Natural Cool Holdings Limited

ANNUAL REPORT 2012

Contents

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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 from the rest

Safety – Above all, we value lives and assets

Letter to **Shareholders**

Wu Chiaw Ching
Independent Non-Executive Chairman

Joseph Ang
Chief Executive Officer

Dear Shareholders

2012 had been an eventful year and it ended rather well for Natural Cool.

Although the global economy has yet to fully pick up from the European sovereign debt crisis, things are beginning to take a turn for the better. With China's leadership transition completing on a high note, the world can now look confidently to Asia which is expected to lead global recovery in the ensuing years. Going forward, many economies are likely to pick up speed with growth in China hitting 7.5%, and in India, 4.7% this year. Singapore, being an open economy, will too benefit from this impending albeit slow economic upturn. The burgeoning construction industry in Singapore continues to offer fresh opportunities for companies with the ability and resources to succeed.

In this aspect, Natural Cool has, over the years, been conscientiously building up its capability and capacity. We believe that, together with our strategic partners, we have the necessary management and technical expertise to take on even more sophisticated turnkey projects, leveraging on our strong brand equity since going public in 2006.

Financial Review

I am pleased to report that the Group achieved a turnaround in net profit to S$1.0 million for the financial year ended 31 December 2012 ("FY2012") from a loss of S$3.5 million in the previous corresponding year ended 31 December 2011 ("FY2011"). This came on the back of a 4.3% increase in revenue to S$142.9 million for FY2012. Both our Aircon and Switchgear Division were profitable in FY2012.

Letter to **Shareholders**

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 7.8% or S$6.1 million increase to S$84.6 million.

Geographically, Singapore remains as our main revenue contributor, comprising over 95.1% of total revenue. Going forward, we will continue to capitalise on our strong brand recognition and successful 20-year track record in the property and construction industry. We are confident that the strong relationships forged with suppliers and customers will put us in good stead in the years ahead.

Enhancing our Core Capabilities

The year under review saw our Aircon Division continued to restructure as it streamlined its "Buy and Fix" retail business across Singapore. Through careful planning and merchandising, our "Buy and Fix" retail outlets are fast becoming a convenient one-stop shop in meeting the needs of both domestic and industrial consumers. By leveraging on our reputation as the lead distributor for household brands such as Daikin, Mitsubishi Electric, Panasonic, LG, Samsung and Toshiba, we are able to price competitively and ensure that our customers get the best deal at all times.

Building Sustainable Development

Besides strengthening core capabilities, our Group has always been mindful of the need to ensure environmental sustainability in all that we do. On this facet, we are happy to announce that our switchgear products are Singapore Green Building Product (SGBP) certified by the Singapore Green Building Council. Products which have attained 2-tick (aa) rating include:-

1) Main Switchboard (WM Series – 400A)
2) Main Switchboard (TS Series – 6000A)
3) Motor Control Centre (WM Series – 400A)
4) Motor Control Centre (TS Series – 6000A)
5) Distribution Board including Consumer and Tap-off Units

In line with our national drive on adopting energy management practices, our Group has made significant progress in ensuring that the products we sell carry the national Energy Label and that our customers understand what these labeling stand for. Internally, we are also constantly looking at ways to implement energy monitoring devices to help improve on our energy consumption.

Riding on the Promising Built Environment

The construction sector performed remarkably well with total demand reaching S$28.1 billion in 2012. Reflecting a continued and sustained level of workload for the next few years, it is envisaged that a strong construction demand of between S$26 to S$32 billion for 2013 is underway. Public sector projects are expected to take the lion share, constituting about 54% of the industry demand, or S$14 to S$17 billion, underpinned by enormous public housing and infrastructure construction works. The higher public sector demand can be attributed to the sustained public housing and rail development. Apart from public housing projects, major public sector projects likely to be awarded in 2013 include institutes of higher learning, oil refinery and storage facilities as well as expanded road and rail networks. Likewise, private sector construction demand is likely to hit a sizeable S$12 to S$15 billion. Undoubtedly, the building environment is a promising one, with estimates of S$20 to S$28 billion worth of contracts to be awarded annually in 2014 and 2015. All this augurs well for our Group's air-con distribution and switchgear design and assembly businesses as Natural Cool has what it takes to meet the ever-changing demands of the industry and to seize the opportunities that arise.

