年，我们看到，我们在精简增长组合方面的努力已取得积极成效。通过利用公共和私营建筑部门的强劲需求与乐观前景，我们的空调和配电箱设备业务双双取得增长。

2010年，我们的空调部门取得健康增长，包括空调安装、维护和维修服务，以及空调系统和零部件贸易等在内的所有业务，均有收入进帐。此外，我们还为商业项目如工厂、办公楼和学校等提供空调系统安装服务及综合性项目服务，从而得以维持稳定的收入来源。

2010年，我们进行的项目，包括在南洋理工大学的安装和维修工程。为了迎接2010年8月举办的青年奥运会，我们为位于南洋理工大学的青奥会招待所提供空调安装服务，并继续为该所大学的空调和电梯提供基础设施维护服务。去年，本集团签订了一项定期合约，为樟宜机场飞机库和1、2和3号搭客大楼提供机电维护服务和A&A工程。这些业务活动对空调部门的收入增加都起到促进作用。

与我们的供应商和客户建立稳固的合作关系，一直是我们业务的核心成分。展望未来，我们将继续培养这些关系，以便为双方提供可靠的增值服务，共创双赢。

负责本集团配电箱设备业务的，是本集团首席执行官洪俊清先生。在他的领导下，我们的全资子公司 – 嘉特杰控股有限公司拟定在香港联合交易所有限公司创业板的上市，正在紧锣密鼓地筹备当中。拟议中的上市，须获得新加坡证券交易所、本公司股东以

> 伴随收入的增长，2010财年，本集团的税前利润飙升280%，达到790万新元。我们的税后净利也因此而改头换面，从2009财年亏损80万新元一跃增长至680万新元。

及香港相关政府部门和监管机构的多方批准，而且还需视当时的市场和经济状况而定。如果拟议中的上市取得成功，它将为我们在中国及本区域强劲增长的经济开启新商机。

为实施我们追求轻资产组合的策略，我们最近以5,300万新元的价格，将位于大成道29号的物业成功出售给丰树物流信托(Mapletree Logistics Trust)并予以售后租回。这为本集团2010财年提供了约750万新元的清理收益，对加强我们的资产负债表和改善资本负债率提供了有益的帮助。展望未来，我们将继续在位于大成道的恩系生活时尚中心(Natural Cool Lifestyle Hub)集中开展业务。此外，我们还将得益于出租大成道29号剩余空间所获得的租金收益。

凭借我们的集体经验及与我们的商业伙伴建立起来的紧密合作关系，我们计划进一步提高我们的服务品质，继续作出不懈的努力，以便将恩系控股打造成新加坡数一数二的空调与配电箱设备专业公司。

前景展望

根据新加坡建设局（“建设局”）2011年1月12日发布的消息，2011年的建设需求预计将达到220亿至280亿新元，反映了在经济基本面表现强劲的背景下，2010年建设总需求的稳步增长得以延伸和持续。我们为有如此积极的前景感到鼓舞，相信我们的业务表现将会得益于这一持续增长的趋势。展望未来，我们将继续实现运营的合理化并提升我们预测市场变化的能力，以便保持我们的竞争力，推动恩系控股取得更大的增长。

企业社会责任

恩系控股一直秉承“用心做生意”的经理理念。自2008年以来，我们一直以企业大使的身份代表新加坡聋人协会（“SADeaf”），成为该协会的合作伙伴。帮助聋人社群提高生活素质，使他们能够融入社会并为社会做出贡献，这既是我们的愿望，也是我们的使命。

我非常荣幸宣布，今年我们获颁“我爱你”红宝石奖和“2010年度雇主”奖，以表彰本集团为带头联手SADeaf完成其使命所做出的努力。目前本公司雇用有6位残疾员工，我们期待为残疾人士提供更多的就业机会，并确信他们能为社会做出宝贵贡献。

拟派发股息

为了回报给予我们鼎立支持的忠诚股东们，董事会欣然建议为2010财年派发每股2.0新分的一次过免税现金股息，提交下一届年度股东大会批准。

鸣谢

我谨借此机会感谢董事会同仁分享他们的宝贵意见和专业知识。我还要感谢我们的业务伙伴所付出的辛勤努力和大力支持。此外，我还要对恩系控股的全体宝贵员工说一声谢谢，正是他们对本公司的奉献和热情一直在激励着我。

尊敬的各位股东，感谢你们给予恩系控股的鼎立支持和信任。展望未来，有了你们的支持，我相信，随着我们不断强化自己的专业技术知识，我们将能够进一步确立“恩系控股”作为本地和本区域首屈一指的空调与配电箱设备专业公司的地位。让我们携手，共同努力，攀登新高峰，并分享未来等待我们的快乐与成功。

此致，

曾俊旗
执行董事主席

Message from CEO

Dear Shareholders,

I would like to begin this message by expressing my gratitude to you for your investment in Natural Cool Holdings Limited. It is indeed my pleasure to have served in this role in the past year and going forward, with your support, I will continue to lead the Switchgear division with pride and passion towards collective growth for our Group.

Strengthened Core, Bright Prospects for Growth

Our Switchgear Division performed consistently well, reporting a 3.4% or S$1.8 million increase in revenue to S$55.1 million in FY2010. At S$55.1 million, revenue for this division comprised 40.4% of total Group revenue. The increase was due to the Group's expansion in the Malaysian market as well as revenue from the trading of electrical components.

Mirroring the upturn in economic sentiment, the Switchgear division has benefitted from both the increase in demand for HDB and private housing as well as for commercial space. Due to this increase in housing demand, the Government has rolled out plans to increase the supply of Government Land Sites for residential homes to ensure a stable property market. The expected strong construction pipeline over the next three to five years will underpin growth for our Switchgear division. Moreover, this division will benefit from the ongoing upgrading works of existing HDB flats under the HDB upgrading scheme. These projects will provide us with a steady income given our strong track record in the public housing segment .

In the year under review, we have established our capability to support mega projects. Through our acquisition of Titans Power Holding Pte. Ltd. ("TPH"), we are well-equipped to manufacture and distribute a wide range of low voltage switchgear products, designed for use in residential and commercial projects. In early 2010, we completed a S$7.0 million worth contract for the supply and delivery of low voltage switchboards to Resorts World Sentosa.

Other major projects completed in the year under review include the Pinnacle@Duxton, the prestigious 50-storey public housing project that won top awards at the World Architecture Festival in Barcelona and condominium projects at Jalan Kechil, Quayside and Cove Way. Apart from the residential sector, we are also actively involved in commercial projects both locally and overseas. Significant involvements include Stock Exchange Building (Phase II) in Shanghai, People's Republic of China ("the PRC"), and the MEMC (Monsanto Electronic Materials Company) solar wafer plant project in Kuching, Malaysia.

Going forward, we will continue to actively tender for projects in both the public and private sectors with the aim of developing our expertise and track record as a leading switchgear specialist in the industry.

Our subsidiary VNS Manufacturing Pte Ltd, whom Natural Cool has a majority stake in, has benefitted from the exclusive distributorship awarded by India based Larsen and Toubro Limited ("L&T") for the exclusive marketing of L&T products in Singapore. Through this exclusive distribution our subsidiary has gained a competitive edge in the switchgear industry and enhanced its brand recognition among industry players. We will continue to establish strong relationships with strategic partners to enhance the strength and trust of Natural Cool's brand name in different markets worldwide.

In the year under review, we have laid the ground work for the proposed listing of our wholly owned subsidiary, Gathergates Holding Limited, on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong

GOING FORWARD, WE WILL CONTINUE TO ACTIVELY TENDER FOR PROJECT IN BOTH THE PUBLIC AND PRIVATE SECTORS WITH THE AIM OF DEVELOPING OUR EXPERTISE AND TRACK RECORD AS A LEADING SWITCHGEAR SPECIALIST IN THE INDUSTRY.

Limited ("SEHK") for our switchgear business. The proposed listing is subject to, amongst others, the approvals of the Singapore Exchange, our shareholders and of the relevant government and regulatory authorities in Hong Kong and the then prevailing market and economic conditions. We are excited about the prospects and potential for growth that the completion of this listing will bring.

If the proposed listing is successful, we will be able to raise a capital base that will allow us to further expand and develop our switchgear operations and related services locally and in the region, especially in the robust economy of the PRC. The proposed listing will also serve to raise our Group's international standing and enhance our brand awareness and established track record. We look forward to this upcoming milestone in our corporate timeline and will continue to update our shareholders on the progress in due course.

Outlook

With strong demand in the residential property market and Government's efforts to increase housing supply through more land releases, we believe that this will in turn increase the demand for our switchgear products and services. We will also tap on the upgrading of commercial and residential properties which will require routine testing, maintenance and replacement of existing switchgears. As it is industry practice to replace switchgears every 15-20 years, our Switchgear division will benefit from the steady stream of demand in this segment.

In the year ahead, with our strong team and rich expertise in this industry, we look forward to strengthen our brand name and strategic partnerships locally and in the region. Our proposed listing of Gathergates Holding Limited on the GEM of SEHK will be a gateway into the vast market in the PRC. In addition, our strong partnerships with L&T and exclusive distributorships of switchgear related products will open doors for us into India and other emerging markets.

My Heartfelt Thanks

I would like to express my appreciation and thanks to our business associates and colleagues. It is with your support and commitment that we are able to further develop the switchgear operations and strengthen our market position. Going forward, together with your support, we will pave the way towards our shared goal of establishing Natural Cool as a trusted leader in climate management and switchgear specialist services in the region.

Yours Sincerely,

Joseph Ang
Chief Executive Officer

首席执行官致辞

尊敬的各位股东：

首先，我要感谢大家对恩系控股有限公司的投资。在过去的一年中，能够担任这个职位，确实令我深感荣幸，在未来的日子里，有了大家的支持，我会以热忱的态度，继续带领配电箱设备分部，朝着本集团设定的共同增长目标大步迈进。

加强核心业务，拥抱增长前景

2010财年，我们的配电箱设备分部一直表现良好，收入增长3.4%，或180万新元，令总收入达到5,510万新元。其中，本部门的收入占集团总收入的40.4%。收入的增长得益于本集团在马来西亚市场的扩张，以及电子配件贸易收入的增加。

由于经济和市场情绪好转，除商业空间外，市场对建屋发展局组屋和私人住房的需求均有所增加，令我们的配电箱设备分部受益匪浅。由于住房需求的增长，政府已推出各项计划，增加政府用于住宅建设土地的供应，以确保房地产市场的稳定。预计未来三到五年时间内，建筑业将保持强劲增长，这将对我们的配电箱设备分部提供有力的支撑。此外，在组屋翻新计划下对现有组屋持续进行的翻新工程，也将令配电箱设备分部受惠。鉴于我们在公共住房建设领域的良好业绩记录，这些项目将为我们提供一个稳定的收入来源。

在所回顾的年度内，我们已建立起支持大型项目的工程和技术能力。通过收购Titans Power Holding Pte. Ltd. （“TPH”），我们已为制造和经销专门用于住宅和商业项目的各系列低压配电箱设备产品，做好充分准备。2010年初，我们完成了一份价值700万新元的合同，为圣淘沙名胜世界供应和交付低压配电箱。

所回顾的年度期间内完成的其它重大项目，包括在巴塞罗那世界建筑节上赢得头奖的50层摩天组屋项目达士岭(Pinnacle@Duxton)，及位于Jalan Kechil、Quayside、海湾大道 (Cove Way)等处的公寓项目。除了住宅领域，我们还积极参与本地和海外的商业项目，其中较大的项目，包括中华人民共和国（“中国”）上海市的证券大厦（二期）工程，以及Monsanto Electronic Materials Company (“MEMC“)在马来西亚古晋设立的太阳能硅晶圆厂项目。

展望未来，我们将继续积极投标公共和私营部门的项目，以不断加强我们的专业知识，强化我们的业绩记录，以期成为业界首屈一指的配电箱设备专业公司。

由恩系控股持有多数股权的旗下子公司VNS Manufacturing Pte Ltd，因获得总部设在印度的Larsen and Toubro Limited （“L&T”）所授予的在新加坡独家经销L&T产品的独家经销权而获益匪浅。通过这种独家经销，我们的子公司已在配电箱设备行业享有竞争优势，并因此提高了其在业界竞争者中的品牌知名度。我们将继续同各个策略伙伴建立稳固的关系，加强恩系品牌在世界不同市场的实力，提高用户对恩系品牌的信任度。

在所回顾的年度中，为了扩张我们的配电箱设备业务，我们已为旗下全资子公司嘉特杰控股有限公司计划在香港联交所创业板的上市工作奠定了基础。拟议中的上市须获得新加坡证券交易所、我们的各位股东以及香港有关政府和监管机构的多方批准，亦须视当时的市场和经济环境而定。本次上市将给我们带来发展前景和潜力，令我们万分兴奋和激动。

“展望未来，我们将继续积极投标公共和私营部门的项目，以不断加强我们的专业知识，强化我们的业绩记录，以期成为业界首屈一指的配电箱设备专业公司。”

如果拟议中的上市取得成功，我们将能够筹集资金，让我们在本地及整个区域内，尤其是在生机勃勃的中国市场上，进一步扩大和发展我们的配电箱设备业务及相关服务。此外，成功上市还将有助于提升本集团的国际地位，提高我们的品牌知名度和已建立的业绩记录。我们期待打造这样一座里程碑，并将及时地为各位股东提供有关的进展信息。

展望未来

随着住宅产业市场需求强劲，政府通过出售更多土地增加住房的供应量。我们相信，这将相应推动对本集团配电箱设备产品和服务的需求。此外，商业与住宅产业的翻新改造需要对现有配电箱设备进行常规检测、维修和更换，这也为我们提供了机会。按照行业惯例，配电箱设备每15-20年需更换一次，因此我们的配电箱设备部门将得益于这一领域源源不断的稳定需求。

在未来的一年，凭借我们的强大团队和丰富的行业经验，我们期待加强我们的品牌知名度，并强化我们在本地和本区域的策略伙伴关系。拟议中嘉特杰控股有限公司在香港联交所创业板的上市，将成为我们进入中国广大市场的重要途径。除此之外，我们同L&T公司之间建立的牢固伙伴关系和销售配电箱设备相关产品的独家经销权，将为我们打开印度和其它新兴市场的大门。

致以衷心感谢

我谨借此机会向我们的业务伙伴和各位同事，表示衷心感谢。正是由于有了你们的支持和奉献，我们才得以进一步发展配电箱设备业务，提高我们的市场地位。展望未来，有了大家的支持，我们将为实现我们的共同目标铺平道路，那就是将恩系控股打造成为本区域气候管理和配电箱设备专业服务领域中备受信赖的佼佼者。

此致

洪俊清

首席执行官

ON THE LOOKOUT FOR GREATER

OPPORTUNITIES

With booming prospects in both the private and public sectors, Natural Cool will capitalise on the increased demand for our services. With our strategies aligned towards diversification, we are also eyeing expansion into the region to reach new customers.

Operations Review

The year 2010 has been a fruitful year for Natural Cool. Our efforts to streamline our business operations have made progress with both our core business divisions, namely Aircon and Switchgear, contributing to the increase in revenue. In line with the Group's effort to adopt an asset-light strategy, we have also successfully completed the sale and leaseback of our corporate building, Natural Cool Lifestyle Hub, at 29 Tai Seng Avenue for a consideration of S$53.0 million in August 2010. Subsequent to the completion of the sale and leaseback transaction, we continue to manage the entire property. Remaining property spaces not used by the Group will continue to be rented out and the Group will continue to derive rental income from such spaces.

Over the years, Natural Cool has carved a name as Singapore's leading air-conditioning and switchgear specialist and has become the first industry player to integrate both the switchgear and air-conditioning business segments in the power management and temperature-control of both commercial and residential properties. The synergy from these integrated operations allows us to provide a comprehensive product range and integrated solutions for our customers.

Our Group's operations are currently being streamlined into two Strategic Business Divisions, namely Aircon and Switchgear.

THE AIRCON DIVISION

The Aircon division further divides into 4 segments:
- Installation and Servicing;
- Commercial Projects;
- Integrated Projects; and
- Trading.

Installation and Servicing

In the Installation and Servicing segment, we provide air-conditioning systems installation services to residential households in both public and private housing, which includes the HDB housing, private condominiums, apartments, landed properties, and small retail outlets and restaurants and offices. Our customers include residential owners, landlords and tenants.

We also provide air-conditioning system maintenance, repair and replacement services to residential households in public and private housing, landed properties, and small retail outlets and restaurants. We serve our customers pursuant to existing contracts or on an ad-hoc basis. Contract servicing entails the provision of packaged maintenance services for a certain number of times conducted on a regular basis within a period of time, typically for a year. Depending on the usage frequency and pattern, and customers' preferences, we have contract servicing packages

catered for three to six times a year based on equal periodic schedule or as and when required by our customers during the contracted 12-month period. Ad-hoc servicing refers to the provision of our maintenance, repair or replacement services for single isolated transactions without fixed contracts as and when required by our customers. We advise our customers on the type of servicing arrangement that is suitable for them, based on information such as the usage frequency, pattern and budget.

Commercial Projects

With regard to Commercial Projects segment, we provide air-conditioning systems installation services for commercial projects, such as factories, offices, condominiums, schools and hospitals. Our commercial projects may relate to the installation of air-conditioning systems in public property developments such as schools and hospitals, as well as private property developments which include factories, offices, and condominiums and other residential properties. Our commercial projects may be invited via public tenders or by private invitations. For some projects, we provide only installation services, whereas for others, we provide turnkey services, including the procurement of air-conditioning systems.

Our Commercial Projects segment also possesses the ability to manufacture customised air-conditioning mechanical ventilation (ACMV) systems for our installation projects. We also have the ability to dismantle the air-conditioning units and turn them into raw materials, such as stainless steel and copper. The resultant raw materials are sold as scrap metal to local scrap dealers.

Integrated Projects

In the Integrated Projects segment, we provide maintenance, repair and replacement services for commercial buildings, factories, offices, condominiums, schools and hospitals. Our contracts can be broadly classified into comprehensive, pure labour or semi-comprehensive contracts. Comprehensive contracts require us to include the cost of components and parts into our quotation such that any cost incurred for any replacements will be borne by us. Pure labour contracts require us to provide pure labour services in the servicing process, with any replacement of components and parts to be borne by the customers. Semi-comprehensive contracts cover components and parts that will typically be replaced in the servicing process, these components and parts will be specified in the contract. Replacement of other components or parts not included will therefore be borne by the customers. Some contracts also require our service personnel to be stationed at the premise on a temporary basis.

Trading

We are the authorised dealers for many well-known brands of air-conditioning systems. We, in turn, engage in the trading of these air-conditioning systems to other entities in the business of retail installation. In addition, we sell air-conditioning components manufactured by us. Apart from our house brands, we also stock and sell other brands of air-conditioning components.

We also engage in the trading of tools such as electrical drills, drain pumps, screws, bolts and nuts, fasteners and silicon applicators which are used in the installation and servicing of air-conditioning systems.

Our Trading department acts as the central procurement arm for our Aircon division. The economies of scale derived by the Trading department translate to savings for our Aircon division and thus allow us to position ourselves strategically against our competitors.