Acknowledgements

Challenging times maybe, good or difficult times, it is always my pleasure to express my sincere thanks to all our shareholders and partners for their unwavering support and confidence in us. To our directors, management and staff, thank you for your contributions and I know that we can always count on you for your dedication and support. Your ingenuity and passion are highly commendable. I wish to also reserve my deep appreciation for all the support we received from our customers and business partners. You are the reason for our existence, and we will like to assure you that Natural Cool will continue to focus on its core values and growth strategies, to achieve even better results for all its stakeholders.

Yours faithfully

Dr Wu Chiaw Ching
Independent Non-Executive Chairman

Joseph Ang
Chief Executive Officer

Managing the

Winds of change

Just like a hang glider, we have the resources and skills to rise to the challenges of the evolving operating environment.

Operations **Review**

As in previous years, the construction industry continues to flourish as more building and infrastructure projects coming on stream in bid to pump-priming the economy. Competition has been intense on the back of rising business costs and increasing worker levies. Despite the many challenges facing the Group, our management and staff were able to rise to the occasion with their commitment and ingenuity. Being a veteran solution provider for the building environment, our comprehensive range of aircon and switchgear products as well as holistic engineering solutions has been the winning formula for our success. This twin engine comprising the Aircon and Switchgear divisions is one of the Group's strategies for business excellence.

THE AIRCON DIVISION

The Aircon division comprises four distinct departments:

- Installation and Servicing
- Commercial Projects
- Integrated Projects
- Trading

Installation and Servicing

Natural Cool has a stronghold as far as air-conditioning systems installation and servicing is concerned. Our fleet of air-conditioning servicing vehicles can be seen daily all over our island, working diligently to bring the best air-conditioning service to both public and private sector buildings. Such buildings include HDB housing, private condominiums, landed properties, service apartments, offices, retail and F&B outlets. We have a diverse base of customers comprising building owners, residents, landlords and tenants. Our service package is highly flexible, from annual servicing contract to ad-hoc or "emergency" service on demand. These services include air-conditioning systems cleaning and maintenance, as well as repair and replacement where necessary. To help customers with their buying decision, our staff are trained to evaluate and recommend a suitable service package based on site information such as customers' air-conditioning usage frequency, patterns and financial considerations.

Commercial Projects

Our Commercial Projects team handles all air-conditioning systems installation services in non-residential buildings such as schools, hospitals, factories, offices, retail and F&B outlets, etc. The work involved may be the result of public tenders or private business invitations. We offer a comprehensive range of services, from air-conditioning installation service to more complex turnkey project which includes procurement of air-conditioning systems. Our Commercial Projects team is also capable of designing and manufacturing customised air-conditioning mechanical ventilation ("ACMV") systems according to the specific needs of our customers. Apart from installation work, we are conscious of the need to maintain a sustainable environment by dismantling used air-conditioning units, segregating their parts into raw materials such as metal and copper and sold them as recycled materials.

Integrated Projects

In addition to our mainstay business on air-conditioning installation and servicing, we have a team of professionals from our Integrated Projects department who can offer customised Facilities Management services. Such services include space planning, asset management and scheduled maintenance for smooth and uninterrupted running of premises. At Natural Cool, our expertise goes beyond just air-conditioning systems maintenance. We provide sanitisation of buildings and lifts maintenance as well. We listen to customers, understand their needs and work with partners to provide integrated solutions. Our innovativeness and drive have enabled us to respond quickly to the changing and diversified needs of customers in today's highly sophisticated built environment.

Trading

As a major player in the air-conditioning distribution business, Natural Cool engages in the trading air-conditioning systems with other entities in the retail installation trade. A natural extension to our distribution business has been the trading of air-conditioning accessories such as supporting brackets, insulation, pipes and ducts. Other related household and industrial products include electrical drills, drain pumps, screws, bolts and nuts, fasteners, silicon applicators, etc. Apart from our house brands, we also stock and sell other brands of air-conditioning components. The trading department forms an integral part of our procurement process of our Aircon division. With better economies of scale, we are able to maintain our competitive edge and retain our customers for long term business. To date, our Trading department runs five showrooms which are located in Defu Lane 10, Woodlands Central, Toh Guan, West Coast Plaza and Junction 10. They double up as "Buy and Fix" retail outlets, a convenient one stop shop for both walk-in and regular customers to purchase their work accessories and tools. These customers include building and M&E contractors, air-conditioning retailers, renovators and import/export traders.

THE SWITCHGEAR DIVISION

Following our brand enhancement exercise last year, our switchgear products under the brand name "Gathergates" have been gaining traction among building developers, contractors and M&E consultants alike. So far, our product rebranding effort has been very rewarding as it not only provides better product articulation but also clarity on our business processes. It is where two previous superior products under the brand names "S-Team" and "Titans" merged together to become an iconic brand "Gathergates". The amalgamation had also enabled our Group to streamline all critical business processes among its subsidiaries and key operations between Singapore and Malaysia.

The year under review also saw more switchgear manufacturing activities being carried out in our plant across the causeway. It has been a strategic decision to enlarge our manufacturing base there as the Group's anticipated increase in business orders from Malaysia began to take shape. Going forward, we expect more business orders streaming in from Malaysia especially from the development of the Iskandar region. To meet the growing demands, we have been constantly upgrading our production subsidiary in Malaysia, Titans Industries (M) Sdn Bhd, making sure that the facility employs the best manufacturing equipment with its processes certified to ISO9001:2008 standard.

While more manufacturing activities are being relocated to Malaysia, the Group spares no effort in upgrading its Switchgear operation in Singapore. It is the nerve centre for design and engineering, sales & marketing, strategic procurement and manpower development. It also serves as the product and process development powerhouse for business enabling systems such as the Enterprise Resource Planning (ERP) system, product & process certifications, risk assessment and safety management. The latest addition has been getting our switchgear products certified by the Singapore Green Building Council. Products which are certified under the Singapore Green Building Product (SGBP) scheme include the following:-

- Main Switchboard (WM Series – 400A)
- Main Switchboard (TS Series – 6000A)
- Motor Control Centre (WM Series – 400A)
- Motor Control Centre (TS Series – 6000A)
- Distribution Board including Consumer and Tap-off Units

Complementing our switchgear manufacturing business has been our components trading subsidiary, VNS Manufacturing Pte Ltd. The latter enables the Group to source and buy electrical components at more competitive pricing given that it also develops its own comprehensive range of products under the licensed brand name "KAM". Apart from distributing KAM products, VNS Manufacturing has been an authorised distributor for Hyundai Heavy Industries Co Ltd's products in Singapore for many years. It also represents Larsen and Toubro Limited ("L&T") in marketing its electrical products in Singapore.

The Switchgear Division will continue its market reach beyond Singapore by tapping into the developing markets such as Myanmar and Vietnam. As Singapore's economy restructures itself to achieve higher productivity and embrace quality growth, so will Natural Cool re-engineer itself to meet the growing demands of modern architecture and infrastructure developments. We are confident that we have the necessary wherewithal to achieve even greater heights as we move a step closer to becoming one of the key players in the built environment.

Corporate Social **Responsibility**

Traditionally, corporations do business, make profits and fulfill their tax-paying duty. Then some may opt to contribute part of their profits to support charitable causes. For Natural Cool, we prefer to adopt a more sustainable philanthropic model that forms an integral part of our wealth creation and distribution process. Apart from operating our business in a socially responsible way, we complement it by investing in the society through the provision of jobs for the physically disadvantaged. Over time, we believe that our CSR model should enhance business competitiveness and, at the same time, help maximise the value of wealth generation to society at large.

As the past Ambassador to the Singapore Association for the Deaf ("SaDeaf"), Natural Cool continues to focus on its CSR objective of providing good employment for the hearing-impaired community. It is a pledge in showing our total commitment of paying forward and making a contribution to the achievement of broader societal goals. As a leading specialist in holistic temperature management and switchgear solutions, "Doing Business with a Heart" has become a corporate duty and experience for our management and staff. During our Annual Dinner & Dance celebration in January 2012, our business associates and guests helped raise some S$9,000 for SaDeaf by participating enthusiastically in the sales and auctioning of lunar new year calligraphies done at the event by students from Nanyang Primary School.

Board of **Directors**

Wu Chiaw Ching
Independent Non-Executive Chairman

Joseph Ang Choon Cheng
Chief Executive Officer

Tsng Joo Peng
Executive Director

Eric Ang Choon Beng
Executive Director

Dr Wu Chiaw Ching
Independent Non-Executive Chairman

Appointed to our Board on March 7, 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.