Our Trading department currently manages four showrooms – one in Defu Lane 10 and the other three are located at Woodlands Central, Tradehub 21 and West Coast Plaza. Customers of our Trading department include Mechnical & Electrical (“M&E”) contractors, other air-conditioning retailers and contractors, import/ export traders and residential owners who make direct purchases.

In this segment of our business, we also provide air-conditioning systems installation services to residential households in both public and private housing, which includes the HDB housing, private condominiums, apartments, landed properties, small retail outlets, restaurants and offices. Our customers include residential owners, landlords, tenants, M&E contractors, interior designers and retail shop owners. These customers may have approached us as walk-in customers at our display showrooms, through sales calls to our sales hot-line or through referrals from our business associates or repeat customers.

THE SWITCHGEAR DIVISION

Our Switchgear division specialises in the designing and manufacturing of customised switchgears to meet our customers' specifications. Through M&E contractors, our switchgears are sold to end-customers such as HDB, public property developments including schools and hospitals, as well as private property developments including factories, offices, and condominiums and other residential properties. Our switchgears can be utilised for both mechanical and electrical purposes. Mechanical switchgears are utilised for mechanical devices and applications such as water pumps and ACMV. Electrical switchgears are utilised to channel electricity to different paths of electrical loads and for switching and circuit protection.

Our subsidiary, VNS Manufacturing Pte. Ltd., has continued to expand its product lines in the region. Apart from serving as a distribution channel for switchgear products under the licensed brand name "KAM", the company has been awarded an exclusive distributorship by India based Larsen and Toubro Limited ("L&T") for the exclusive marketing of L&T electrical products in Singapore. It is also the authorised distributor for Hyundai Heavy Industries Co., Ltd's products in Singapore. The experience gained from these international partnerships has enabled VNS Manufacturing Pte. Ltd. to make further inroads into markets such as Indonesia, Sri Lanka and the Philippines.

To cope with the increasing demand for our switchgear services in the region, we have incorporated S-Team Switchgear (Malaysia) Sdn. Bhd. and Titans Elektrik Sdn. Bhd. in May 2008. These subsidiaries commenced operations in 2009 under strict supervision of our quality control staff from the Singapore office. Our staff ensure that products manufactured in our overseas factory have the same quality standard as those produced in Singapore.

To further enhance our switchgear manufacturing capability as well as our market position, we successfully acquired Titans Power Holding Pte. Ltd. ("TPH") and its subsidiaries in June 2009. This acquisition is in line with the Company's vision of becoming the preferred choice as a one-stop centre for the production and trading of switchgear and switchgear apparatus. By leveraging on the experience of TPH's senior management who have been in the business of manufacturing and servicing switchboards for more than 25 years, the directors believe that the synergy derived from this strategic acquisition will further strengthen our position as one of the leaders in the switchgear business.

On 19 October 2009, we announced the proposed listing ("Proposed Listing") of the subsidiaries in the Switchgear division on the Growth Enterprise Market ("GEM") of the Hong Kong Stock Exchange ("SEHK"). This Proposed Listing will not only raise funds for the Group, thus allowing us to expand our capital base and providing us access to additional funds for business expansion and other purposes, it is likely to attract a wider base of investors, thereby increasing the Group's profile in the international investment community. We submitted our application to GEM for the Proposed Listing on 29 September 2010.

Going forward, we will make relevant announcements at appropriate junctures and will continue to keep shareholders updated on the above transaction.

FOCUS ON UNCOVERING

POTENTIAL

We take pride both in our technical expertise and our keen sense of foresight. Guided by a strong management team, we keep on unlocking the potential of our resources and for this year, we have done so through a leaseback of our Tai Seng property. This will allow us to continue operating our businesses under one roof while being financially capable to support our future plans.

Board of Directors

Steven Chen Choon Khee
Executive Chairman

Joseph Ang Choong Cheng
Chief Executive Officer

Tsng Joo Peng
Executive Director

Mr STEVEN Chen Choon Khee - Executive Chairman
Mr Steven Chen has been a Director of Natural Cool Airconditioning & Engineering since 1993 and was subsequently appointed to the Board and took on the role of Chief Executive Officer ("CEO") of Natural Cool Holdings Limited on 19 July 2005. Since Natural Cool's public listing in May 2006, Mr Chen has served as the Group's CEO. With years of experience in the business, Mr Chen took on the role of Executive Chairman on 25 September 2009. As the Executive Chairman of the Group, he is in charge of the overall operations, management, strategic planning and business development of the Group. Mr Chen was previously a Director of NC Airconditioning Pte Ltd where he was responsible for the development of the retail arm of the airconditioning business. With extensive industry experience and a wide network of business contacts, Mr Chen's contribution has been vital to the success and development of the Group. In October 2004, he was awarded the Entrepreneur of the Year by the Rotary Club of Singapore and Association of Small and Medium Enterprises ("ASME"). Mr Chen also served as Vice-Chairman of Hong Kah GRC Neighbourhood Committee, and currently plays an active role in the School Advisory Committee for Deyi Secondary School. He is also a council member with ASME as well as a member of Singapore Institute of Directors.

Mr JOSEPH Ang Choon Cheng - Chief Executive Officer
Mr Ang was appointed to our Board on 30 June 2007. As CEO, he is primarily responsible for overseeing the strategic planning, overall business expansion and management of our Group. Mr Ang is also the Executive Chairman of Gathergates Group which is the Switchgear division of Natural Cool Holdings Limited. A veteran in the switchgear industry, Mr Ang has more than 20 years of experience and has held various senior management positions in Manufacturing, Mechanical and Electrical engineering companies.

Mr Tsng Joo Peng - Executive Director
Mr Tsng Joo Peng was appointed to the Board on 1 August 2005. He is responsible for the overall operations of the Aircon Division as well as the supervision of the Group's engineering development efforts. Mr Tsng has been a Director of Natural Cool Airconditioning & Engineering since 1993. Prior to joining the 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.

Eric Ang Choon Beng
Executive Director

Lim Siang Kai
Lead Independent Director

Wu Chiaw Ching
Independent Director

William Da Silva
Independent Director

Mr ERIC Ang Choon Beng - Executive Director

Mr Ang was appointed to our Board on 1 August 2005. As Executive Director, he is responsible for the overall management and coordination of the Switchgear business operations. He is also the Chief Operating Officer of Gathergates Group whose primary role is to oversee the business expansion and operations in Malaysia. Mr Ang has substantial years of experience in the switchgear industry. Over the last 20 years, he has held several management positions, rising from factory manager to Assistant Vice President in various engineering companies.

Mr Lim Siang Kai - Lead Independent Director

Mr Lim currently serves as the Chairman and Independent Director of ISDN Holdings Limited and China Print Power Group Limited, and an Independent Director of Texchem-Pack Holdings (S) Ltd, Foreland Fabrictech Holdings 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 7 March 2006. Mr Lim has over 26 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 obtained in 1984.

Dr Wu Chiaw Ching - Independent Director

Appointed to our Board on 7 March 2006, Dr Wu has been the proprietor auditor of Wu Chiaw Ching & Company since 1987. He is a fellow member of the Singapore Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and Certified Public Accountants, Australia, as well as a member of the Singapore Institute of Directors. Dr Wu holds a Doctorate degree of Business Administration in Accounting from Adam Smith University, United States of America.

Mr William Da Silva - Independent Director

Mr William Da Silva was appointed to the Board on 7 March 2006. He is an advocate and solicitor of the Supreme Court of Singapore with more than 20 years of experience and a member of the Singapore Institute of Directors. Mr Da Silva is actively involved with the Ministry of Manpower, where he serves on the Tripartite Committee for Employment of Older Workers and participated in the Committee for Operational Safety and Health. In addition, he is the former President of the Rotary Club of Singapore North. He is also serving on the Executive Council of the Association of Small and Medium Enterprises. Mr Da Silva holds a Bachelor of Laws from the National University of Singapore.

Key Management

Yun Chee Keen
Chief Financial Officer

Kelvin Neo Han Cheng
Executive Director, Natural Cool Airconditioning and Engineering Pte. Ltd.

Ken Tan Aik Kwong
Executive Director, S-Team Switchgear Private Limited

Anthony Yeo Siew Leng
Executive Director, VNS Manufacuting Pte. Ltd.

Mr Yun Chee Keen - Chief Financial Officer

As the Chief Financial Officer, Mr Yun Chee Keen oversees the 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. Mr Yun joined the Group in July 2005, and was formerly Group Financial Controller of Nico Steel Holdings Limited from 2000 to 2005. Prior to that, Mr Yun worked as an Audit Supervisor in KPMG, Singapore. Mr Yun graduated from the Nanyang Technological University with a Bachelor of Accountancy (Merit) in 1996. He is also a fellow member of the Institute of Certified Public Accountants of Singapore.

Mr KELVIN Neo Han Cheng - Executive Director, Natural Cool Airconditioning & Engineering Pte Ltd

Mr Neo was appointed on 19 July 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.

Mr KEN Tan Aik Kwong - Executive Director, S-Team Switchgear Private Limited

Mr Tan was appointed in 2002. He is mainly responsible for the day-to-day business operations of S-Team, managing the manufacturing process, logistics and warehousing activities. He is also the Chief Operating Officer of Gathergates Group whose primary role is to oversee the business expansion and operations in Singapore. Mr Tan has substantial years of experience in the switchgear industry and has in-depth knowledge in production and daily operations. He has held various key positions, rising from production manager to General Manager.

Mr ANTHONY Yeo Siew Leng - Executive Director, VNS Manufacturing Pte Ltd

Mr Yeo was appointed in 2006. He is primarily responsible for the strategic planning, overall management and business expansion of VNS Manufacturing. Prior to his appointment as Assistant General Manager of S-Team, Mr Yeo joined our Group in 2002 as factory manager where he was responsible for the production and maintenance of S-Team. With more than 20 years of experience in the switchgear business, Mr Yeo has held various positions, rising from production manager to Assistant General Manager.

Financial Review

The Group's revenue rose by approximately 10.25% from S$123.71 million in FY2009 to S$136.39 million in FY2010. Below is the segmental breakdown of Group's revenue.

Revenue and Gross Profit

Continuing Operations: - Business Segment	2010	2009	Increased/(Decrease)	
	$'000	$'000	$'000	%
Aircon	78,811	68,345	10,466	15.31
Switchgear	55,083	53,266	1,817	3.41
Others	2,499	2,102	397	18.89
	136,393	123,713	12,680	10.25
Discontinued operation:- Building Material	NA	7,224		
	136,393	130,937		

Revenue from our Aircon division increased by approximately S$10.47 million, or 15.31% in FY2010. During the year, our Aircon division benefitted from the improved economic outlook locally, translating to an increase in revenue generated from our retail customers. Our commercial installation segment has also contributed to an increase of approximately S$8.0 million in revenue during the year. The increase was mainly due to the progressive completion of major air-conditioner installation projects. In addition, our success in securing a term contract for M&E maintenance services and A&A works at Airline House, Hangars and Passenger Terminal Buildings 1, 2 & 3 at Changi Airport also contributed to the increase in revenue for the Aircon division. The increase in revenue was partially offset by the reduction in revenue as a result of the completion of air-conditioning installation project at a certain hostel in Nanyang Technological University ("NTU") which purpose was to cater to the participants of the Youth Olympic Games which was held in August 2010.

Revenue from our Switchgear division increased by approximately S$1.82 million, or 3.41% in FY2010 as compared to FY2009. The marginal increase in revenue was attributed to the Group's expansion in the Malaysian market. Revenue from trading of electrical components also contributed to the increase in revenue for Switchgear division in FY2010.

Revenue from Others segment comprises rental income generated from our properties located at Benoi Crescent as well as our corporate property at 29 Tai Seng Avenue.

Geographically, our operations in Singapore continued to benefit from the growth of the local construction industry and remained as our major revenue contributor, which accounted for 96.22% (FY2009: 98.84%) of the Group's total revenue in FY2010. Sales contributed from our Malaysia operation have increased marginally which accounted for 2.89% (FY2009: 0.36%) of the total Group's revenue in FY2010.

The Group's gross profit increased by S$474,000, or 1.61%, from S$29.45 million in FY2009 to S$29.93 million in FY2010. Our gross profit margin in FY2010 reduced from 23.81% to 21.94%, as a result of lower margin from our trading segment as well as the commencement of rental payable to Mapletree Logistics Trust subsequent to the completion of the sales and leaseback of 29 Tai Seng Avenue in August 2010.

Other income increased by approximately S$7.93 million in FY2010, from S$2.06 million in FY2009 to S$9.99 million in FY2010 primarily due to a one-off disposal gain of approximately S$7.47 million as a result of the sale and leaseback of Natural Cool Lifestyle Hub at

29 Tai Seng Avenue. Excluding this one-off disposal gain in FY2010, the other income in FY2010 is still higher than that of FY2009 by approximately S$460,000. The increase was attributed to the increase in rental income from our property at 29 Tai Seng Avenue.

Our distribution costs, administrative expenses and other expenses collectively increased from S$26.38 million in FY2009 to S$29.39 million in FY2010, mainly due to the following reasons:

• Increase in legal and professional expenses, travelling and incidental expenses relating to the proposed listing of our Switchgear division on the Growth Enterprise Market of Hong Kong Stock Exchange;

• Increase in staff costs due to the profit incentive to the top management in accordance to their respective service agreement and an increase in average salary for employees. The increase in employer CPF contribution rate by 0.5% with effect from 1 September 2010 has also contributed to the increase.

The increase was partially off-set by the decrease in impairment for receivables and fixed assets write-off.

Finance costs decreased by approximately S$454,000 or 14.87% in FY2010. This was due to the decrease in interest rate on bills payable. The repayment of term loan from Frankland Investments Ltd, loan obtained under the SPRING Singapore's Local Enterprise Finance Scheme ("SPRING loan") and property loan for 29 Tai Seng Avenue resulted in the decrease of finance cost.

Arising from the above, the operating segments of the Group reported a higher profit of approximately S$7.92 million in FY2010 as compared to a profit of approximately S$2.08 million in FY2009.

Income tax expenses for FY2010 and FY2009 were approximately S$1.09 million and S$1.03 million respectively. The effective tax rate for FY2010 was lower than the statutory tax rate of 17.00% due to the one-off disposal gain of Natural Cool Lifestyle Hub that was a capital receipt. This was partly off-set by losses from the holding company that were not transferable under the group relief scheme and the professional fee incurred for the proposed listing of our Switchgear division that was non-deductible for corporate tax purpose.

Cash flow from operating activities was an inflow of approximately S$5.56 million for FY2010 although the group reported operating profit after tax of approximately S$6.83 million. This was mainly due to reduction in utilisation of bills payable as compared to FY2009 for its purchases.

Cash Flows & Liquidity

The movement in cash and cash equivalents is set out as follows:

	2010 $'000	2009 $'000
Net cash from operating activities	5,506	9,621
Net cash from investing activities	50,319	(8,108)
Net cash from financing activities	(36,421)	4,733
Net increase in cash and cash equivalents	19,404	6,246
Effect on changes in foreign exchange rate	(79)	99
Cash and cash equivalents at the beginning of the year	6,023	(322)
Cash and cash equivalents at end of year	25,348	6,023

Net cash inflow from investing activities of approximately S$50.20 million for FY2010 was primarily due to the proceeds from the sale and leaseback of 29 Tai Seng Avenue and disposal of two properties located at Northlink.

Cash flow from financing activities was an outflow of approximately S$36.37 million for FY2010, mainly attributable to repayment of SPRING loan and three properties term loans upon disposal of these properties. The term loan from Frankland Investments Ltd was also fully repaid during the year.

Indebtedness

	As at 31 December 2010 $'000	As at 31 December 2009 $'000 Restated	As at 31 December 2008 $'000 Restated
Amount repayable in one year or less,or on demand			
Unsecured			
Bank overdrafts	-	2	1,896
Bridging loan	724	4,640	-
Short-term loans	2,779	594	150
	3,503	5,236	2,046
Secured			
Bank overdrafts	152	111	1,752
Short-term loans	496	1,635	1,154
Current portion of term loans	8,730	21,732	22,523
Finance lease payables	1,069	1,232	1,104
	10,447	24,710	26,533
	13,950	29,946	28,579
Amount repayable after one year			
Unsecured			
Bridging loan	1,700	-	-
Secured			
Bridging loan	2,877	16,186	10,607
Finance lease payables	1,003	2,061	2,558
	3,880	18,247	13,165
	19,530	**48,193**	**41,744**

Details of any collateral

The bank loans are secured on:-

(i) property, plant and equipment, investment properties, workshop machineries and non-current asset held for sale with net book values as at 31 December 2010 of S$5,647,716, S$3,825,917, S$251,853, and S$11,214,279 (FY2009: S$39,739,747, S$12,694,159 , S$300,230, and S$Nil) respectively;

(ii) fixed deposit pledged amounted to S$451,016 (FY2009: S$1,850,514);

(iii) fixed and floating charge on inventories amounted to S$302,581 (FY2009 : S$265,404); and

(iv) Corporate guarantee by Natural Cool Holdings Limited.

The finance lease payables are secured by motor vehicles, computers, equipments and machines under the lease.

Corporate Social Responsibility

SADeaf 55th Anniversary Celebrations with Mr Joseph Ang (third from right) with Dr Seet Ai Mee (centre), Guest-of-Honour for SA Deaf 55th Anniversary Celebrations, Mr Neo Hock Sik (first from left), Chairman of the 55th Anniversary Celebrations and Mr Frankie Chan (second from left), PBM, President of SADeaf.

Corporate Social Responsibility has always been an integral part of Natural Cool's business ethos. In line with our philosophy of "Doing Business with a Heart", we make it a priority to spearhead CSR initiatives.

In line with our plans to create a holistic and sustainable work environment for our valued staff, we have embarked on the Workplace Health Promotion (WHP) programme, an initiative by Health Promotion Board. Gathergates Group of companies, started the WHP programme with a session of "Qi Gong" at the roof top of Natural Cool Lifestyle Hub, at Tai Seng Avenue on 8 December 2009. As we have always considered our staff to be our most valued asset, we will continue to provide a holistic and balanced work life at Natural Cool, enhancing the health of our staff.

Qigong Demonstration and Exercise by staff of Switchgear division and CEO HPB

This year, Natural Cool received two awards from our CSR partner, the Singapore Association for the Deaf ("SADeaf"), of whom we have been an Ambassador since 2008, in recognition of our efforts and partnership. In October 2010, we received the "I Love You" Award in the Ruby Category as an appreciation of support for the SADeaf. We are honoured to be conferred this award as it has always been our aim to create a positive impact on the Deaf Community in Singapore and enhance their quality of life.

Health Pledge Signed by CEO HPB, CEO Natural Cool and senior management form Switchgear division

Our Company also received the "Employer of the Year 2010" Award for our dedication to ensure a disabled-friendly work environment for our staff with disabilities. Our corporate headquarters at Tai Seng was designed with this in mind. With a borderless and barrier-free design concept, our Tai Seng premises provide ease and accessibility for our disabled staff.