Mr Joseph Ang Choon Cheng
Chief Executive Officer

Mr Ang was appointed to our Board on July 2, 2007. As CEO, he is primarily responsible for overseeing strategic planning, overall business expansion and management of our Group. An industry veteran, Mr Ang has more than 20 years of experience in executive and senior management positions at various manufacturing, mechanical and electrical engineering companies. In addition, Mr Ang is also the Executive Chairman of Gathergates Group which is the Switchgear Division of Natural Cool Holdings Limited. Mr Ang has previously held directorships in S-Team Engineering and Construction Pte Ltd and Soundtex Switchgear Pte Ltd.

Mr Tsng Joo Peng
Executive Director

Mr Tsng Joo Peng was appointed to the Board on August 1, 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

Lim Siang Kai
Lead Independent Director

William da Silva
Independent Director

Edward Chia Puay Hwee
Executive Director

Ken Tan Aik Kwong
Executive Director

Mr Eric Ang Choon Beng
Executive Director

Mr Ang was appointed to our Board on August 1, 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 is currently 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 March 7, 2006. Mr Lim has over 28 years of experience in securities, private and investment banking and fund management. Mr Lim has a Bachelor of Arts degree and a Bachelor of Social Sciences (Honours) degree from the National University of Singapore obtained in 1980 & 1981 respectively. He also has a Master of Arts in Economics degree from University of Canterbury, New Zealand, that he obtained in 1984.

Mr William da Silva
Independent Director

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

Board of **Directors**

Mr Edward Chia Puay Hwee

Executive Director and CEO, Gathergates Group

Executive Director and CEO, Gathergates Group

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

Mr Ken Tan Aik Kwong

Executive Director and COO, Gathergates Group

Mr Tan was appointed to our Board on July 1, 2012. He is the Chief Operating Officer of Gathergates Group, overseeing the business expansion and operations in Singapore. He is mainly responsible for the day-to-day business operations of Gathergates Switchgear, managing the manufacturing process, logistics and warehousing activities. Mr Tan has substantial years of experience in the switchgear industry and has in-depth knowledge in production and daily operations. He has held various key positions, rising from production manager to General Manager.

Key **Management**

Mr Sean Leaw Wei Siang

Chief Financial Officer

As the Chief Financial Officer, Mr Leaw oversees all various functions of accounting, financial reporting, cost management accounting, foreign exchange management, credit control, management information system, tax, cash flow planning and financial systems of our Group. He possesses more than 17 years of working experience in accounting and financial management. Mr Leaw joined the Group in November 2008, as Chief Financial Officer of one of the Group's wholly-owned subsidiaries. Prior to that, Mr Leaw worked at SMB Electric Pte Ltd and multinational company, Oiltools Pte Ltd, as Senior Finance Manager and accountant respectively. Prior to that, Mr Leaw has also worked at Deloitte & Touche. Mr. Leaw is a member of both Institute of Certified Public Accountants of Singapore and CPA Australia, and holds a Bachelor of Commerce degree majoring in Accounting and Finance from University of Western Australia.

Mr Kelvin Neo Han Cheng

Executive Director, Natural Cool Airconditioning & Engineering Pte Ltd

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

Expanding **Horizons**

We constantly seek to expand our horizons, developing new marketing channels such as our Buy and Fix outlets and increasing our overseas market development in countries like Vietnam.

Financial **Review**

The Group achieved revenue of S$142.86 million in FY2012, an increase of S$5.94 million, or 4.34% as compared to FY2011. This was due mainly to higher revenue registered by our Aircon division. Gross profit margin decreased marginally by 0.90% and was due mainly to higher labour costs. Other income increased by S$1.94 million to S$3.29 million and was due mainly to gain on disposal of properties at Hougang and Tagore Lane.

Distribution, administrative and other expenses collectively decreased by S$3.35 million or 11.7% to S$25.27 million. This was due mainly to non-recurrence of the legal and professional expenses incurred for the discontinued listing of our Switchgear division on the Growth Enterprise Market of Hong Kong Stock Exchange, lower advertising and entertainment costs. This was partially offset by the increase in depreciation for property, plant and equipment which was due mainly to the acquisition of properties at Toh Guan.