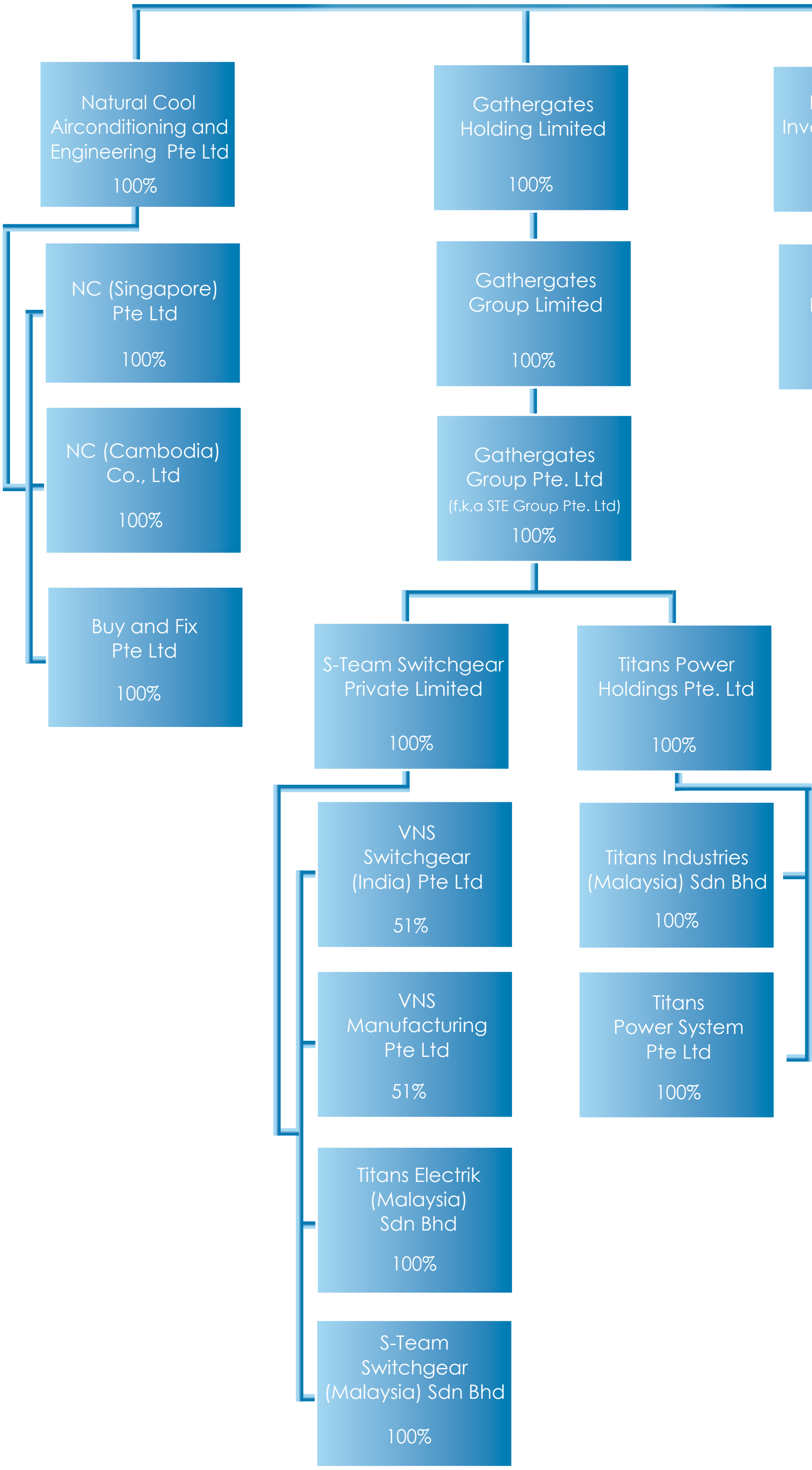
In a bid to support the work at SADeaf, we invited the SADeaf to raise money through the distribution of specially-packed handmade sweets to donors at our annual Dinner and Dance in 2010. Using this event as a platform, we were able to assist SADeaf in raising proceeds to support essential services for the Deaf Community. These services which include educational support, counselling, interpretation, hearing care and adult outreach programs amongst others, aims to assist the deaf in achieving a better quality of life and to enable them to integrate into and contribute to society.

Moving forward, CSR will continue to remain as a fundamental core of Natural Cool. We will continue in our CSR initiatives and further build on the foundation to establish a more sustainable community for the future.

Group Structure

As at 10 March 2011

NATURAL COOL®
HOLDINGS LIMITED



Corporate Information

Board of Directors:

Executive Chairman
Mr Steven Chen Choon Khee

Chief Executive Officer
Mr Joseph Ang Choon Cheng

Executive Directors
Mr Eric Ang Choon Beng
Mr Tsng Joo Peng

Lead Independent Director
Mr Lim Siang Kai

Independent Directors
Dr Wu Chiaw Ching
Mr William Da Silva

Audit Committee:

Chairman
Mr Lim Siang Kai

Members
Dr Wu Chiaw Ching
Mr William Da Silva

Nominating Committee:

Chairman
Dr Wu Chiaw Ching

Members
Mr Lim Siang Kai
Mr William Da Silva

Remuneration Committee:

Chairman
Mr William Da Silva

Members
Dr Wu Chiaw Ching
Mr Lim Siang Kai

Company Secretaries:
Yun Chee Keen
Yeoh Kar Choo Sharon

Auditors:

KPMG LLP
Certified Public Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Partner-in-charge
Mr Phuoc Tran
(With effect from financial year 2007)

Catalist Continuing Sponsor:

CNP Compliance Pte Ltd
36 Carpenter Street
Singapore 059915

Registered Office:

29 Tai Seng Avenue
#07-01 Natural Cool Lifestyle Hub
Singapore 534119

Share Registrar:

M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

Corporate Legal Advisor:

Colin Ng & Partners LLP
36 Carpenter Street
Singapore 059915

Principal Bankers:

DBS Bank Ltd
Standard Chartered Bank
United Overseas Bank Limited

Investor Relations Advisor:

Citigate Dewe Rogerson i.MAGE
Investor Relations Contact:
Email: corporateaffairs@natcool.com

Corporate **Governance Report**

The Board of Directors and Management of the Company continue to recognise the importance of corporate governance and maintain a high standard of accountability to its shareholders by complying with the recommendations made by the Code of Corporate Governance 2005 issued by the Ministry of Finance on 14 July 2005 (the "Code"). For the year ended 31 December 2010, the Company has generally adhered to the principles and guidelines as set out in the Code.

(A) BOARD MATTERS
BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The primary role of the Board is to protect and enhance long-term shareholder value. It develops the overall strategy for the Company and its subsidiaries (collectively, the "Group") and supervises its management. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including providing leadership, developing its strategic direction, establishing risk policy and goals for the management as well as monitoring the achievement of these goals.

To assist in the execution of its responsibilities, the Board has established a number of committees, including an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"). These committees are chaired by Independent Directors and function within clearly defined terms of reference and operating procedures.

The Board conducts regularly scheduled meetings. Ad-hoc meetings are convened when circumstances require. To facilitate the attendance and participation of Directors at Board meetings, the Company's Articles of Association allow Board meetings to be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

For the financial year ended 31 December 2010, the Board met on two occasions. The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings is disclosed on page 34 of this Annual Report.

The Company recognises the importance of appropriate training for its Directors. Newly appointed Directors are given an orientation and will be briefed on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors.

The Directors will also be briefed from time to time on regulatory changes which have an important bearing on the Company and the Directors' obligations towards the Company.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board presently comprises:

1. Mr Steven Chen Choon Khee - Executive Chairman

2. Mr Joseph Ang Choon Cheng – CEO

3. Mr Eric Ang Choon Beng – Executive Director

4. Mr Tsng Joo Peng – Executive Director

5. Mr Lim Siang Kai – Lead Independent Director

6. Dr Wu Chiaw Ching –Independent Director

7. Mr William Da Silva – Independent Director

Key information regarding the Directors is given in the section entitled “Board of Directors” on Page 16 in this Annual Report.

The independence of each Director is reviewed annually by the NC. The NC adopts the Code’s definition of what constitutes an independent director in its review. The NC is of the view that the three Independent Directors (who represent more than one-third of the Board) are independent.

The NC is of the view that the present constitution of the Board allows it to exercise objective judgement on corporate matters. The Board believes that the combined experience, knowledge and expertise of the Directors will provide for effective decision-making and leadership for the Company.

At Board meetings, the Directors discuss corporate strategy, budgets and financial objectives as well as the challenges arising from the changes in the evolving competitive landscape, openly debating and exercising objective judgement while always acting in the best interests of all shareholders.

The NC is of the view that the current board size is appropriate, taking into account the nature and scope of the Company’s operations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company’s business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The positions of Chairman and CEO are held by separate individuals who are executive directors and founders of the Group. Mr Steven Chen Choon Khee and Mr Joseph Ang Choon Cheng are the Executive Chairman and Chief Executive Office (“CEO”) respectively. They are substantial shareholders of the Company. Each of them plays an instrumental role in developing the business of the Group and has provided the Group with strong leadership and vision. The Executive Chairman assumes the responsibility of the Chairman of the Board and is responsible for the overall leadership of the Board. He also encourages constructive relations between the Board members and Management and facilitates the effective contribution of Non-Executive Director. He is also responsible for ensuring compliance with the Company’s guidelines on 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 senior management of the Group to ensure that the Group operates in accordance with its strategic and operational objectives.

In consultation with the CEO and with input from Management, the Chairman approves meeting schedules of the Board, the agenda for Board meetings and is advised of the Board Committee meetings. Board papers are sent to directors at least three days in advance in order for directors to be adequately prepared for the meeting. Management staff 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 Board is of the view that there is a sufficiently strong independent element on the Board to enable independent exercise of objective judgment on affairs and operation of the Group by members of the Board taking into account factors such as the number of independent directors on the Board, as well as the contributions made by each member at board meetings which relate to the affairs and operations of the Group. In this connection, the Board is of the view that there are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual.

The independent element is further strengthened by the appointment of Mr Lim Siang Kai as the lead independent director. The Lead Independent Director is the contact person for shareholders in situations where there are concerns or issues which communication with the Chairman or Chief Financial Officer of the Group has failed to resolve or where such communication is inappropriate.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

Nominating Committee

The NC comprises three Directors, namely, Dr Wu Chiaw Ching (Independent Director), Mr Lim Siang Kai (Lead Independent Director) and Mr William Da Silva (Independent Director). The Chairman of the NC is Dr Wu Chiaw Ching.

The responsibilities of the NC are to determine the criteria for the appointment of new directors; to set up a process for the selection of such appointment and to review nominations for the appointment of directors to the Board and also to decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval. For the financial year ended 31 December 2010, the NC met on one occasion.

When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The NC then nominates the most suitable candidate who is appointed to the Board.

In addition, the NC is responsible for, amongst other things:

(i) re-nomination of the retiring directors having regard to the respective director's contribution and performance;

(ii) determining annually whether or not a director is independent; and

(iii) determine whether a director who has multiple board representations is able to and has been adequately carrying out his duties as a director.

The NC reviews and recommends to the Board the re-nomination of retiring directors standing for re-election and appointment of new directors. The review ensures that the director to be re-nominated or appointed is able to contribute to the ongoing effectiveness of the board, has the ability to exercise sound business judgement, has demonstrated leadership experience, high levels of professional skills and appropriate personal qualities.

Article 101 of the Company's Articles of Association requires one-third of the Directors to retire from office by rotation and subject themselves to re-election by shareholders at the Annual General Meeting ("AGM"). Every Director must retire from office and submit themselves for re-nomination and re-election at least once every three years. Pursuant to Article 101, Mr Steven Chen Choon Khee, Mr Tsng Joo Peng, and Mr Eric Ang Choon Beng will retire at the Company's forthcoming AGM and will be eligible for re-election.

The NC has recommended to the Board that Mr Steven Chen Choon Khee, Mr Tsng Joo Peng, and Mr Eric Ang Choon Beng be nominated for re-appointment at the forthcoming AGM.

The NC also reviewed whether a director who has multiple board representations is able to and has been performing his duties as a director effectively and further ensured that internal guidelines adopted to address the competing time commitments are relevant and are adhered to. All directors are required to declare their board representations. As a result of the NC's review, the NC is of the view that Mr Lim Siang Kai, Dr Wu Chiaw Ching and Mr Steven Chen Choon Khee, who sit on multiple boards, are able to and have been performing their duties as directors of the Board satisfactorily.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which he is interested.

BOARD PERFORMANCE

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

A measure of the Board's performance is its ability to lend support to Management, especially in times of crisis and to steer the Company in the right direction. The financial indicators set out in the Code as guides for the evaluation of directors are in our opinion more of a measure of management's performance and hence are less applicable to directors. In any case, such financial indicators provide only a snapshot of a company's performance and do not fully measure the sustainable wealth creation and shareholder value of the Company in the long term.

The NC has used its best efforts to ensure directors appointed to the Board collectively possess the necessary background, experience and knowledge in our industry and relevant geographic areas, and in business and finance and have the appropriate management skills critical to the Company's business and that each independent director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

A review of the Board's performance is undertaken collectively by the Board annually and informally on a continuous basis by the NC with input from the other Board members and CEO. Renewals or replacement of Board members, when it occurs, do not necessarily reflect their contributions to date, but may be driven by the need to position and shape the Board in line with the medium term needs of the Company and its business.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of the Management. All directors have unrestricted access to the Company's records and information. Detailed Board papers are prepared for each meeting of the Board and are normally circulated three days in advance of each meeting. The Board papers include sufficient information from Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. All Independent Directors have access to all levels of senior executives in the Group, and are encouraged to speak to other employees to seek additional information if they so require.

The Board has separate and independent access to the Company Secretary and to other senior management executives of the Company and the Group at all times in carrying out their duties. The Company Secretary attends all Board and Board committee meetings and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The minutes of all Board committees' meetings are circulated to the Board. The Board takes independent professional advice as and when necessary to enable it or the Independent Directors to discharge its or their responsibilities effectively. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, to assist them in their duties.

(B) REMUNERATION MATTERS
PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Remuneration Committee

The RC comprises three members, namely, Mr William Da Silva (Independent Director), Dr Wu Chiaw Ching (Independent Director) and Mr Lim Siang Kai (Lead Independent Director). The Chairman of the RC is Mr William Da Silva. While none of the members specialises in the area of executive compensation, the RC, where necessary, may have access to independent professional expert advice.

The RC is responsible for recommending to the Board, a framework of remuneration for the Board and key executives. The RC reviews and recommends remuneration policies and packages that attract, retain and motivate directors and senior management to run the Company successfully. The review of remuneration packages takes into consideration the longer term interests of the Group and ensures that the interests of the Directors and senior management are aligned with those of the shareholders. The review covers all aspects of remuneration, including, but not limited to, Directors' salaries, fees, allowances, bonuses, options, profit sharing and benefits-in-kind. For the financial year ended 31 December 2010, the RC met on two occasions.

Each member of the RC abstains from voting on any resolutions and making any recommendation and/or participating in discussion regarding his own remuneration package or on matters in which he is interested.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate the Directors. The Independent Directors receive directors' fees, in accordance with their contribution, taking into account factors such as effort and time spent and responsibilities of the directors. The directors' fees are recommended by the entire Board for shareholders' approval at each annual general meeting. No Director is involved in deciding his own remuneration.

The Executive Directors (comprising Mr Steven Chen Choon Khee, Mr Joseph Ang Choon Cheng, Mr Tsng Joo Peng and Mr Eric Ang Choon Beng) do not receive directors' fees.

Service Agreements

The service agreements (the "Service Agreement") with the Executive Directors namely, Mr Steven Chen Choon Khee, Mr Joseph Ang Choon Cheng, Mr Eric Ang Choon Beng and Mr Tsng Joo Peng are for a fixed appointment period. The Executive Directors do not receive directors' fees. Their remuneration package as set out in the Service Agreements consist of salary, allowance and a profit sharing element that is conditional upon meeting certain performance targets, designed to align their interest with the shareholders'. The Company may terminate the Service Agreement in the event that Mr Steven Chen Choon Khee, Mr Joseph Ang Choon Cheng, Mr Eric Ang Choon Beng and Mr Tsng Joo Peng commit certain events of default as described in the Service Agreements. The Service Agreements do not provide for any benefits upon their termination of employment.

The Independent Directors do not have any service agreements with the Company. Except for directors' fees, which have to be approved by shareholders at annual general meetings, the Independent Directors do not receive any other forms of remuneration from the Company.

The Company does not have any long-term incentive scheme and employee share option scheme. The RC is of the view that the remuneration policy and amounts paid to directors are adequate and are reflective of present market conditions.

DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

A breakdown, showing the level and mix of each Director's remuneration for the year ended 31 December 2010 is as follows:-

Remuneration Band and Name of Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Dr Wu Chiaw Ching	–	100%	–	–	100%
Lim Siang Kai	–	100%	–	–	100%
William Da Silva	–	100%	–	–	100%
S$250,000 to S$499,999					
Nil					
S$500,000 to S$749,999					
Nil					
S$750,000 to S$999,999					
Eric Ang Choon Beng	39%	–	59%	2%	100%
Tsng Joo Peng	39%	–	59%	2%	100%
S$1,000,000 to S$1,249,999					
Steven Chen Choon Khee	44%	–	54%	2%	100%
Joseph Ang Choon Cheng	42%	–	56%	2%	100%

The summary of top 5 key executives' remuneration for the year ended 31 December 2010 is as follows:-

Remuneration Band and Name of Executive	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than $250,000					
Chen Choon Hui	87%	–	11%	2%	100%
Kelvin Neo Han Cheng	87%	–	11%	2%	100%
$250,000 to $499,999					
Edward Chia Puay Hwee	84%	–	15%	1%	100%
Ken Tan Aik Kwong	56%	–	42%	2%	100%
$500,000 to $749,999					
Yun Chee Keen	45%	–	53%	2%	100%

The profiles of our key executives are found on page 18 of this Annual Report.

Except as disclosed below, the Company does not have any employee who is an immediate family member of a Director or the CEO and whose remuneration exceeds S$150,000 for the year ended 31 December 2010.

Remuneration Band and Name of any employee who is an immediate family member of a Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than $250,000					
Ang Choon Teck	82%	–	16%	2%	100%

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and interim and annual announcements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects. Currently, the Company is required to release half year and full year results announcements. In view of this, the Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis. As all Directors have access to the Company's records and all levels of senior executives in the Group, the Board has no objection to receive such accounts on a quarterly basis.

AUDIT

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Audit Committee

The AC comprises three members, namely, Mr Lim Siang Kai (Lead Independent Director), Mr William Da Silva (Independent Director) and Dr Wu Chiaw Ching (Independent Director). The Chairman of the AC is Mr Lim Siang Kai. The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company. For the financial year ended 31 December 2010, the AC met on three occasions.

The AC's terms of reference include the following:-

(a) review with the external/internal auditors the audit plans, their evaluation of the system of internal controls and their audit report;

(b) review the financial statements and balance sheet and profit and loss accounts before submission to the Board for approval;

(c) review the internal control procedures and ensure co-ordination between the external/internal auditors and the Management; and review the assistance given by Management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits;

(d) review and discuss with the external auditors 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;

(e) review the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(f) review interested person transactions (if any) falling within the scope of Chapter 9 of the SGX Listing Manual Section B: Rules of Catalist; (“SGX Listing Manual”)

(g) review potential conflicts of interest, if any;

(h) 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

(i) generally undertake such other functions and duties as may be required by statute or the SGX Listing Manual, or by such amendments as may be made from time to time.