Finance costs increased by S$0.08 million in FY2012 and were due mainly to higher utilization of trade finance facilities. The tax credit in FY2012 was due mainly to the reversal of deferred tax liabilities in Aircon division.

Arising from the above, the Group reported a profit attributable to shareholders of S$0.99 million in FY2012 as opposed to a loss of S$3.47 million in FY2011.

Property, plant and equipment increased by S$4.27 million to S$20.32 million in FY2012. The increase was due mainly to acquisition of two properties at Toh Guan Road in Singapore.

Investment properties decreased by S$5.68 million to S$10.64 million in FY2012. The decrease was due to sale of properties at Tagore Lane and Hougang in Singapore.

Current assets increased by S$4.32 million to S$78.72 million in FY2012. The increase was due mainly to increase in trade receivables. Current liabilities decreased by S$0.35 million to S$63.00 million in FY2012. The decrease was due mainly to repayment of bank short term loans.

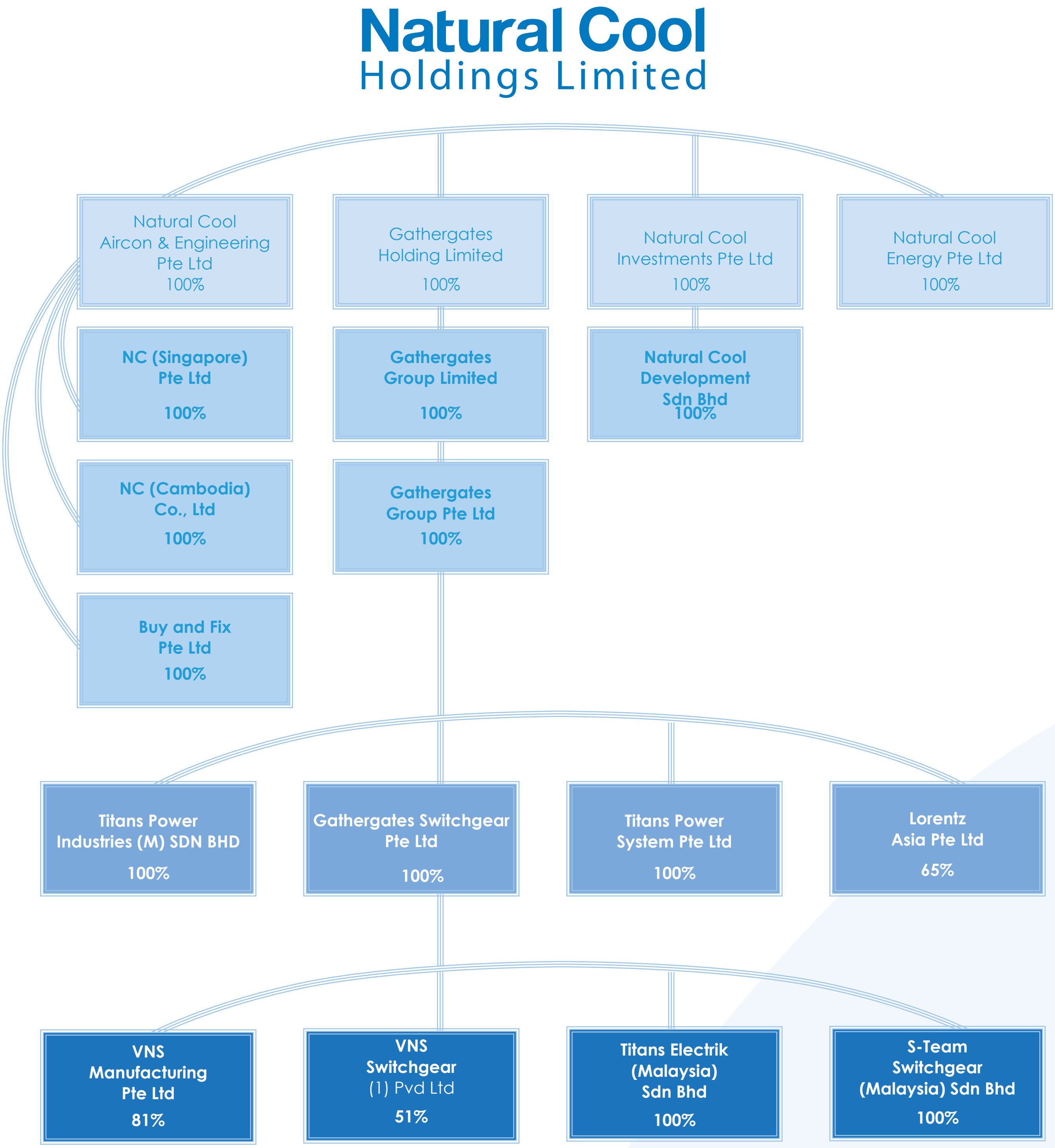
Cash flow from operating activities was an outflow of S$0.83 million for FY2012 as compared to outflow of S$4.52 million for FY2011. This was due mainly to better business performance in FY2012 as compared to FY2011.