The AC has explicit authority to investigate any matter within its terms of reference, and has full access to, and the cooperation of, the Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive director or executive officer to attend its meetings. The AC meets with the internal auditors and the external auditors separately, at least once a year, without the presence of the Management, to discuss the reasonableness of the financial reporting process, to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors and any matters that may be raised.

The AC has conducted an annual review of the volume of non-audit services provided by the external auditors to satisfy the AC that the nature and extent of such services will not prejudice the independence of the external auditors. The AC is satisfied with the external auditors’ confirmation of their independence.

The Company has put in place a whistle blowing policy reviewed and endorsed by the AC, where employees can, in confidence, raise concerns about improper conduct for investigation.

The AC has recommended to the Board the reappointment of KPMG LLP as the Company’s external auditors at the forthcoming AGM.

Each member of the AC abstains from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which he is interested.

INTERNAL CONTROLS & INTERNAL AUDIT

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders’ investments and the company’s assets.

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Board recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders’ investments and the Company’s assets. Effective internal controls not only refer to financial controls but include, among others, business risk assessment and response, operational and compliance controls. During the financial year, the Company has continued to engage WLA Regnum Risk Services Pte Ltd to undertake its internal audit function. The AC, on behalf of the Board, has reviewed the effectiveness of the Group’s system of internal controls in light of key business and financial risks affecting the operations. Based on the internal auditors’ report submitted by the internal auditors and the various controls put in place by the Management, the AC is satisfied that there are adequate internal controls.

The internal auditors report primarily to the Chairman of the AC. The internal auditors plan their internal audit schedules in consultation with, but independently of, Management. The internal audit plan is submitted to the AC for approval at the beginning of the financial year. The AC meets with the internal auditors without the presence of the Company’s Management at least once a year.

All internal audit reports are submitted to the AC for deliberation and copies of these reports are given to the relevant senior management.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the SGX Listing Manual and the Companies Act, Chapter 50 of Singapore, 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 a news release. 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 will maintain open communications with investors and shareholders and will strive to attend to their queries directly, whether verbal or written. The Company welcomes active participation from shareholders at its AGMs. To facilitate voting by shareholders, the Company's articles of association allows shareholders to appoint not more than two proxies to attend and vote at the AGMs.

At AGMs, the Chairpersons of the Audit, Nominating and Remuneration Committees as well as the external auditors are requested to be present and available to address any queries by shareholders.

The Board takes note that there should be separate resolutions at general meetings on each substantially separate issue and will provide reasons and material implications where resolutions are interlinked.

(E) DEALING IN SECURITIES

The Company has adopted an internal code which prohibits all its officers from dealing in the Company's shares during the period commencing one month before the announcement of the Company's half year and full year results and ending on the date of the announcement of the results or if they are in possession of unpublished price-sensitive information of the Group.

In addition, all officers are expected to observe insider trading laws at all times even when dealing in securities within permitted trading periods. They are also discouraged from dealing in the Company's shares on short-term considerations.

(F) INTERESTED PERSON TRANSACTIONS

The Company adopts a set of procedures governing all interested person transactions to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

There were no Interested Person Transactions for disclosure according to Rule 907 of the SGX Listing Manual for the financial year ended 31 December 2010. Disclosure of significant related parties transactions is found on page 101 in this Annual Report.

(G) USE OF PROCEEDS FROM WARRANTS ISSUE

In 2008, the Company had raised approximately S$1.6 million after deducting the Warrants Issue expenses from its Warrants Issue exercise. The Warrants Issue proceeds of approximately S$1.5 million were earmarked for the expansion of the air-conditioner and switchgear business in Singapore, the People's Republic of China, India, Cambodia and/or Malaysia and the balance of approximately S$120,000 for working capital purposes.

As at 31 December 2010, approximately S$950,000 of such proceeds earmarked for the expansion of the air-conditioner and switchgear business in Singapore, the People's Republic of China, India, Cambodia and/or Malaysia were utilised, and there is a balance of approximately S$550,000 from the proceed unutilised. Pending deployment of the proceeds, the Company has utilised this sum as working capital.

(H) NON-SPONSOR FEE

There were no non-sponsor fees paid to the sponsor for the year under review.

(I) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the Managing Director, any Director or Controlling Shareholder, which were either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Other than disclosed in the audited financial statements, there are no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholder subsisting at the end of the financial year ended 31 December 2010.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of Meetings Held	3	3	2	1
Number of Meetings Attended				
Steven Chen Choon Khee	3	3*	2*	1*
Joseph Ang Choon Cheng	3	3*	2*	1*
Tsng Joo Peng	3	3*	2*	1*
Eric Ang Choon Beng	3	3*	2*	1*
Lim Siang Kai	3	3	2	1
Wu Chiaw Ching	3	3	2	1
William Da Silva	3	3	2	1

*By Invitation

Directors' **Report**

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2010.

Directors

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

Steven Chen Choon Khee	Executive Chairman
Joseph Ang Choon Cheng	Chief Executive Officer
Eric Ang Choon Beng	Executive Director
Tsng Joo Peng	Executive Director
Lim Siang Kai	Lead Independent Director
Dr. Wu Chiaw Ching	Independent Director
William Da Silva	Independent Director

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares and warrants 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		
Ordinary shares		
Steven Chen Choon Khee		
- interest held	5,920,525	7,943,525
- deemed interest	9,600,000	7,600,000
Joseph Ang Choon Cheng		
- interest held	5,513,592	14,886,592
- deemed interest	11,750,001	2,430,001
Eric Ang Choon Beng		
- interest held	28,540	5,549,540
- deemed interest	5,500,000	1,000
Tsng Joo Peng		
- interest held	220,085	241,085
- deemed interest	11,300,000	11,300,000
Warrants to subscribe for ordinary shares		
Steven Chen Choon Khee		
- interest held	3,494,557	4,694,557
- deemed interest	1,200,000	–
Joseph Ang Choon Cheng		
- interest held	3,312,477	3,912,477
- deemed interest	1,320,000	720,000

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
The Company		
Warrants to subscribe for ordinary shares		
Eric Ang Choon Beng		
- interest held	1,291,812	2,281,812
- deemed interest	990,000	–
Tsng Joo Peng		
- interest held	404,575	1,604,575
- deemed interest	2,790,000	1,590,000

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or warrants 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 2011.

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

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 34 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

During the financial year, there were:-

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

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

Warrants

Details of the unissued ordinary shares of the Company under warrants at the end of the financial year are as follows:

Date of issue	Exercise price	Warrants outstanding at 1/1/2010	Warrants issued	Warrants exercised	Warrants expired	Warrants outstanding at 31/12/2010	Date of expiration
02/07/2008	$0.10	23,854,323	–	1,293,840	–	22,560,483	01/07/2011
23/12/2009	$0.20	20,000,000	–	7,500,000	–	12,500,000	22/12/2011

On 2 July 2008, the Company issued 31,728,024 warrants at $0.06 per warrant on the basis of three warrants for every ten existing ordinary shares held. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of $0.10 per share on or before 1 July 2011.

On 23 December 2009, the Company issued 20,000,000 warrants at nil consideration in connection with a 2-years loan amounting to $4,000,000 (the "Loan") from Frankland Investments Ltd ("FIL"), a company incorporated in the British Virgin Islands. FIL has the option to set off against the outstanding Loan amount owed by the Group upon exercise of each warrant held. Subject to a maximum payment of $200,000, the Group is required to pay FIL at $0.01 per warrant for any outstanding warrants not exercised by FIL upon expiry of the exercise period. FIL has the option to transfer the warrants to third parties. During the year, FIL exercised 7,500,000 warrants to set off the outstanding Loan of $1,500,000. As at 31 December 2010, the Loan from FIL was fully repaid. Accordingly, gross proceed of $0.20 per warrant would be raised if the remaining 12,500,000 warrants issued to FIL were exercised.

All new ordinary shares will rank pari passu in all respects with the then existing ordinary shares, save for any dividends, rights, allotment or other distributions, the record date for which is on or before the relevant exercise date of warrants.

Audit Committee

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

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

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

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

The Audit Committee also reviewed the following:-

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

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.

Auditors

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

On behalf of the Board of Directors

Steven Chen Choon Khee
Director

Joseph Ang Choon Cheng
Director

31 March 2011

Statement by **Directors**

In our opinion:

(a) the financial statements set out on pages 42 to 103 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity of the Group and the Company and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

Steven Chen Choon Khee
Director

Joseph Ang Choon Cheng
Director

31 March 2011

Independent **Auditors' Report**

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 balance sheets of the Group and the Company as at 31 December 2010, the income statements, statements of comprehensive income, statements of changes in equity of the Group and the Company and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 42 and 103.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity of the Group and of the Company, and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
31 March 2011

Balance **Sheets**

As at 31 December 2010

	Note	Group 2010 $	Group 2009 $ Restated*	Group 2008 $ Restated*	Company 2010 $	Company 2009 $
Assets						
Property, plant and equipment	5	13,775,711	48,354,710	17,037,808	–	–
Intangible assets	6	3,693,977	3,919,798	1,171,826	–	–
Investment properties	7	3,825,917	12,694,159	14,424,789	–	–
Subsidiaries	8	–	–	–	15,006,817	11,226,679
Deferred tax asset	19	2,128,000	–	–	–	–
Non-current assets		23,423,605	64,968,667	32,634,423	15,006,817	11,226,679
Inventories	9	15,519,538	18,630,496	18,865,296	–	–
Trade and other receivables	11	41,663,659	38,054,694	43,026,673	8,284,716	15,827,277
Cash and cash equivalents	12	25,951,513	7,986,749	4,840,364	4,518,033	159,818
		83,134,710	64,671,939	66,732,333	12,802,749	15,987,095
Non-current asset held for sale	13	11,214,276	–	30,890,511	–	–
Current assets		94,348,986	64,671,939	97,622,844	12,802,749	15,987,095
Total assets		117,772,591	129,640,606	130,257,267	27,809,566	27,213,774
Equity						
Share capital	14	25,629,354	23,950,339	19,849,519	25,629,354	23,950,339
Reserves	15	(2,284,367)	(2,287,658)	(2,155,230)	1,125,645	1,175,276
Accumulated profits/(losses)		16,689,182	9,976,951	10,519,904	(282,965)	(3,854,241)
Equity attributable to owner of the Company		40,034,169	31,639,632	28,214,193	26,472,034	21,271,374
Non-controlling interests		592,614	492,835	896,688	–	–
Total equity		40,626,783	32,132,467	29,110,881	26,472,034	21,271,374
Liabilities						
Financial liabilities	16	5,579,592	18,246,282	13,165,359	–	4,200,000
Deferred tax liabilities	18	752,539	972,283	1,145,847	–	–
Non-current liabilities		6,332,131	19,218,565	14,311,206	–	4,200,000
Trade and other payables	19	53,639,259	47,328,131	57,132,027	1,212,532	1,738,316
Financial liabilities	16	13,950,209	29,946,271	28,578,977	125,000	–
Current tax payable		3,224,209	1,015,172	974,176	–	4,084
Provision		–	–	150,000	–	–
Current liabilities		70,813,677	78,289,574	86,835,180	1,337,532	1,742,400
Total liabilities		77,145,808	97,508,139	101,146,386	1,337,532	5,942,400
Total equity and liabilities		117,772,591	129,640,606	130,257,267	27,809,566	27,213,774

* Restated for classification of financial liabilities as described in note 2 to the financial statements.

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

Income **Statements**

Year ended 31 December 2010

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Continuing operations					
Revenue	20	136,393,405	123,713,707	–	–
Cost of sales		(106,467,766)	(94,261,629)	–	–
Gross profit		29,925,639	29,452,078	–	–
Other income	23	9,989,530	2,058,975	7,094,210	4,682,045
Distribution expenses		(5,665,704)	(5,603,322)	(262,622)	(292,510)
Administrative expenses		(23,338,566)	(19,279,387)	(2,996,545)	(4,036,383)
Other expenses		(389,793)	(1,494,797)	–	(4,297,057)
Results from operating activities		10,521,106	5,133,547	3,835,043	(3,943,905)
Finance costs	21	(2,596,261)	(3,049,785)	(263,767)	(264,422)
Profit/(Loss) before income tax		7,924,845	2,083,762	3,571,276	(4,208,327)
Income tax expenses	22	(1,091,797)	(1,032,709)	–	(4,034)
Profit/(Loss) from continuing operations		6,833,048	1,051,053	3,571,276	(4,212,361)
Discontinued operations					
Loss from discontinued operations (net of income tax)	28	–	(1,847,696)	–	–
Profit/(Loss) for the year	24	6,833,048	(796,643)	3,571,276	(4,212,361)
Profit/(Loss) attributable to:					
Owners of the Company		6,712,231	(542,953)	3,571,276	(4,212,361)
Non-controlling interests		120,817	(253,690)	–	–
Profit/(Loss) for the year		6,833,048	(796,643)	3,571,276	(4,212,361)
Earnings/(Loss) per share (cents)	25				
Basic		4.82	(0.48)		
Diluted		4.63	(0.48)		
Continuing operations					
Basic		4.82	1.15		
Diluted		4.63	1.11		

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

Statements of **Comprehensive Income**

Year ended 31 December 2010

Group	**2010** **$**	**2009** **$**
Profit/(Loss) for the year	6,833,048	(796,643)
Other comprehensive income		
Foreign currency translation differences for foreign operations	31,884	22,466
Total comprehensive income for the year	6,864,932	(774,177)
Attributable to:		
Owners of the Company	6,765,153	(522,861)
Non-controlling interests	99,779	(251,316)
Total comprehensive income for the year	6,864,932	(774,177)

Company		
Profit/(Loss) for the year representing total comprehensive income for the year	3,571,276	(4,212,361)

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

Consolidated Statement of **Changes in Equity**

Year ended 31 December 2010

Group	Share capital $	Capital reserve $	Translation reserve $	Warrants reserve $	Accumulated profits $	attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 1 January 2009	19,849,519	(3,377,530)	(105,496)	1,327,796	10,519,904	28,214,193	896,688	29,110,881
Total comprehensive income for the year								
- Loss for the year	–	–	–	–	(542,953)	(542,953)	(253,690)	(796,643)
Other comprehensive income								
- Foreign currency translation differences	–	–	20,092	–	–	20,092	2,374	22,466
Total comprehensive income for the year	–	–	20,092	–	(542,953)	(522,861)	(251,316)	(774,177)
Transactions with owners, recorded directly in equity								
Warrant issue expenses	–	–	–	(44,000)	–	(44,000)	–	(44,000)
Exercise of warrants	320,820	–	–	(108,520)	–	212,300	–	212,300
Issue of shares for acquisition of subsidiary	3,780,000	–	–	–	–	3,780,000	–	3,780,000
Total transactions with owners	4,100,820	–	–	(152,520)	–	3,948,300	–	3,948,300
Disposal of subsidiary	–	–	–	–	–	–	(152,537)	(152,537)
At 31 December 2009	23,950,339	(3,377,530)	(85,404)	1,175,276	9,976,951	31,639,632	492,835	32,132,467

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

Consolidated Statement of **Changes in Equity**

Year ended 31 December 2010

Group	Share capital $	Capital reserve $	Translation reserve $	Warrants reserve $	Accumulated profits $	Total attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 1 January 2010	23,950,339	(3,377,530)	(85,404)	1,175,276	9,976,951	31,639,632	492,835	32,132,467
Total comprehensive income for the year								
- Profit for the year	–	–		–	6,712,231	6,712,231	120,817	6,833,048
Other comprehensive income								
- Foreign currency translation differences	–	–	52,922	–	–	52,922	(21,038)	31,884
Total comprehensive income for the year	–	–	52,922	–	6,712,231	6,765,153	99,779	6,864,932
Transactions with owners, recorded directly in equity								
Exercise of warrants	1,679,015	–	–	(49,631)	–	1,629,384	–	1,629,384
At 31 December 2010	25,629,354	(3,377,530)	(32,482)	1,125,645	16,689,182	40,034,169	592,614	40,626,783

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

Statement of **Changes in Equity**

Year ended 31 December 2010

	Share capital $	Warrants reserve $	Accumulated profits/(losses) $	Total $
Company				
At 1 January 2009	19,849,519	1,327,796	358,120	21,535,435
Total comprehensive income for the year				
- Loss for the year	–	–	(4,212,361)	(4,212,361)
Transactions with owners, recorded directly in equity				
Warrant issue expenses	–	(44,000)	–	(44,000)
Exercise of warrants	320,820	(108,520)	–	212,300
Issue of shares for acquisition of subsidiary	3,780,000	–	–	3,780,000
Total transactions with owners	4,100,820	(152,520)	–	3,948,300
At 31 December 2009	23,950,339	1,175,276	(3,854,241)	21,271,374
Total comprehensive income for the year				
- Profit for the year	–	–	3,571,276	3,571,276
Transactions with owners, recorded directly in equity				
Exercise of warrants	1,679,015	(49,631)	–	1,629,384
At 31 December 2010	25,629,354	1,125,645	(282,965)	26,472,034

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

Consolidated **Cash Flow Statement**

Year ended 31 December 2010

	Note	2010 $	2009 $
Operating activities			
Profit/(Loss) for the year		6,833,048	(796,643)
Adjustments for:			
Amortisation of intangible assets	6	364,761	229,988
Bad debts written-off		135,156	252,392
Depreciation of investment properties	7	307,821	433,091
Depreciation of property, plant and equipment	5	2,431,679	2,816,855
(Gain)/Loss on disposal of property, plant and equipment		(7,562,865)	162,371
Loss/(Gain) on disposal of investment property		42,980	(552,461)
Gain on disposal of subsidiaries		–	(1,071,773)
Impairment loss on plant and equipment		–	102,715
Intangible assets written-off		–	19,924
Plant and equipment written-off		38,385	434,886
Interest expenses	21	2,596,261	3,208,501
Interest income	23	(83,722)	(52,022)
Listing expenses		649,219	306,571
Income tax expense	22	1,091,797	1,032,709
		6,844,520	6,527,104
Changes in working capital:			
Inventories		3,110,958	(354,989)
Trade and other receivables		3,191,383	5,817,161
Trade and other payables		(6,410,166)	(1,400,321)
Cash generated from operations		6,736,695	10,588,955
Income taxes paid		(1,230,503)	(968,067)
Cash flows from operating activities		5,506,192	9,620,888
Investing activities			
Acquisition of subsidiaries, net of cash acquired	27	–	401,510
Disposal of subsidiaries, net of cash	28	–	(24,418)
Interest received		83,722	52,022
Proceeds from disposal of investment property		1,140,000	1,850,000
Proceeds from disposal of property, plant and equipment		50,870,350	654,730
Purchase of computer software		(20,140)	(277,621)
Purchase of industrial certificates		(134,323)	(110,040)
Purchase of property, plant and equipment		(2,220,456)	(11,754,808)
Receipt of profit guarantee		600,000	1,100,114
Cash flows from/(used in) investing activities		50,319,153	(8,108,511)

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

Consolidated **Cash Flow Statement**

Year ended 31 December 2010

	Note	2010 $	2009 $
Financing activities			
Non-trade amounts due to subsidiaries' directors		(76,137)	(119,411)
Non-trade amounts due to related parties		–	(155,030)
Fixed deposit pledged		1,399,498	(336,328)
Interest paid		(2,596,261)	(3,231,553)
Expenses for issue of warrants of the Company		–	(44,000)
Payment of listing expenses		(1,365,655)	(391,945)
Proceeds from issue of shares from the exercise of warrants of the Company		129,384	212,300
Proceeds from borrowings		5,352,600	13,446,478
Repayment of bank borrowings		(31,332,727)	(3,095,179)
Repayment of finance lease liabilities		(1,449,110)	(1,551,969)
Security deposit paid		(6,482,715)	–
Cash flows (used in)/from financing activities		(36,421,123)	4,733,363
Net increase in cash and cash equivalents		19,404,222	6,245,740
Effect of changes in foreign exchange rate		(78,914)	98,822
Cash and cash equivalents at beginning of year		6,023,044	(321,518)
Cash and cash equivalents at end of year	12	25,348,352	6,023,044

Significant non-cash transaction

During the year, the Company issued 7,500,000 ordinary shares upon exercise of warrants by the warrant holder to set off $1,500,000 loan owing to them.

In 2009, the Group acquired subsidiary by issuing 3,780,000 ordinary shares of the Company (note 27).

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

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 2011.

1 Domicile and activities

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

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

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

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

2 Prior year classification of financial liabilities

A term loan which contains a clause that gives the lender the unconditional rights to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of Singapore Financial Reporting Standards (FRS) 1 – *Presentation of Financial Statements,* irrespective of the probability that the lender will invoke the clause without cause.

The Group has reviewed the all its long-term borrowings and reclassified certain of its long-term portion of the term loans as at 31 December 2008 and 2009 as current as it did not have the unconditional rights to defer settlement. Previously, such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreements as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The reclassification has been applied retrospectively by re-presenting the balances as at 31 December 2008 and 2009. The reclassification has no effect on the reported profit or loss, total income and expense or net assets for any period presented.

	As previously reported $	Reclassification $	As restated $
Effect on the Group's balance sheet as at 31 December 2009			
Non-current liabilities			
Financial liabilities	41,125,714	(22,879,432)	18,246,282
Current liabilities			
Financial liabilities	7,066,839	22,879,432	29,946,271

	As previously reported $	Reclassification $	As restated $
Effect on the Group's balance sheet as at 31 December 2008			
Non-current liabilities			
Financial liabilities	14,723,744	(1,558,385)	13,165,359
Current liabilities			
Financial liabilities	27,020,592	1,558,385	28,578,977

3 Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with FRS.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at amortised cost or fair value. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

3.3 Functional and presentation currency

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

3.4 Uses of estimates and judgements

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

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

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 5 – estimated useful lives of property, plant and equipment
- Note 6 – measurement of recoverable amounts of goodwill
- Notes 7 and 29 – measurement of recoverable amount of investment properties
- Note 9 – valuation of carrying amount of inventories
- Notes 11 and 17 – recoverability of trade and other receivables
- Note 13 – measurement of recoverable amount of non-current asset held for sale
- Note 20 – revenue and profit recognition on uncompleted projects

3.5 Changes in accounting policies

Accounting for business combinations

From 1 January 2010, the Group has applied FRS 103 *Business Combinations* (2009) in accounting for business combinations. Business combinations are now accounted for using the acquisition method as at the acquisition date as described in note 4.1.

Previously, business combinations were accounted for under the purchase method. The cost of an acquisition was measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition was credited to profit or loss in the period of the acquisition. For business acquisitions that were achieved in stages, any existing equity interests in the acquiree were not re-measured to their fair value. Contingent consideration was recognised as an adjustment to the cost of acquisition only when it was probable and can be measured reliably.

The change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2010 and has no material impact on earnings per share.

Accounting for acquisitions of non-controlling interests

From 1 January 2010, the Group has applied FRS 27 – *Consolidated and Separate Financial Statements* (2009) in accounting for acquisitions of non-controlling interests. See note 4.1 for the revised accounting policy.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

The change in accounting policy has been applied prospectively and has no impact on earnings per share.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements, and have been applied consistently by Group entities, except as explained in note 3.5, which addresses changes in accounting policies.

4.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

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.

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

When share-based payment awards (replacement awards) are required to be exchanged for awards held by acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount if the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

Acquisitions 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 revised. 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. Any difference between the cash paid for the acquisition and net assets acquired is recognised directly in equity.

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 the fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Acquisition of non-controlling interests

Acquisition of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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.

Accounting for subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

4.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period 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, except for differences arising on retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised in other comprehensive income.

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 end of the reporting period. 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 translated at the closing rate. 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 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 Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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. These are recognised in other comprehensive income, and are presented in the translation reserve in equity.

4.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. 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 balance sheet 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's non-derivative financial assets consist primarily loans and receivables.

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 comprise cash balances and bank deposits with original maturities of three months of less.

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 balance sheet 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, bank overdrafts and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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.

Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that requires 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 balance sheet 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.

4.4 Property, plant and equipment

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 costs of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost may include transfer from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. 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. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, its book value at the date of reclassification becomes its cost for subsequent accounting.

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.

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 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. 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 and property under construction are not depreciated.

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

Freehold properties	50 years
Computers	3 years
Furniture, fittings and office equipment	5 years
Motor vehicles	5-10 years
Machineries	5-10 years
Tools	5 years
Renovation	5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use. Depreciation methods, useful lives and residual values are reviewed at end of each reporting period and adjusted if appropriate.

4.5 Intangible assets

Goodwill

Goodwill represents the excess of:

- 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 existing equity interest in the acquiree,

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

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Computer software

Computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its 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 carried 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 three 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 asset.

Amortisation methods, useful lives and residual value are reviewed at each financial year-end and adjusted if appropriate.

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 life are reviewed at each reporting date and adjusted if appropriate. Estimates in respect of the useful life of the industrial certificates were revised in 2010 (see note 6).

Customer contracts

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. The customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the period during which the income from the related contracts is earned.

Subsequent expenditure

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

4.6 Investment property

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

Investment property is initially recognised at cost and subsequently carried 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 lives of the Group's properties are 50 years. No depreciation is provided on freehold land. Depreciation methods, useful lives and residual values are reviewed, adjusted as appropriate, at each reporting date.

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.

When the use of a property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

4.7 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 balance sheet.

4.8 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. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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 4.14) less progress billings and recognised losses. 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. An expected loss on a contract is recognised immediately in the profit or loss.

Construction contracts in progress is presented as part of inventories in the balance sheet 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 contracts in progress as part of trade and other payables in the balance sheet.

4.9 Impairment

Non-derivative financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at 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 had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets 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, and indications that a debtor will enter bankruptcy.

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 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, timing of recoveries and the amount of loss incurred, adjusted for management's judgment 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 a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial 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 to 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 CGU. 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 CGU 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 amounts 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.

4.10 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

4.11 Employee benefits

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 an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

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.

4.12 Deferred revenue

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.

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

4.13 Provisions

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

4.14 Revenue

Goods sold

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 persuasive evidence exists, usually in the form of an executed sales agreement, that the 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 transfers 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.

Services rendered

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

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. As soon as 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.

The stage of completion is assessed by reference to surveys of work performed. 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.

Rental income

Rental income from investment property 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.

4.15 Government grants – Jobs Credit Scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised upon receipt. Such grants are provided to defray the wage costs incurred by the Group and are offset against staff costs.

4.16 Lease payments

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

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

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

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

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.

4.17 Finance income and costs

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

Finance costs comprise interest expense on borrowings. 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.

4.18 Income tax

Income tax expense comprises current and deferred tax. 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 and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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 income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

4.19 Warrants

The proceeds received from the subscription price for the issue of warrants net of direct issuance expenses are credited to the warrants reserve. As and when the warrants are exercised, the subscription price net of direct issuance expenses for the warrants exercised will be transferred from warrants reserve to share capital. Upon the expiry of the warrants, the balance of the warrants reserve representing the net proceeds from the issuance of the warrants not exercised will be taken to accumulated profits.

4.20 Discontinued operations

A discontinued operation is a component if the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or 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 income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

4.21 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary share. Basic earning 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 comprise convertible notes and share options granted to employees.

4.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue 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 Executive Directors ("GED") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the GED include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

4.23 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 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

5 Property, plant and equipment

Group	Note	Freehold land $	Freehold properties $	Leasehold properties $	Computers $	Furniture, fittings and office equipment $	Motor vehicles $	Tools and machineries $	Renovation $	Building under construction $	Total $
Cost											
At 1 January 2009		3,920,160	2,992,033	–	943,928	1,412,810	3,657,744	6,819,756	1,721,131	741,953	22,209,515
Acquisitions through business combination	27	–	–	–	29,210	14,579	157,901	827	4,444	–	206,961
Disposal of subsidiaries	28	–	–	–	(5,823)	(155,557)	(75,488)	(609,729)	(237,997)	–	(1,084,594)
Additions		–	42,608	42,238	384,650	276,465	125,128	601,953	1,522,870	2,100,090	5,096,002
Disposals/write-offs		–	(5,382)	–	(99,476)	(301,224)	(701,816)	(650,011)	(385,959)	–	(2,143,868)
Reclassification		801,965	2,008,993	–	–	–	–	–	–	(2,810,958)	–
Reclassification from non-current asset held for sale	13	–	–	30,890,511	–	–	–	–	–	–	30,890,511
Translation differences on consolidation		(16,740)	(33,836)	–	(307)	1,868	1,918	12,749	(7,046)	(31,085)	(72,479)
At 31 December 2009		4,705,385	5,004,416	30,932,749	1,252,182	1,248,941	3,165,387	6,175,545	2,617,443	–	55,102,048
Additions		–	–	–	79,310	122,009	118,524	267,783	1,701,367	–	2,288,993
Disposals/write-offs		–	–	(30,932,749)	(448,957)	(79,341)	(411,937)	(73,601)	(593,774)	–	(32,540,359)
Reclassification to investment properties	7	(2,967,794)	(1,091,796)	–	–	–	–	–	–	–	(4,059,590)
Translation differences on consolidation		38,457	86,596	–	470	98	(3,648)	(37,782)	9,010	–	93,201
At 31 December 2010		1,776,048	3,999,216	–	883,005	1,291,707	2,868,326	6,331,945	3,734,046	–	20,884,293
Accumulated depreciation and impairment losses											
At 1 January 2009		–	199,688	–	600,570	295,438	2,327,635	1,551,127	197,249	–	5,171,707
Depreciation for the year		–	59,386	644,432	258,265	256,828	303,954	807,569	486,421	–	2,816,855
Disposal of subsidiaries	28	–	–	–	(5,691)	(68,980)	(75,488)	(207,495)	(97,931)	–	(455,585)
Disposals/write-offs		–	(27)	–	(51,422)	(123,901)	(272,771)	(306,105)	(137,655)	–	(891,881)
Impairment		–	–	–	–	–	–	102,715	–	–	102,715
Translation differences on consolidation		–	(676)	–	156	1,323	780	2,423	(479)	–	3,527
At 31 December 2009		–	258,371	644,432	801,878	360,708	2,284,110	1,950,234	447,605	–	6,747,338
Depreciation for the year		–	91,736	300,735	240,528	252,042	190,462	697,423	658,753	–	2,431,679
Disposals/write-offs		–	-	(945,167)	(446,730)	(53,391)	(278,175)	(6,555)	(101,015)	–	(1,831,033)
Reclassification to investment properties	7	–	(222,755)	–	–	–	–	–	–	–	(222,755)
Translation differences on consolidation		–	196	–	(431)	(757)	(1,537)	(14,101)	(17)	–	(16,647)
At 31 December 2010		–	127,548	–	595,245	558,602	2,194,860	2,627,001	1,005,326	–	7,108,582
Carrying amounts											
At 1 January 2009		3,920,160	2,792,345	–	343,358	1,117,372	1,330,109	5,268,629	1,523,882	741,953	17,037,808
At 31 December 2009		4,705,385	4,746,045	30,288,317	450,304	888,233	881,277	4,225,311	2,169,838	–	48,354,710
At 31 December 2010		1,776,048	3,871,668	–	287,760	733,105	673,466	3,704,944	2,728,720	–	13,775,711

Change of use

During the year, the Group reclassified its freehold land and property located at 202 Tagore Lane to investment property as there was change in use from own-occupied to rental purposes.

Impairment loss

In 2009, the Group assessed the carrying value of its machineries held by the former sub-contractor in Malaysia because of the potential costs involved in bringing back the machineries. Management assessed that the recoverable amount to be $nil as there were uncertainties over the repossession of these machineries that were located in Malaysia. Accordingly, an impairment loss of $102,715 was recognised in the Group's income statement.

Securities

As at the balance sheet date, net book values of property, plant and equipment pledged as security to secure banking facilities as set out in note 16 to the financial statements were as follows:

	2010	**2009**
	$	**$**
Freehold land and properties	5,647,716	9,451,430
Leasehold properties	–	30,288,317
Machineries	251,853	300,230
	5,899,569	40,039,977

Leased assets

During the financial year, the Group acquired property, plant and equipment under finance lease amounted to $161,666 (2009: $987,218). As at the balance sheet date, net book values of property, plant and equipment which were held under finance leases were as follows:

	2010	**2009**
	$	**$**
Motor vehicles	224,770	792,653
Machineries	1,608,870	2,065,763
Computers	103,156	183,357
Equipment	4,805	10,676
Renovation	211,196	281,595
	2,152,797	3,334,044

Leasehold property

In 2009, the Group's leasehold property was partially leased to external customers. Those leases contained an initial non-cancellable period of 2 years. Subsequent renewals were negotiated with the lessees based on market rates. None of the leases included contingent rentals.

As at the balance sheet date, the Group's total minimum lease receivables under non-cancellable operating leases are as follows:

	2010 $	2009 $
Within 1 year	–	1,336,210
After 1 year but within 5 years	–	1,444,350
	–	2,780,560

Freehold properties

Details of the Group's freehold properties classified under property, plant and equipment are as follows:

Location	Gross floor area (approximate sq.m.)	Tenure	Use
16 Jalan Mega 1/8 Taman Perindustrian Nusa Cemerlang 79200 Nusajaya, Johor Darul Takzim Malaysia	6,068.4	Freehold	Industrial
18 Jalan Mega 1/8 Taman Perindustrian Nusa Cemerlang 79200 Nusajaya, Johor Darul Takzim Malaysia	6,068.4	Freehold	Industrial

Building under construction

In 2009, interest expense included in building under construction was $27,272.

Sources of estimation uncertainty

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 50 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 depreciation charges could be revised.

6 Intangible assets

	Note	Goodwill on consolidation $	Computer software $	Industrial certificates $	Customer contracts $	Total $
Group						
Cost						
At 1 January 2009		1,448,685	569,488	884,441	–	2,902,614
Acquisitions through business combination	27	1,872,639	–	528,143	71,936	2,472,718
Additions		–	415,473	110,040	–	525,513
Disposal of subsidiaries		(1,442,190)	(5,505)	–	–	(1,447,695)
Disposal/write-off		–	(24,642)	–	–	(24,642)
Translation differences on consolidation		–	(322)	(140)	–	(462)
At 31 December 2009		1,879,134	954,492	1,522,484	71,936	4,428,046
Additions		–	3,672	134,323	–	137,995
Translation differences on consolidation		–	401	620	–	1,021
At 31 December 2010		1,879,134	958,565	1,657,427	71,936	4,567,062
Accumulated amortisation and impairment losses						
At 1 January 2009		1,442,190	288,598	–		1,730,788
Disposal of subsidiaries		(1,442,190)	(5,505)	–	–	(1,447,695)
Amortisation for the year		–	158,052	–	71,936	229,988
Disposal/write-off		–	(4,718)	–	–	(4,718)
Translation differences on consolidation		–	(115)	–	–	(115)
At 31 December 2009		–	436,312	–	71,936	508,248
Amortisation for the year		–	238,801	125,960	–	364,761
Translation differences on consolidation		–	89	(13)	–	76
At 31 December 2010		–	675,202	125,947	71,936	873,085
Carrying amounts						
At 1 January 2009		6,495	280,890	884,441	–	1,171,826
At 31 December 2009		1,879,134	518,180	1,522,484	–	3,919,798
At 31 December 2010		1,879,134	283,363	1,531,480	–	3,693,977

In 2009, the Group acquired computer software with an aggregate cost of $415,473, of which $120,462 was acquired under finance leases. The net book value of these computer software at 31 December 2010 was $121,348 (2009: $170,462).

The amortisation charges of industrial certificates and customer contracts are included in the cost of sales and amortisation charges of computer software are included in the administrative expenses in the consolidated income statement.

Customer contracts

In 2009, customer contracts acquired in a business combination was recognised at fair value at the acquisition date. The customer contracts had a finite useful life and were carried at cost less accumulated amortisation. Amortisation was calculated using the straight-line method over the period during which the income from the related contracts was earned.

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 26.

The carrying amount of goodwill amounted to $1,872,639 is allocated to the operation of Titans Power Holding Pte. Ltd. and its subsidiaries (TPH CGU).

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors of the Group and extrapolates it over the next four years at no growth from the year ending 31 December 2012.

Key assumptions used for the value-in-use calculation for the year ended 31 December 2010 are as follows:

- The anticipated revenue growth in the year ending 31 December 2011 was 44%. The order book as at the 31 January 2011 was $28 million. These orders are expected to be delivered by 31 December 2011;
- Budgeted gross margin of 22%;
- Budgeted increase in operating expenses by 12% per annum;
- Pre-tax discount rate of 10% has been applied to pre-tax cash flow projections; and
- No terminal value has been considered.

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

Any reasonable change in the above key assumptions will not materially cause the recoverable value to be lower than the carrying amount. Accordingly, management believes that no impairment is required.

Changes in estimate

Prior to 1 January 2010, management assessed that its industrial certificates had indefinite useful life. Thus, industrial certificates were not amortised. With effect from 1 January 2010 as a result of the introduction of upgraded requirements, the Group reassessed the useful life of its industrial certificates and estimated the useful life of the industrial certificates to be 25 years. The effect of the change is to increase amortisation expense and cost of sales by $66,300 per year in the future. The Group has recognised the amortisation expenses for both 2009 and 2010 years in the income statement of 2010.

Amortisation

Computer software and industrial certificates are amortised on a straight line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 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.