Net cash inflow from investing activities of S$0.45 million for FY2012 was due mainly to the proceeds received from sale of properties at Hougang and Tagore Lane and partially offset by the acquisition of two properties at Toh Guan.

Net cash outflow from financing activities of S$2.55 million for FY2012 was due mainly to repayments of bank term loans and was partially offset by the proceeds from the drawdown of new bank loans and issuance of new shares.

Group **Structure**

As of 18 March 2012



Corporate **Information**

Board of Directors:

Independent Non-Executive Chairman
Dr Wu Chiaw Ching

Chief Executive Officer
Mr Joseph Ang Choon Cheng

Executive Directors
Mr Eric Ang Choon Beng
Mr Tsng Joo Peng
Mr Edward Chia Puay Hwee
Mr Ken Tan Aik Kwang

Lead Independent Director
Mr Lim Siang Kai

Independent Directors
Dr Wu Chiaw Ching
Mr William da Silva

Audit Committee:

Chairman
Mr Lim Siang Kai

Members
Dr Wu Chiaw Ching
Mr William da Silva

Nominating Committee:

Chairman
Dr Wu Chiaw Ching

Members
Mr Lim Siang Kai
Mr William da Silva

Remuneration Committee:

Chairman
Mr William da Silva

Members
Dr Wu Chiaw Ching
Mr Lim Siang Kai

Company Secretaries:

Mr Leaw Wei Siang
Ms Yeoh Kar Choo Sharon

Auditors:

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

Partner-in-charge
Mr Low Hon Wah
(With effect from financial year 2012)

Catalist Continuing Sponsor:

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36 Carpenter Street
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Registered Office:

29 Tai Seng Avenue
#07-01 Natural Cool Lifestyle Hub
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Share Registrar:

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112 Robinson Road #05-01
Singapore 069802

Corporate Legal Advisor:

Harry Elias Partnership LLP
SGX Centre 2, #17-01
4 Shenton Way
Singapore 068807

Principal Bankers:

DBS Bank Ltd
Standard Chartered Bank
United Overseas Bank Limited

Investor Relations Contact:
Email: corporateaffairs@natcool.com

NATURAL COOL HOLDINGS LIMITED

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 2012, 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 2012, the Board met on three 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 28 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. Dr Wu Chiaw Ching – Independent Non-Executive Chairman

2. Mr Joseph Ang Choon Cheng – Chief Executive Officer

3. Mr Eric Ang Choon Beng – Executive Director

4. Mr Tsng Joo Peng – Executive Director

5. Mr Edward Chia Puay Hwee – Executive Director

6. Mr Ken Tan Aik Kwong – Executive Director

7. Mr Lim Siang Kai – Lead Independent Director

8. Mr William da Silva – Independent Director

Key information regarding the directors is given in the section entitled "Board of Directors" on Page 10 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.

Mr Steven Chen Choon Khee, Executive Chairman, who had been the Chairman of the Board on 2 September 2009, had stepped down as Executive Chairman and Executive Director with effect from 30 April 2012. Dr Wu Chiaw Ching who was the Independent Director has been appointed as the Independent Non-Executive Chairman while Mr Joseph Ang Choon Cheng, an Executive Director, is the Chief Executive Officer ("CEO").

There is a clear separation of the roles and responsibilities of the Chairman and the CEO. This is to ensure appropriate balance of power and authority, accountability and decision making.

The Chairman is responsible for the management of the Board and the CEO has full executive responsibilities in the direction of the business and operational efficiency of the Group.