7 Investment properties

	Note	Freehold land $	Freehold property $	Leasehold properties $	Total $
Group					
Cost					
At 1 January 2009		–	–	14,873,594	14,873,594
Disposal		–	–	(1,700,975)	(1,700,975)
At 31 December 2009		–	–	13,172,619	13,172,619
Reclassification from property, plant and equipment	5	2,967,794	1,091,796	–	4,059,590
Reclassification to non-current asset held for sale	13	–	–	(11,888,096)	(11,888,096)
Disposals		–	–	(1,284,523)	(1,284,523)
At 31 December 2010		2,967,794	1,091,796	–	4,059,590
Accumulated depreciation and impairment losses					
At 1 January 2009		–	–	448,805	448,805
Depreciation for the year		–	–	433,091	433,091
Disposal		–	–	(403,436)	(403,436)
At 31 December 2009		–	–	478,460	478,460
Reclassification from property, plant and equipment	5	–	222,755	–	222,755
Reclassification to non-current asset held for sale	13	–	–	(673,820)	(673,820)
Depreciation for the year		–	10,918	296,903	307,821
Disposals		–	–	(101,543)	(101,543)
At 31 December 2010		–	233,673	–	233,673
Carrying amounts					
At 1 January 2009		–	–	14,424,789	14,424,789
At 31 December 2009		–	–	12,694,159	12,694,159
At 31 December 2010		2,967,794	858,123	–	3,825,917

As at 31 December 2010, the fair value of the Group's investment property located at 202 Tagore Lane with carrying amount of $3,825,917 was $3,850,000. The fair value was determined on 22 February 2011 by GSK Global Pte Ltd.

The investment property of the Group is pledged to financial institution as loan security (see note 16).

The Group's investment property is leased to external customers. The leases contain an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessees at market rates. None of the leases includes contingent rentals.

As at balance sheet date, the Group's total minimum lease receivables under non-cancellable operating leases are as follows:

	2010 $	2009 $
Within 1 year	114,000	86,160
After 1 year but within 5 years	57,000	46,560
	171,000	132,720

Details of the Group freehold property classified under investment properties are as follows:

Location	Gross floor area (approximate sq.m.)	Tenure	Use
202 Tagore Lane Singapore 787591	436.40	Freehold	Rental

8 Subsidiaries

	Company 2010 $	Company 2009 $
Equity investments, at cost	15,006,817	11,226,679

Details of subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective equity held by the Group 2010 %	Effective equity held by the Group 2009 %
Held by the Company			
Natural Cool Airconditioning & Engineering Pte Ltd ("NCAE")	Singapore	100	100
Natural Cool Investments Pte. Ltd. ("NCI")	Singapore	100	100
Gathergates Holding Limited ("GG(C)")	Cayman Islands	100[@]	–
Held by NCAE			
NC (Shanghai) M & E Co., Ltd.	People's Republic of China	–*	100
NC (CAMBODIA) Co. Ltd	Kingdom of Cambodia	100	100
NC (Singapore) Pte. Ltd.	Singapore	100	100
Buy and Fix Pte. Ltd.	Singapore	100	–
Held by GG(C)			
Gathergates Group Limited ("GG(B)")	British Virgin Islands	100[@]	100
Held by GG(B)			
Gathergates Group Pte. Ltd. ("GG(S)") (*formerly known STE Group Pte. Ltd.)*	Singapore	100	100
Held by GG(S)			
Titans Power Holding Pte. Ltd. ("TPH")	Singapore	100	100
S-Team Switchgear Private Limited ("S-Team")	Singapore	100	100
Held by TPH			
Titans Power System Pte. Ltd.	Singapore	100	100
Titans Industries (M) Sdn. Bhd.	Malaysia	100	100

Name of subsidiary	Country of incorporation	Effective equity held by the Group	
		2010	2009
		%	%
Held by S-Team			
VNS Manufacturing Pte. Ltd.	Singapore	51	51
VNS Switchgear (India) Private Limited	India	51	51
S-Team Switchgear (Malaysia) Sdn. Bhd.	Malaysia	100	100
Titans Elektrik Sdn. Bhd.	Malaysia	100	100
Held by NCI			
J2 Pte. Ltd. ("J2")	Singapore	Under liquidation	Under liquidation
Natural Cool Development Sdn. Bhd.	Malaysia	100	100
Held by J2			
J2 Manufacturing Sdn. Bhd.	Malaysia	–*	–

* Struck off during the year
@ Not required to be audited in the country of incorporation

KPMG LLP, Singapore is the auditor of all Singapore incorporated subsidiaries. Other member firms of KPMG International are auditors of foreign-incorporated except for VNS Switchgear (India) Private Limited and Natural Cool Development Sdn Bhd which are audited by S.K. OAK & Co Chartered Accountants (India) and SQ Morison, Chartered Accountants (Malaysia) respectively. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

9 Inventories

	Note	2010	2009
		$	$
Raw materials		4,583,770	6,168,042
Work-in-progress		279,752	1,137,770
Finished goods		8,959,890	7,645,466
Construction contracts in progress	10	1,696,126	3,679,218
		15,519,538	18,630,496

The cost of inventories recognised as an expense and included in the cost of sales of the Group amounted to $75,243,408 (2009: $63,081,244).

As at balance sheet date, inventories amounting to $302,581 (2009: $265,404) are pledged under fixed and floating charge to secure banking facilities.

Management reviews an ageing analysis at each balance sheet 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. No allowances for inventories were made as at 31 December 2010 (2009: $nil). Adjustments to the carrying amount of inventories will be made in future periods in the event that there is objective evidence of impairment resulting from future loss events.

10 Construction work-in-progress

	Note	2010 $	2009 $
Contract costs incurred		29,106,667	15,891,740
Attributable profits		3,675,631	1,690,904
		32,782,298	17,582,644
Progress billings		(29,953,824)	(13,703,014)
		2,828,474	3,879,630
Comprising			
Construction contracts in progress	9	1,696,126	3,679,218
Retention sum included in accrued revenue	11	1,864,805	564,504
Excess of progress billings over construction contracts in progress	19	(732,457)	(364,092)
		2,828,474	3,879,630

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 work-in-progress (see note 19).

11 Trade and other receivables

		Group		Company	
	Note	2010 $	2009 $	2010 $	2009 $
Trade receivables					
- third parties		25,787,671	31,116,747	–	152,274
Amounts due from subsidiaries					
- trade		–	–	335,846	335,575
- non-trade		–	–	395,798	15,057,793
Accrued discounts receivable		1,948,432	2,097,460	–	–
Receivable from profit guarantee	(i)	361,944	961,944	–	–
Other receivables		494,577	107,130	–	13
Dividend receivable		–	–	6,870,000	–
		28,592,624	34,283,281	7,601,644	15,545,655
Impairment losses		(742,299)	(2,391,907)	–	–
Loans and receivables	17	27,850,325	31,891,374	7,601,644	15,545,655
Accrued revenue		4,160,478	3,753,462	–	25,479
Deposits		7,291,795	1,418,771	113,300	3,550
Prepayments		1,233,852	469,612	569,772	32,593
Advances to suppliers		1,127,209	301,475	–	–
Deferred interest expenses	(ii)	–	220,000	–	220,000
		41,663,659	38,054,694	8,284,716	15,827,277

(i) The balance relates to the remaining compensation receivable arising from profit guarantee arrangement with the vendors of a subsidiary under liquidation. In 2008, the Group recognised a total of $2,062,058 as compensation income in the income statement, with a corresponding amount recorded in the balance sheet.

(ii) In 2009, the Group obtained a 2-years loan amounting to $4,000,000 (the "Loan") at an interest rate of 7.50% per annum from Frankland Investments Ltd ("FIL"), a company incorporated in the British Virgin Islands. Pursuant to the loan agreement, the Group has on 23 December 2009 issued 20,000,000 warrants with nil consideration at an exercise price of $0.20 per share to FIL. FIL has the option to set off against the outstanding Loan amount owed by the Goup upon exercise of each warrant held. Subject to a maximum payment of $200,000, the Group is required to pay FIL at $0.01 per warrant for any outstanding warrants not exercised by FIL upon expiry of the exercise period. FIL has the option to transfer the warrants to third parties. In addition, the Group paid Patek Advisory Pte. Ltd., a company related to FIL, a sum of $240,000 as introduction fee. Both expenses are deemed to be the interest cost on the loan and thus are amortised over the tenor of the loan. As at 31 December 2010, the deferred interest expenses have been fully amortised.

During the year, FIL exercised 7,500,000 (2009: NIL) warrants (note 14) to set off the outstanding Loan of $1,500,000. As a 31 December 2010, the Loan from FIL was fully repaid. Accordingly, gross proceed of S$0.20 per warrant would be raised if the remaining 12,500,000 warrants that were issued to FIL were exercised.

Accrued revenue for the Group includes retention sums relating to construction work-in-progress of $2,567,230 (2009: $1,450,566).

In 2009, non-trade amount due from a subsidiary amounted to $11,218,345 was unsecured, repayable on demand and interest-bearing at 6% to 7.5% per annum. All other outstanding balances with subsidiaries are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

The Group and Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 17.

12 Cash and cash equivalents

		Group		Company	
	Note	2010	2009	2010	2009
		$	$	$	$
Cash at bank and in hand		23,326,221	5,465,044	4,518,033	159,818
Fixed deposits		2,625,292	2,521,705	–	–
Cash and cash equivalents	17	25,951,513	7,986,749	4,518,033	159,818
Pledged deposits		(451,016)	(1,850,514)		
Bank overdrafts					
- Unsecured	16	–	(1,981)		
- Secured	16	(152,145)	(111,210)		
		(603,161)	(1,963,705)		
Cash and cash equivalents in cash flow statement		25,348,352	6,023,044		

Secured bank overdrafts are secured by joint and several personal guarantees by a director of the Company and directors of a subsidiary.

The pledged deposit represents bank balances of a subsidiary pledged as security to obtain credit facilities and security for customer contract.

The Group and Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 17.

13 Non-current asset held for sale

	Note	Group 2010 $	Group 2009 $
At 1 January		–	30,890,511
Reclassification from investment properties	7	11,214,276	–
Reclassification to property, plant and equipment	5	–	(30,890,511)
At 31 December		11,214,276	–

In 2009, the Group's wholly-owned subsidiary, NCI entered into an option agreement with an independent third party for the sale of the Benoi property at $11,800,000. The completion of the transaction is subject to the approval by Jurong Town Corporation upon expiry of the prohibition period after 31 August 2011.

14 Share capital

	Group and Company			
	2010		2009	
	No. of shares	$	No. of shares	$
Fully paid ordinary shares, with no par value				
At 1 January	134,633,781	23,950,339	111,510,610	19,849,519
Issue of shares for acquisition of subsidiary	–	–	21,000,000	3,780,000
Issue of shares on the exercise of warrants (net of expenses)	8,793,840	1,679,015	2,123,171	320,820
At 31 December	143,427,621	25,629,354	134,633,781	23,950,339

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.

In 2009, the Company issued 21,000,000 ordinary shares at $0.18 per share for the acquisition of subsidiaries pursuant to a Sale and Purchase Agreement to acquire Titans Power Holding Pte. Ltd. as described in note 27.

During the year,

- 1,293,840 (2009: 2,123,171) warrants issued on 2 July 20008 were exercised and the number of outstanding warrants as at 31 December 2010 was 22,560,483 (2009: 23,854,323); and
- 7,500,000 (2009: nil) warrants were exercised by FIL (see note 11).

15 Reserves

	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Capital reserve	(3,377,530)	(3,377,530)	–	–
Translation reserve	(32,482)	(85,404)	–	–
Warrants reserve	1,125,645	1,175,276	1,125,645	1,175,276
	(2,284,367)	(2,287,658)	1,125,645	1,175,276

The capital reserve arises from a common control transaction accounted for using the "pooling of interest" method.

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

The warrants reserve comprises proceeds from issue of warrants, net of direct warrants issuance expenses and amounts transferred to share capital upon exercise of warrants.

16 Financial liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 17.

	Note	Group 2010 $	Group 2009 $ Restated	Group 2008 $ Restated	Company 2010 $	Company 2009 $
Non-current liabilities						
Unsecured						
Bridging loan		1,699,701	–	–	–	–
Secured						
Term loans		2,877,035	16,185,301	10,607,210	–	4,200,000
Finance lease liabilities		1,002,856	2,060,981	2,558,149	–	–
		3,879,891	18,246,282	13,165,359	–	4,200,000
Total non-current liabilities		5,579,592	18,246,282	13,165,359	–	4,200,000
Current liabilities						
Unsecured						
Bank overdrafts	12	–	1,981	1,896,108	–	–
Bridging loan		724,392	4,640,000	–	–	–
Short-term loans		2,778,727	594,184	150,000	–	–
		3,503,119	5,236,165	2,046,108	–	–

	Note	Group 2010 $	Group 2009 $ Restated	Group 2008 $ Restated	Company 2010 $	Company 2009 $
Secured						
Bank overdrafts	12	152,145	111,210	1,751,588	–	–
Construction loan		–	–	19,897,332	–	–
Current portion of term loans		8,730,415	21,731,899	2,626,509	125,000	–
Short-term loans		495,601	1,634,614	1,153,652	–	–
Finance lease liabilities		1,068,929	1,232,383	1,103,788	–	–
		10,447,090	24,710,106	26,532,869	125,000	–
Total current liabilities		13,950,209	29,946,271	28,578,977	125,000	–
Total financial liabilities		19,529,801	48,192,553	41,744,336	125,000	4,200,000

Bank loans of $22,879,432 and $1,558,385 as at 31 December 2009 and 31 December 2008, respectively, have been presented as current as the bank agreements included clauses which gave the banks the ability to recall the loans on demand at their sole discretion (see note 2). However, provided the Group does not breach the events of default included in the agreements, the Group does not expect the banks to exercise these rights.

Such interest-bearing loans and borrowings (excluding bank overdrafts) were due for repayment as follows:

	Group 2009 $	Group 2008 $
Expected repayment analysis:		
After 1 year but within 2 years	2,555,038	225,797
After 2 years but within 5 years	5,419,792	752,650
After 5 years	14,904,602	579,938
	22,879,432	1,558,385

The bank loans are secured on property, plant and equipment, investment properties and non-current asset held for sale.

Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	2010 Face value $	2010 Carrying amount $	2009 Face value $	2009 Carrying amount $	2008 Face value $	2008 Carrying amount $
Group								
Bank overdrafts	benchmark prime lending rate + 0.25%	2011	152,145	152,145	113,191	113,191	3,647,696	3,647,696
RM floating rate loans	from 1.25% to prime rate to 2.30% below prime rate	2013-2023	2,302,177	2,302,177	4,349,592	4,349,592	2,254,556	2,254,556
S$ floating rate loans	from 1.25% below prime rate to 0.75% above prime rate	2011-2024	9,552,081	9,552,081	21,705,460	21,705,460	3,841,141	3,841,141
Hong Kong dollars floating rate loan	prime rate	2011	1,278,727	1,278,727	501,555	501,555	–	–
Japanese yen floating rate loan	LIBOR + 1.85%	2011	495,601	495,601	470,122	470,122	–	–
S$ fixed rate loans	4.50%-7.50%	2016-2019	3,677,285	3,677,285	17,759,269	17,759,269	28,241,778	28,241,778
India rupee floating rate loan	benchmark prime lending rate + 1.50%	2009	–	–	–	–	97,228	97,228
Finance lease liabilities	3.00%-7.05%	2011-2014	2,232,783	2,071,785	3,636,807	3,293,364	4,129,831	3,661,937
			19,690,799	19,529,801	48,535,996	48,192,553	42,212,230	41,744,336
Company								
S$ fixed rate loan	7.50%	2011	125,000	125,000	4,200,000	4,200,000	–	–

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain balance sheet ratios, minimum paid-up capital of its subsidiary 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 17. As at 31 December 2010, none of the covenants relating to drawn down facilities had been breached.

Finance lease liabilities

At 31 December 2010, the Group has obligations under finance leases that are repayable as follows:

	2010 Principal $	2010 Interest $	2010 Payments $	2009 Principal $	2009 Interest $	2009 Payments $
Group						
Within 1 year	1,068,929	101,168	1,170,097	1,232,383	179,116	1,411,499
After 1 year but within 5 years	970,412	57,585	1,027,997	2,013,938	159,516	2,173,454
After 5 years	32,444	2,245	34,689	47,043	4,811	51,854
	2,071,785	160,998	2,232,783	3,293,364	343,443	3,636,807

17 Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Loans and receivables	11	27,850,325	31,891,374	7,601,644	15,545,655
Cash and cash equivalents	12	25,951,513	7,986,749	4,518,033	159,818
Recognised financial assets		53,801,838	39,878,123	12,119,677	15,705,473
Intragroup financial guarantee		–	–	32,084,568	61,190,416
		53,801,838	39,878,123	44,204,245	76,895,889

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are engaged in a wide spectrum of manufacturing and distribution activities, and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivables falls within the recorded allowances.

The maximum exposure to credit risk for loans and receivables at the reporting date for the Group and Company by type of customer respectively is:

	2010 $	2009 $
Group		
Commercial	23,517,610	26,912,163
Retail	592,310	1,650,935
Trading	2,873,576	2,259,374
Others	866,829	1,068,902
	27,850,325	31,891,374
Company		
Commercial	7,601,644	15,545,655

Impairment losses

The ageing of receivables at the reporting date is:

	Gross 2010 $	Impairment losses 2010 $	Gross 2009 $	Impairment losses 2009 $
Group				
Not past due	13,859,547	–	14,201,400	–
Past due 0 – 30 days	6,799,666	–	7,640,561	–
Past due 31 – 120 days	5,347,455	–	8,052,510	59
Past due 121 – 365 days	1,539,320	42,155	1,580,302	58,218
More than one year	1,046,636	700,144	2,808,508	2,333,630
	28,592,624	742,299	34,283,281	2,391,907

	Gross 2010 $	Impairment losses 2010 $	Gross 2009 $	Impairment losses 2009 $
Company				
Not past due	7,265,798	–	15,191,162	–
Past due 0 – 30 days	–	–	22	–
Past due 31 – 120 days	–	–	882	–
Past due 121 – 365 days	270	–	18,277	–
More than one year	335,576	–	335,312	–
	7,601,644	–	15,545,655	–

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

	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
At 1 January	2,391,907	2,406,667	–	–
Impairment loss recognised	366,864	2,545,433	–	–
Impairment loss utilised	(1,822,883)	(3,643)	–	–
Impairment loss written-back	(193,589)	(210,162)	–	–
Disposal of subsidiaries	–	(2,346,388)	–	–
At 31 December	742,299	2,391,907	–	–

Based on historic default rates, the Group believes that, apart from the above, no other significant impairment allowance is necessary. The receivables are mainly arising by 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 asset directly. At 31 December 2010, the Group and the Company does not have any collective impairment on its loans and receivables (2009: nil).