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, CEO 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 2012, 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) determining 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. In addition, Article 105 of the Company's Articles of Association provides that a director appointed by the Board must retire and submit himself for re-election at the next AGM following his appointment.

The NC has recommended to the Board that Mr Joseph Ang Choon Cheng and Mr Eric Ang Choon Beng be nominated for re-appointment at the forthcoming AGM pursuant to Article 101 of the Company's Articles of Association. Mr Edward Chia Puay Hwee and Mr Ken Tan Aik Kwong who were appointed as Executive Directors with effect from 1 July 2012 have been nominated for re-appointment at the forthcoming AGM pursuant to Article 105 of the Company's Articles of Association.

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 and Dr Wu Chiaw Ching, 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 2012, 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 AGM. No director is involved in deciding his own remuneration.

The Executive Directors (comprising Mr Joseph Ang Choon Cheng, Mr Tsng Joo Peng, Mr Eric Ang Choon Beng, Mr Edward Chia Puay Hwee and Mr Ken Tan Aik Kwong) do not receive directors' fees.

Service Agreements

The service agreements (the "Service Agreement") with the Executive Directors namely, Mr Joseph Ang Choon Cheng, Mr Eric Ang Choon Beng, Mr Tsng Joo Peng, Mr Edward Chia Puay Hwee and Mr Ken Tan Aik Kwong are for a fixed appointment period. The Executive Directors do not receive director's fees. Each of 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 Joseph Ang Choon Cheng, Mr Eric Ang Choon Beng, Mr Tsng Joo Peng, Mr Edward Chia Puay Hwee and Mr Ken Tan Aik Kwong 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 AGMs, 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 2012 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					
* Steven Chen Choon Khee	93%	–	0%	7%	100%
Eric Ang Choon Beng	80%	–	6%	14%	100%
** Edward Chia Puay Hwee	94%	–	6%	–	100%
** Ken Tan Aik Kwong	91%	–	8%	1%	100%
S$500,000 to S$749,999					
Joseph Ang Choon Cheng	81%	–	6%	13%	100%
Tsng Joo Peng	78%	–	6%	16%	100%

* Resigned on 30 April 2012

** Appointed on 1 July 2012

The Code requires the remuneration of at least the top 5 key executives who are not also directors to be disclosed in the bands of $250,000. The Company believes the disclosure of the remuneration of individual executives is disadvantageous to its business interests, given the highly competitive industry conditions, where poaching of executives has become common place in a liberalised environment. Hence, the range of gross remuneration received by top 5 key executives (excluding executive directors) of the Group for the financial year ended 31 December 2012 is set out below:

Remuneration Band of Executive	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Executive 1	90%	–	9%	1%	100%
Executive 2	84%	–	16%	–	100%
***Executive 3	82%	–	18%	–	100%
Executive 4	82%	–	18%	–	100%
S$250,000 to S$499,999					
Executive 5	81%	–	19%	–	100%

***Resigned on 30 June 2012

The profiles of two key executives are found on page 12 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 2012.

Remuneration Band and Name of any employee who is an immediate family member of a Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Ang Choon Teck	94%	–	6%	–	100%

Mr Ang Choon Teck is brother of Mr Joseph Ang Choon Cheng and Mr Eric Ang Choon Beng and brother-in-law of Mr Edward Chia Puay Hwee.

(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 2012, 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.

The Company is in compliance with Rule 712 and 715 of the SGX Listing Manual in relation to its external auditors.

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 engaged WLA Regnum Risk Services Pte Ltd to undertake its internal audit function but will be stepping down as Internal Auditor for the financial year ended 31 December 2013. The AC, with the participation of the Management and 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 and the annual review by the external auditors of its internal controls, the Board, with the concurrence of the AC, are of the view that the Group's internal controls were adequate in addressing financial, operational and compliance risks as at 31 December 2012.

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 deliberations 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 also should not deal 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 2012. Disclosure of significant related parties transactions is found on page 93 in this Annual Report.

(G) USE OF PROCEEDS FROM SHARES ISSUE

The estimated net proceeds from the shares issue in June 2012 were approximately S$2.99 million. The Group intends to use approximately S$1.50 million of the net proceeds to upgrade its switchgear products to meet new international standards and the balance for general working capital purposes.