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments, excluding the impact of netting agreements and assuming loans amounting to $22,879,432 and $1,558,385 as at 31 December 2009 and 2008, respectively with clauses of repayment at the banks' discretion, are repayable within 1 year:

		Contractual undiscounted Cash flows			
Group 2010	**Carrying amount $**	**Total $**	**Within 1 year $**	**Within 2 to 5 years $**	**More than 5 years $**
Non-derivative financial liabilities					
Variable interest rate loans	13,628,586	(15,039,684)	(11,385,608)	(1,671,987)	(1,982,089)
Fixed interest rate loans	3,677,285	(3,928,372)	(2,131,571)	(1,796,801)	–
Finance lease liabilities	2,071,785	(2,232,783)	(1,170,097)	(1,027,997)	(34,689)
Trade and other payables	53,639,259	(53,714,218)	(53,714,218)	–	–
Bank overdrafts	152,145	(152,145)	(152,145)	–	–
	73,169,060	(75,067,202)	(68,553,639)	(4,496,785)	(2,016,778)

Group	Carrying amount	Contractual undiscounted cash flows			
		Total	Within 1 year	Within 2 to 5 years	More than 5 years
2009	**$**	**$**	**$**	**$**	**$**
Non-derivative financial liabilities					
Variable interest rate loans	27,026,729	(29,000,664)	(24,086,392)	(2,147,218)	(2,767,054)
Fixed interest rate loans	17,759,269	(21,282,976)	(6,466,353)	(7,931,584)	(6,885,039)
Finance lease liabilities	3,293,364	(3,636,807)	(1,411,499)	(2,173,454)	(51,854)
Trade and other payables	47,328,131	(47,541,165)	(47,541,165)	–	–
Bank overdrafts	113,191	(113,191)	(113,191)	–	–
	95,520,684	(101,574,803)	(79,618,600)	(12,252,256)	(9,703,947)
2008					
Non-derivative financial liabilities					
Variable interest rate loans	6,192,925	(7,182,558)	(3,443,394)	(2,049,884)	(1,689,280)
Fixed interest rate loans	28,241,778	(31,718,887)	(21,222,671)	(3,065,397)	(7,430,819)
Finance lease liabilities	3,661,937	(4,129,831)	(1,318,009)	(2,800,942)	(10,880)
Trade and other payables	57,132,027	(57,973,418)	(57,973,418)	–	–
Bank overdrafts	3,647,696	(3,647,696)	(3,647,696)	–	–
	98,876,363	(104,652,390)	(87,605,188)	(7,916,223)	(9,130,979)
Company					
2010					
Non-derivative financial liabilities					
Fixed interest rate loans	125,000	(125,000)	(125,000)	–	–
Trade and other payables	1,212,532	(1,212,532)	(1,212,532)	–	–
Intragroup financial guarantees	32,084,568	(32,084,568)	(32,084,568)	–	–
	33,422,100	(33,422,100)	(33,422,100)	–	–
2009					
Non-derivative financial liabilities					
Fixed interest rate loans	4,200,000	(4,338,630)	(300,000)	(4,038,630)	–
Trade and other payables	1,738,316	(1,738,316)	(1,738,316)	–	–
Intragroup financial guarantees	61,190,416	(61,190,416)	(61,190,416)	–	–
	67,128,732	(67,267,362)	(63,228,732)	(4,038,630)	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The analysis below shows the cash outflows based on the agreed repayment schedule:

Group	Carrying amount	Contractual undiscounted cash flows			
		Total	Within 1 year	Within 2 to 5 years	More than 5 years
2009	**$**	**$**	**$**	**$**	**$**
Non-derivative financial liabilities					
Variable interest rate loans	27,026,729	(36,352,140)	(4,708,982)	(10,371,083)	(21,272,075)
Fixed interest rate loans	17,759,269	(21,547,646)	(2,961,713)	(11,507,066)	(7,078,867)
	44,785,998	(57,899,786)	(7,670,695)	(21,878,149)	(28,350,942)
2008					
Non-derivative financial liabilities					
Variable interest rate loans	6,192,925	(7,349,780)	(2,225,842)	(3,071,019)	(2,052,919)
Fixed interest rate loans	28,241,778	(31,822,020)	(20,882,937)	(3,256,698)	(7,682,385)
	34,434,703	(39,171,800)	(23,108,779)	(6,327,717)	(9,735,304)

Currency risk

Exposure to currency risk

The Group's exposures to foreign currency risk based on notional amounts were as follows:

	Singapore dollar $	US dollar $	Malaysian ringgit $	Japanese yen $	Hong Kong dollar $
2010					
Trade and other receivables	4,525,081	48,607	3,764	–	470,997
Cash and cash equivalents	18,701	68,103	–	–	–
Trade and other payables	(9,147,295)	(1,119,549)	(58,405)	–	(307,657)
Bank loans	–	–	–	(495,602)	(1,278,727)
	(4,603,513)	(1,002,839)	(54,641)	(495,602)	(1,115,387)
2009					
Trade and other receivables	1,782,273	177,286	–	–	320,811
Cash and cash equivalents	8,125	113,008	–	–	–
Trade and other payables	(4,791,998)	(330,003)	(181,289)	–	(132,729)
Bank loans	–	–	–	(470,012)	(501,555)
	(3,001,600)	(39,709)	(181,289)	(470,012)	(313,473)

The Company did not have any foreign currency transactions.

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated against the above currencies at 31 December 2010 would have increased/(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. The analysis is performed on the same basis for 2009, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Group	
	2010 $	2009 $
Profit or loss		
Singapore dollar	(460,351)	(300,160)
US dollar	100,284	3,971
Malaysian ringgit	5,464	18,129
Japanese yen	49,560	47,012
Hong Kong dollars	111,539	31,347
	(193,504)	(199,701)

A 10% weakening of Singapore dollar against the above currencies at 31 December 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

Profile

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	Carrying amount 2010 $	Carrying amount 2009 $
Fixed rate instruments		
Financial liabilities	(5,749,070)	(21,052,633)
Bills payable	(11,587,214)	(20,673,911)
Fixed deposits	2,625,292	2,521,705
	(14,710,992)	(39,204,839)
Variable rate instruments		
Financial liabilities	(13,780,731)	(27,139,920)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit before income tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	2010		2009	
Group	100 bp increase $	100 bp decrease $	100 bp increase $	100 bp decrease $
Profit before income tax				
Variable rate instruments	(137,807)	137,807	(271,399)	271,399

Fair values

Fair values versus carrying amounts

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008 except as follows:

	Carrying amount 2010 $	Fair value 2010 $	Carrying amount 2009 $	Fair value 2009 $
Liabilities carried at amortised cost				
Finance lease liabilities	2,071,785	2,172,250	3,293,364	3,548,013
Fixed interest rate bank loans	3,677,285	3,886,720	17,759,269	18,975,266
	5,749,070	6,058,970	21,052,633	22,523,279

The basis for determining fair values is disclosed in note 29.

Interest rates used for determining fair value

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

18 Deferred tax liabilities

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

Group	At 1/1/2010 $	Foreign currency translation difference $	Reclassification of asset $	Recognised in income statements (note 22) $	At 31/12/2010 $
Deferred tax liabilities					
Property, plant and equipment	865,665	1,110	(249,150)	(152,461)	465,164
Investment properties	108,949	–	202,086	(61,885)	249,150
Non-current asset held for sale	–	–	47,064	(8,839)	38,225
	974,614	1,110	–	(223,185)	752,539
Deferred tax assets					
Investment properties	(2,331)	–	–	2,331	–
	972,283	1,110	–	(220,854)	752,539

Group	At 1/1/2009 $	Disposal of subsidiary (note 28) $	Reclassification of asset $	Recognised in income statements (note 22) $	At 31/12/2009 $
Deferred tax liabilities					
Property, plant and equipment	1,310,161	(242,164)	–	(202,332)	865,665
Investment properties	62,431	–	–	46,518	108,949
	1,372,592	(242,164)	–	(155,814)	974,614
Deferred tax assets					
Investment properties	(226,745)	–	–	224,414	(2,331)
	1,145,847	(242,164)	–	68,600	972,283

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the balance sheet as follows:

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
Deferred tax liabilities	752,539	972,283	–	–

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

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Unutilised tax losses	163,618	466,889	–	–
Unabsorbed capital allowances	–	68,549	–	–
Deductible temporary differences	–	28,493	–	–
	163,618	563,931	–	–

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, unabsorbed capital allowances and deductible temporary differences 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.

19 Trade and other payables

		Group		Company	
	Note	2010	2009	2010	2009
		$		$	$
Trade payables					
- third parties		18,538,196	17,584,195	238,238	265,546
- subsidiary		–	–	9,314	293,850
Bills payable		11,587,214	20,673,911	–	–
Excess of progress billings over construction contracts in progress	10	732,457	364,092	–	–
Deposits received		2,568,507	2,520,861	–	–
Deferred revenue	(i)	13,131,638	558,869	–	–
Accrued expenses		5,962,747	4,463,426	964,980	348,261
Other payables	(ii)	1,118,500	1,086,640	–	21,228
Amount due to a subsidiary (non-trade)		–	–	–	809,431
Amounts due to subsidiaries' directors		–	76,137	–	–
		53,639,259	47,328,131	1,212,532	1,738,316

The Group and the Company's exposures to currency and liquidity risk related to trade and other payables are disclosed in note 17.

(i) Includes deferred revenue of $12.5 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 of under a sale and leaseback arrangement. The deferred revenue is to be amortised on a straight-line basis over the leaseback period of 10 years. As at 31 December 2010, deferred tax amounting to $2,128,000 in respect of the deferred revenue has been recognised.

(ii) Includes payable for acquisition of property, plant and equipment and intangible assets of $72,448 (2009: $247,914).

Outstanding balances with subsidiaries 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 2.30% to 9.50% (2009: 2.67% to 6.75%).

20 Revenue

	Continuing operations		Discontinued operation (see note 28)		Consolidated	
	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$
Sale of goods	87,754,935	86,123,042	–	691,866	87,754,935	86,814,908
Revenue from construction contracts	37,320,445	31,672,924	–	6,531,611	37,320,445	38,204,535
Revenue from services rendered	8,838,095	3,712,463	–	–	8,838,095	3,712,463
Rental income	2,479,930	2,205,278	–	–	2,479,930	2,205,278
	136,393,405	123,713,707	–	7,223,477	136,393,405	130,937,184

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 balance sheet date, which would affect the revenue and profit recognised in future years. As at 31 December 2010, the management considered that all costs to complete and revenue can be reliably estimated.

21 Finance costs

Recognised in respect of financial liabilities not fair value through profit or loss:

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Continuing operations				
Interest expenses:				
- bank loans	2,083,373	2,533,269	–	–
- bank overdrafts	–	8,450	–	–
- finance leases	193,554	270,188	–	–
- others	319,334	237,878	263,767	264,422
	2,596,261	3,049,785	263,767	264,222
Discontinued operations				
Interest expenses:				
- bank loans	–	64,595	–	–
- bank overdrafts	–	70,642	–	–
- finance leases	–	10,479	–	–
- others	–	13,000	–	–
	–	158,716	–	–
	2,596,261	3,208,501	263,767	264,422

22 Income tax expenses

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Current tax expenses				
Current year	915,539	1,213,819	–	–
Adjustment for prior years	397,112	(249,710)	–	4,034
	1,312,651	964,109	–	4,034
Deferred tax expenses				
Origination and reversal of temporary differences	195,359	361,639	–	–
Reduction in tax rate	–	(25,262)	–	–
Adjustment for prior years	(416,213)	(267,777)	–	–
	(220,854)	68,600	–	–
Income tax expense				
Income tax expense from continuing operations	1,091,797	1,032,709	–	4,034

Reconciliation of effective tax rate

Profit/(loss) before income tax	7,924,845	236,066	3,571,277	(4,208,327)
Tax calculated using Singapore tax rate at 17%	1,347,224	40,132	607,117	(715,415)
Reduction in tax rate	–	(25,262)	–	–
Effect of different tax rates in other countries	11,707	(40,514)	–	–
Income not subject to tax	(1,039,503)	(1,321,330)	(1,167,900)	(751,709)
Singapore statutory stepped income exemption	(116,784)	(77,775)	–	–
Non-deductible expenses	984,115	2,043,446	560,783	1,467,021
Effect of previously unrecognised tax losses	(87,170)	(13,795)	–	–
(Over)/Under provided in prior years	(19,101)	(517,487)	–	4,034
Deferred tax assets not recognised	–	883,507	–	–
Others	11,309	61,787	–	103
	1,091,797	1,032,709	–	4,034

23 Other income

	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Bad debts written back	3,053	53,553	–	–
Dividends	–	–	6,870,000	4,400,000
Foreign exchange gain – net	142,141	–	–	
Gain on disposal of investment property	–	552,461		–
Gain on disposal of plant and equipment	7,562,865	–	–	–
Grant received	–	95,870	–	–
Interest income[#]				
- banks	83,722	51,838	–	–
- subsidiary	–	–	224,210	261,370
Rental income	1,916,714	986,544	–	–
Others	281,035	318,709	–	20,675
	9,989,530	2,058,975	7,094,210	4,682,045

[#] recognised in respect of financial assets not fair value through profit or loss

24 Profit/(Loss) for the year

The following items have been included in arriving at profit/(loss) for the year:

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Amortisation of intangible assets	6	364,761	229,988	–	–
Bad debts written-off		135,156	252,392	–	4,047,057*
Staff costs		24,011,652	21,876,132	2,231,904	2,555,994
Contributions to defined contribution plans, included in staff costs		1,180,910	1,092,770	100,573	87,553
Directors' fees		80,000	103,612	80,000	88,000
Government grants – Jobs Credit Scheme offset against staff cost		(87,462)	(615,705)	(5,326)	(32,764)
Foreign exchange (gain)/loss – net		(142,141)	232,371	–	–
Loss on disposal of property, plant and equipment		–	162,371	–	–
Loss on disposal of investment properties		42,980	–	–	–
Impairment loss on trade and other receivable – net	17	173,275	2,335,271	–	–
Impairment of property, plant and equipment		–	102,715	–	–
Non-audit fees paid to:					
- auditors of the Company		191,158	125,084	–	–
- other auditors		6,981	9,439	–	–
Operating expenses arising from rental of investment properties		443,283	518,282	–	–
Operating lease expenses		6,593,057	2,052,099	280,683	551,207
Plant and equipment written-off		38,385	434,886	–	–

* Bad debts written-off pursuant to discontinued operation as disclosed in Note 28.

25 Earnings/(Loss) per share

The calculation of basic and diluted earnings/(loss) per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of $6,712,231 (2009: loss of $542,953), calculated as follows:

Profit/(Loss) attributable to ordinary shareholders

	Group					
	Continuing operations		Discontinued operation		Consolidated	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**	**$**	**$**
Basic and diluted earnings/(loss) per share are based on:						
Net profit/(loss) attributable to ordinary shareholders	6,712,231	1,304,743	–	(1,847,696)	6,712,231	(542,953)

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share at 31 December 2010 was based on weighted average number of ordinary shares outstanding of 139,234,343 (2009: 113,500,641), calculated as follows:

Weighted average number of ordinary shares

	Group	
	2010	**2009**
Issued ordinary shares at 1 January	134,633,781	111,510,610
Effect of warrants exercised	4,309,947	1,127,017
Effect of shares issued during the year	290,615	863,014
Weighted average number of ordinary shares during the year	139,234,343	113,500,641

Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per ordinary share at 31 December 2010 was based on a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 144,830,877 (2009: 117,497,497), calculated as follows:-

	Group	
	2010	**2009**
Weighted average number of ordinary shares (basic)	139,234,343	113,500,641
Effect of ordinary shares issuable under warrants	5,596,534	3,996,756
Weighted average number of ordinary shares (diluted) at 31 December	144,830,877	117,497,397

At 31 December 2009, 20,000,000 warrants were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. As the potential shares are anti-dilutive, i.e. decreasing the loss per share, the diluted loss per share for the financial year ended 31 December 2009 was computed on the same basis as basic loss per share.

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.

26 Segment reporting

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 Executive Directors reviews 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.

The Group's building materials that was principally engaged in trading of ferrous and non-ferrous materials, general contractors and construction, and manufacturing of office system furniture and fitment was discontinued in 2009.

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 Group's Executive Directors. 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. Inter-segment pricing is determined on an arm's length basis and mutually agreed terms.

Information about reportable segments

	Aircon $	Switchgear $	Investment $	Total $
Revenue and expenses				
2010				
Total revenue from external customers	78,810,600	55,083,800	2,499,005	136,393,405
Inter-segment revenue	146,241	290,285	1,824,734	2,261,260
Total revenue of reportable segments	78,956,841	55,374,085	4,323,739	138,654,665
Interest revenue	192,171	141,025	6,349	339,545
Interest expenses	575,885	759,482	1,477,163	2,812,530
Depreciation and amortisation	692,973	1,306,088	1,151,822	3,150,883
Reportable segment profit before income tax	2,106,646	2,603,137	6,531,568	11,241,351
Other material non-cash items				
- Impairment of receivables	173,275	–	–	173,275
- Plant and equipment written-off	243	997	37,145	38,385
Reportable segment assets	34,316,926	44,221,873	35,054,202	113,593,001
Capital expenditure	220,994	1,102,959	1,103,035	2,426,988
Reportable segment liabilities	23,050,239	25,124,686	35,465,864	83,640,789

	Aircon $	Switchgear $	Building materials (discontinued) $	Investment $	Total $
Revenue and expenses					
2009					
Total revenue from external customers	68,345,283	53,266,139	7,223,477	2,102,285	130,937,184
Inter-segment revenue	463,950	237,992	137,787	1,799,159	2,638,888
Total revenue of reportable segments	68,809,233	53,504,131	7,361,264	3,901,444	133,576,072
Interest revenue	41,174	117,874	184	35,670	194,902
Interest expenses	828,449	640,869	233,697	1,668,365	3,371,380
Depreciation and amortisation	622,012	965,941	265,609	1,588,702	3,442,264
Reportable segment profit/(loss) before income tax and impairment	2,337,887	4,363,530	(2,654,925)	1,133,912	5,180,404
Assets impairment due to cessation of foreign subsidiaries	(525,256)	–	–	–	(525,256)
Reportable segment profit/(loss) before income tax	1,812,631	4,363,530	(2,654,925)	1,133,912	4,655,148
Other material non-cash items					
- Impairment of receivables	479,379	169,992	1,896,062	–	2,545,433
- Impairment for property, plant and equipment	–	–	–	102,715	102,715
- Plant and equipment written off	111,618	–	160,059	163,209	434,886
- Intangibles written off	761	19,163	–	–	19,924
Reportable segment assets	43,758,077	43,643,854	–	50,167,906	137,569,837
Capital expenditure	1,010,361	4,066,438	46,890	497,826	5,621,515
Reportable segment liabilities	33,449,132	30,369,988	–	50,735,263	114,554,383

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

	2010 $	2009 $
Revenues		
Total revenue for reportable segments	138,654,665	133,576,072
Elimination of inter-segment revenue	(2,261,260)	(2,638,888)
Elimination of discontinued operations	–	(7,223,477)
Consolidated revenue	136,393,405	123,713,707
Profit or loss		
Total profit for reportable segments	11,241,351	4,655,148
Other profit (loss)	3,571,277	(4,208,326)
	14,812,628	446,822
Elimination of inter-segment profits	(6,887,783)	(210,756)
Elimination of discontinued operations	–	1,847,696
Consolidated profit before income tax	7,924,845	2,083,762
Assets		
Total assets for reportable segments	113,593,001	137,569,837
Other assets	27,809,749	27,213,774
Elimination of inter-segment assets	(23,630,159)	(35,143,005)
Consolidated total assets	117,772,591	129,640,606
Liabilities		
Total liabilities for reportable segments	83,640,789	114,554,383
Other liabilities	1,337,532	5,942,400
Elimination of inter-segment liabilities	(7,832,513)	(22,988,644)
Consolidated total liabilities	77,145,808	97,508,139

Other material items

	Reportable segment totals $	Adjustments $	Consolidated totals $
2010			
Interest income	339,545	(255,823)	83,722
Interest expenses	2,812,530	(216,269)	2,596,261
Capital expenditure	2,426,988	–	2,426,988
Depreciation and amortisation	3,150,883	(46,622)	3,104,261
Impairment of receivables	173,275	–	173,275
Plant and equipment written-off	38,385	–	38,385
2009			
Interest income	194,902	(143,064)	51,838
Interest expenses	3,371,380	(162,879)	3,208,501
Capital expenditure	5,621,515	–	5,621,515
Depreciation and amortisation	3,442,264	37,670	3,479,934
Impairment of receivables	2,545,433	(210,162)	2,335,271
Impairment of property, plant and equipment	102,715	–	102,715
Plant and equipment written-off	434,886	–	434,886
Intangibles written off	19,924	–	19,924

Geographical segments

Geographical segments are analysed by five principal geographical areas: Singapore, People's Republic of China, 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.

Geographical information

	Revenue $	Non-current assets $
31 December 2010		
Singapore	131,237,071	16,183,494
People's Republic of China	6,262	–
India	220,813	551,313
Malaysia	3,935,463	6,688,798
Other countries	993,796	–
	136,393,405	23,423,605
31 December 2009		
Singapore	129,416,023	57,879,810
People's Republic of China	503,608	–
India	67,730	706,205
Malaysia	474,774	6,382,652
Other countries	475,049	–
Discontinued operations	(7,223,477)	–
	123,713,707	64,968,667

Major Customer

Revenue from one customer of the Group's Aircon segment represents approximately $10,240,886 (2009: $15,983,868) of the Group's total revenue.

27 Acquisition of subsidiaries

Acquisition for the year ended 31 December 2009

On 29 June 2009, the Company acquired 1,250,000 ordinary shares representing the entire issue share capital in Titans Power Holding Pte. Ltd.("TPH") for a total consideration of $3,780,000, satisfied by issuance of 21,000,000 ordinary shares of the Company. The fair value of the ordinary shares issued was based on the listed share of the Company on 29 June 2009 of S$0.18 per ordinary share.

The financial statements of TPH Group were included in the financial statements from 29 June 2009, the date that the Company secured majority representation of TPH's Board of Directors leading to the commencement of control over the key operating and financial policies of TPH Group.

TPH Group contributed a net profit of $162,721 to the consolidated net profit for the financial period from 29 June 2009 to 31 December 2009. Had the acquisition had occurred on 1 January 2009, Group revenue would have been $138,117,902 and net loss would have been $638,367.

Fair value adjustment of intangible assets amounted to $71,936 was recognised. This related to customer contracts acquired. The net cash inflow arising from the acquisition amounted to $401,510 in 2009.

Goodwill arising from acquisition amounted to $1,872,639 was mainly attributable to the synergies expected to be achieved from integrating TPH Group into the Group's existing switchgear manufacturing business. None of the goodwill recognised is deductible for income tax purposes.

28 Discontinued operation

In 2009, the Group carried out few restructuring exercises to divest its building materials segment by disposing of or commencing liquidation proceedings for entities under this segment in the last quarter of 2009. The Group recorded a net gain on sale of discontinued operation of $1.1 million represented by a gain from disposal of $7.1 million and the consequential bad debts written off of $6.0 million (of which $4.1 million was recorded by the Company).

	Note	Group 2009 $
Results of discontinued operation		
Revenue		7,223,477
Expenses		(10,142,946)
Results from operating activities		(2,919,469)
Gain on sale of discontinued operation		1,071,773
Loss for the year		(1,847,696)
Basic loss per share (cents)		(1.63)
Diluted loss per share (cents)		(1.63)
Cash flows from discontinued operation		
Net cash from operating activities		(659,815)
Net cash from investing activities		68,839
Nat cash from financing activities		(293,041)
Net cash from discontinued operation		(884,017)
Effect of disposal on the financial position of the Group		
Property, plant and equipment	5	629,009
Inventories		681,829
Trade and other receivables		2,533,084
Cash and cash equivalents		24,420
Trade and other payables		(4,348,355)
Provision		(150,000)
Tax payable		(601)
Finance lease		(46,460)
Deferred tax liabilities	18	(242,164)
Net liabilities		(919,238)
Minority interest		(152,537)
		(1,071,775)
Gain on disposal		1,071,773
Consideration received, satisfied in cash		(2)
Cash and cash equivalents disposed of		24,420
Net cash outflow		24,418

29 Determination of fair values

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

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market value. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using market prices for similar items when available and replacement cost when appropriate.

Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

This fair value is determined for disclosure purposes.

Intangible assets

The fair value of industrial certificates acquired in a business combination is based on the cost approach using replacement cost. The fair value of customer contracts acquired in a business combination is determined using the multi-period excess earnings method, whereby the asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is 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.

30 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- 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. Further quantitative disclosures are included throughout these financial statements.

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 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 are reported to the Audit Committee.

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 and investment securities.

<u>Trade and other receivables</u>

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, particularly in the currently deteriorating economic circumstances. Approximately 7.51% (2009: 12.92%) of the Group's revenue is attributable to sales transactions with a single customer.

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 does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other 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.

Cash and cash equivalents

Bank balances and deposits are placed with banks and financial institutions which are regulated.

Guarantees
The Group's policy is to provide financial guarantees only to subsidiaries.

Liquidity risk

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.

As at 31 December 2010, the Group maintains $22.8 million (2009: $25.0 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.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange 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 interest rates and foreign exchange rates.

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. For this purpose, capital is defined to include share capital and reserves of the Group. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total average shareholders' equity excluding minority interest. The Board of Directors also monitors the level of dividends to ordinary shareholders.

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

The Group is not subject to externally imposed capital requirements.

31 Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Within 1 year	6,795,341	1,857,238	–	–
Between one and five years	23,492,998	4,631,132	–	–
After 5 years	32,670,595	22,615,886	–	–
	62,958,934	29,104,256	–	–

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

Leases as lessor

Non-cancellable operating lease receivables are as follows:

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Within 1 year	3,473,789	1,769,060	–	–
Between one and five years	1,838,040	1,585,123	–	–
	5,311,829	3,354,183	–	–

During the year ended 31 December 2010, $3,551,087 (2009: $1,968,354) was recognised as rental income in profit or loss by the Group.

32 Capital commitments

As at 31 December 2010, a subsidiary of the Group has outstanding capital expenditure to purchase property, plant and equipment amounting to $1,520,000 (2009: $549,868).

33 Contingencies

	Company	
	2010	2009
	$	$
Corporate guarantees		
Banking facilities corporate guarantee	28,704,794	57,687,623
Unsecured guarantees given to banks for issuance of the performance bonds on behalf of subsidiaries	650,000	1,105,000
Corporate guarantee given to a trade creditor of a subsidiary	2,325,219	1,844,056
Corporate guarantee given to a trade receivable of a subsidiary	404,555	553,737

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

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

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

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

Estimates of the Company's obligation arising from the financial guarantee contracts may be affected by future events, which cannot be predicted with certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet 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 2010, the net current liabilities and deficits in shareholders' funds of these subsidiaries amounted to approximately $4,877,000 (2009: $24,364,000) and $698,000 (2009: $3,735,000) respectively.

34 Related parties

Transactions with key management personnel

Key management personnel compensation

In addition to their salaries, the Group also provides non-cash benefit to directors and executive officers.

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 comprised:

	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Directors' fees				
- Directors of the Company	80,000	88,000	80,000	88,000
- Directors of the subsidiary	–	15,612	–	–
	80,000	103,612	80,000	88,000
Directors' remuneration included in staff costs				
- Directors of the Company	3,953,870	1,711,192	1,671,477	1,711,192
- Directors of the subsidiaries	2,647,074	1,171,251	692,454	262,446
	6,600,944	2,882,443	2,363,931	1,973,638
	6,680,944	2,986,055	2,443,931	2,061,638

Key management personnel and director transactions

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	Note	Transaction value Year ended 31 December 2010 $	Transaction value Year ended 31 December 2009 $	Balance outstanding As at 31 December 2010 $	Balance outstanding As at 31 December 2009 $
William Da Silva	Legal fees	(i)	6,500	4,700	–	–
	Services rendered		(6,555)	–	–	–

(i) The Group used the legal services of William Da Silva in relation to advice over the sale of certain properties and others matter of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

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

Other than disclosed elsewhere in the financial statements, other transactions with related parties are as follows:

	Group	
	2010	**2009**
	$	**$**
Related parties		
Sale of goods	181,948	259,235
Purchase of goods	818,629	1,777,976
Directors of the Company and subsidiaries		
Bank facilities secured by personal guarantees from 3 directors of a subsidiary and a director of the Company	678,062	581,331
Obligations under finance leases guaranteed by a director of the Company	34,090	157,524

	Company	
	2010	**2009**
	$	**$**
Subsidiaries		
Purchase of goods	723	1,887
Rental of office	268,032	540,394
Rental of equipment	3,894	10,813
Service received	15,376	32,695
Interest income	213,042	220,458
Dividend income	6,870,000	4,400,000

35 Subsequent events

On 10 February 2011, the Group's wholly owned subsidiary, NCAE completed its purchase of a property located at Block 682 Hougang Avenue 4 for $1.6 million. The property would be used for rental purposes.

Risk Management **Policies and Processes**

Business Risk

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

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

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

Operational Risk

Operational risk refers to the loss incurred by our Group due to operational failures arising from a breakdown in internal process, deficiencies in people and management. The Group engages external consultants to review our internal processes and controls on a yearly basis to ensure that our operations processes and controls are working effectively. The quality management systems which encompass the entire manufacturing process for our air-conditioning and switchgear business units are also subject to annual audit by an ISO 9000:2000 accreditation body. In addition, our Switchgear business unit is also subject to additional annual audit by SPRING Singapore for our Singapore Quality Class awarded which recognises organisations for their commitment to achieve business excellence. We have engaged professionals to assist our human resource personnel to improve on our annual performance appraisal system as well as establishing a training roadmap for all our staff. Remuneration for our staff is also reviewed periodically to ensure that the remuneration package offered by the Group remains competitive.

Project Risk

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

Foreign Exchange Risk

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

Risk Management **Policies and Processes**

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 creditworthy 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.

Shareholdings **Statistics**

As at 10 March 2011

CLASS OF SHARES
Ordinary Shares

NUMBER OF SHARES
143,682,621

NUMBER OF ORDINARY SHAREHOLDERS
The number of ordinary shareholders as at 10 March 2011 is 657

VOTING RIGHTS
The Articles of Association provide for:
(a) on a show of hands : 1 vote
(b) on a poll : 1 vote for each Ordinary share held

TREASURY SHARES
Nil

Shareholdings Held in Hands of Public
Based on information available to the Company as at 10 March 2011 approximately 49.67% of the total number of issued shares (excluding treasury shares) in the capital of the Company are held in the hands of the public. Rule 723 of the SGX Listing Manual has therefore been complied with.

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 10 MARCH 2011

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES HELD	%
1 - 999	284	43.23	91,941	0.06
1,000 - 10,000	213	32.42	781,556	0.54
10,001 - 1,000,000	141	21.46	15,814,155	11.01
1,000,001 - AND ABOVE	19	2.89	126,994,969	88.39
	657	100.00	143,682,621	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 10 MARCH 2011

Substantial Shareholder	Shareholdings registered in the name of the substantial shareholders	Shareholdings held by substantial shareholder in the name of nominees	Shareholdings in which the substantial shareholders are deemed to be interested	Total	Percentage of issued shares
Steven Chen Choon Khee	7,943,525	7,600,000	–	15,543,525	10,82%
Joseph Ang Choon Cheng (1)(2)	14,884,592	–	2,430,001	17,314,593	12.05%
Tsng Joo Peng	241,085	11,300,000	–	11,541,085	8.03%
Edward Chia Puay Hwee(2)(3)(4)	3,230,000	–	8,401,000	11,631,000	8.09%
Chia Peck Huan(3)(5)	4,249,000	–	8,400,000	12,649,000	8.80%
Ecube Electric Pte Ltd	8,400,000	–	–	8,400,000	5.85%

Shareholdings **Statistics**

As at 10 March 2011

Notes:

(1) Mr Joseph Ang Choon Cheng is deemed to be interested in the 2,430,001 shares held by his spouse, Mdm Yap Geok Khim.

(2) Mr Edward Chia Puay Hwee is the brother-in-law of Mr Joseph Ang Choon Cheng.

(3) Ms Chia Peck Huan is the sister of Mr Edward Chia Puay Hwee.

(4) Mr Edward Chia Puay Hwee's deemed interest in the 8,401,000 shares arises from (i) 8,400,000 shares held by Ecube Electric Pte Ltd which Mr Edward Chia Puay Hwee holds 65% shareholdings in Ecube Electric Pte Ltd. (ii) 1,000 shares held by his spouse, Mdm Ang Siew Khim.

(5) Ms Chia Peck Huan is deemed to be interested in the 8,400,000 shares held by Ecube Electric Pte Ltd as she holds 35% shareholdings in Ecube Electric Pte Ltd.

TOP 20 SHAREHOLDERS AS AT 10 MARCH 2011

NO.	NAME	NO. OF SHARES HELD	%
1	DBS NOMINEES PTE LTD	39,738,164	27.66
2	ANG CHOON CHENG	14,886,592	10.36
3	ECUBE ELECTRIC PTE. LTD.	8,400,000	5.85
4	CHEN CHOON KHEE	7,943,525	5.53
5	SBS NOMINEES PTE LTD	7,900,000	5.50
6	CIMB NOMINEES (S) PTE LTD	7,300,000	5.08
7	MAYBAN NOMINEES (S) PTE LTD	6,599,010	4.59
8	ANG CHOON BENG	5,549,540	3.86
9	HONG LEONG FINANCE NOMINEES PTE LTD	5,000,000	3.48
10	CHIA PECK HUAN	3,409,000	2.37
11	CHIA PUAY HWEE	3,230,000	2.25
12	TSNG JOO WEE	3,000,150	2.09
13	PHILLIP SECURITIES PTE LTD	2,903,350	2.02
14	HSBC (SINGAPORE) NOMINEES PTE LTD	2,694,280	1.87
15	YAP GEOK KHIM	2,430,001	1.69
16	TAN AIK KWONG	2,425,700	1.69
17	POH YEOW KIM LAWRENCE	1,552,807	1.08
18	YEO SIEW LENG	1,017,850	0.71
19	DBSN SERVICES PTE LTD	1,015,000	0.70
20	ANG JUI KHOON	903,000	0.63
		127,897,969	89.01

Shareholdings **Statistics**

As at 10 March 2011

ANALYSIS OF WARRANTHOLDINGS BY RANGE AS AT 10 MARCH 2011

RANGE OF WARRANTHOLDINGS		NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
1	to 999	8	6.72	4,880	0.02
1,000	to 10,000	70	58.83	294,400	1.32
10,001	to 1,000,000	35	29.41	6,222,782	27.90
1,000,001	and above	6	5.04	15,783,421	70.76
		119	100.00	22,305,483	100.00

TOP 20 WARRANTHOLDERS AS AT 10 MARCH 2011

NO.	NAME	NO. OF WARRANTS HELD	%
1	CHEN CHOON KHEE	4,694,557	21.05
2	ANG CHOON CHENG	3,912,477	17.54
3	ANG CHOON BENG	2,281,812	10.23
4	HONG BOON YOON	1,700,000	7.62
5	TSNG JOO PENG	1,604,575	7.19
6	CIMB NOMINEES (S) PTE LTD	1,590,000	7.13
7	KIM ENG SECURITIES PTE. LTD.	922,859	4.14
8	WIRTZ JOCHEN	744,000	3.34
9	TAN AIK KWONG	727,710	3.26
10	YAP GEOK KHIM	720,000	3.23
11	DBS NOMINEES PTE LTD	700,698	3.14
12	LEONG POH MENG	369,000	1.66
13	JUNE OW MAY MAY (JUNE OU MEI MEI)	292,000	1.31
14	HSBC (SINGAPORE) NOMINEES PTE LTD	216,992	0.97
15	POH YEOW KIM LAWRENCE	209,642	0.94
16	OCBC SECURITIES PRIVATE LTD	162,000	0.73
17	MAHENDRAN S/O MINISAMY	156,700	0.70
18	BEN CHNG BENG BENG	150,000	0.67
19	SOH HWEE TIN	108,000	0.48
20	SOH WEE HONG	108,000	0.48
		21,371,022	95.81

As at 10 March 2011, 12,500,000 of unlisted warrants were held by Frankland Investments Ltd pursuant to a loan agreement dated 4 February 2009 between the Company and Frankland Investments Ltd.

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 Monday, 25 April 2011 at 10.00 a.m. to transact the following business:-

Ordinary Business

1 To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2010 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a first and final dividend of two Singapore cents per ordinary share one-tier tax exempt for the financial year ended 31 December 2010. **[Resolution 2]**

3 To re-elect Mr Steven Chen Choon Khee who is retiring pursuant to Article 101 of the Company's Articles of Association. **[Resolution 3]**

4 To re-elect Mr Eric Ang Choon Beng who is retiring by rotation pursuant to Article 101 of the Company's Articles of Association. **[Resolution 4]**

5 To re-elect Mr Tsng Joo Peng who is retiring by rotation pursuant to Article 101 of the Company's Articles of Association. **[Resolution 5]**

6 To approve Directors' fees of S$88,000/- for the financial year ending 31 December 2011. (2010: S$80,000) **[Resolution 6]**

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 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 the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

(A) (i) issue shares in the capital of the Company ("Shares") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements, or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, 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 (a)] **[Resolution 8]**

By Order of the Board

Yun Chee Keen
Sharon Yeoh
Company Secretaries
7 April 2011
Singapore

Explanatory Note:

(a) 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.

Note:

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

This document has been prepared by the Company and reviewed by the Company's sponsor, CNP Compliance Pte Ltd ("Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this document including the accuracy or completeness of any of the information disclosed or the correctness of any of the statements or opinions made or reports contained in this document. This document has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Pradeep Kumar Singh, at 36 Carpenter Street, Singapore 059915, Telephone: (65) 6323 8383; email: pksingh@cnplaw.com.

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IMPORTANT FOR CPF INVESTORS ONLY:

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

NATURAL COOL HOLDINGS LIMITED

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

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 (%)

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us and on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting ("AGM") of the Company to be held at 29 Tai Seng Avenue, Natural Cool Lifestyle Hub, Singapore 534119 on Monday, 25 April 2011 at 10.00 a.m. and at any adjournment thereof.

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

No.	Resolutions Relating To:	For	Against
AS ORDINARY BUSINESS			
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2010		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Steven Chen Choon Khee as director		
4	Re-election of Mr Eric Ang Choon Beng as director		
5	Re-election of Mr Tsng Joo Peng as director		
6	Approval of directors' fees FY2011		
7	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
8	Authority to directors to allot and issue new shares		

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

Dated this________day of____________2011

Total Number of Shares Held

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

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, he shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 29 Tai Seng Avenue #07-01 Natural Cool Lifestyle Hub Singapore 534119 not less than 48 hours before the time set for the Annual General Meeting.

4. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.

5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney the letter or the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.

7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company may reject an instrument of proxy lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time set for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

NATURAL COOL®
HOLDINGS LIMITED

Company Registration No: 200509967G

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