As at 31 December 2012, approximately S$122,700 of such proceeds earmarked to upgrade its switchgear products to meet new international standards were utilised, and there is a balance of approximately S$1,377,300 from the proceeds unutilised. Pending deployment of the proceeds, the Company has utilized this sum as working capital.

(H) NON-SPONSOR FEE

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is CNP Compliance Pte Ltd ("Sponsor"). There was no non-sponsor fee paid to the Sponsor by the Company for the year ended 31 December 2012.

The total amount of fees paid to the affiliates of CNP Compliance Pte. Ltd., namely Colin Ng & Partners LLP for legal work done for the year ended 31 December 2012 was approximately S$83,000 (excluding disbursements and GST).

(I) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interest of any director or controlling shareholder during the year under review.

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 2012.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of Meetings Held	3	2	2	1
Number of Meetings Attended				
Steven Chen Choon Khee(1)	1	1*	1*	1*
Joseph Ang Choon Cheng	3	2*	2*	1*
Tsng Joo Peng	3	2*	2*	1*
Eric Ang Choon Beng	3	2*	2*	1*
Edward Chia Puay Hwee(2)	2	1*	1*	0
Ken Tan Aik Kwong(3)	2	1*	1*	0
Lim Siang Kai	2	2	2	1
Wu Chiaw Ching	2	2	2	1
William da Silva	2	2	2	1

*By Invitation
(1) Resigned on 30 April 2012
(2) Appointed on 1 July 2012
(3) Appointed on 1 July 2012

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 2012.

Directors

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

Dr. Wu Chiaw Ching	Non-Executive Chairman (appointed on 1 July 2012)
Joseph Ang Choon Cheng	Chief Executive Officer
Eric Ang Choon Beng	Executive Director
Tsng Joo Peng	Executive Director
Ken Tan Aik Kwong	Executive Director (appointed on 1 July 2012)
Edward Chia Puay Hwee	Executive Director (appointed on 1 July 2012)
Lim Siang Kai	Lead Independent Director
William da Silva	Independent Director

Directors' interests

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

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
The Company		
Ordinary shares		
Joseph Ang Choon Cheng		
- interest held	18,799,069	20,299,069
- deemed interest	3,150,001	3,150,001
Eric Ang Choon Beng		
- interest held	7,831,352	7,831,352
- deemed interest	1,000	1,000
Tsng Joo Peng		
- interest held	3,435,660	10,033,862
- deemed interest	11,300,000	11,300,000
Ken Tan Aik Kwong		
- interest held	11,800,700	8,790,700
Edward Chia Puay Hwee		
- interest held	10,214,000	10,214,000
- deemed interest	1,000	1,000

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2013.

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 29 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.

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

The Audit Committee also reviewed the following:

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

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

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

In appointing the auditors for the Company and subsidiaries, the company has complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

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

On behalf of the Board of Directors

Joseph Ang Choon Cheng
Director

Tsng Joo Peng
Director

26 March 2013

Statement by **Directors**

In our opinion:

(a) the financial statements set out on pages 35 to 94 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 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Joseph Ang Choon Cheng
Director

Tsng Joo Peng
Director

26 March 2013

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 2012, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 94.

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 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 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
26 March 2013

Balance **Sheets**

As at 31st December 2012

	Note	Group 2012	Group 2011	Company 2012	Company 2011
		$	$	$	$
Assets					
Property, plant and equipment	4	20,323,570	16,056,708	–	–
Intangible assets	5	4,187,378	3,753,582	–	–
Club memberships		137,180	454,100	137,180	454,100
Investment properties	6	10,636,720	16,312,283	–	–
Subsidiaries	7	–	–	15,006,817	15,006,817
Deferred tax asset	16	1,686,016	2,128,000	–	–
Non-current assets		36,970,864	38,704,673	15,143,997	15,460,917
Inventories	8	18,914,662	19,618,615	–	–
Trade and other receivables	10	47,836,561	44,525,389	9,740,288	7,131,540
Cash and cash equivalents	11	11,966,153	10,257,363	820,309	130,329
Current assets		78,717,376	74,401,367	10,560,597	7,261,869
Total assets		115,688,240	113,106,040	25,704,594	22,722,786
Equity					
Share capital	12	31,956,902	28,956,902	31,956,902	28,956,902
Reserves	13	(3,571,533)	(3,524,287)	–	–
Accumulated profits/(losses)		10,874,517	9,943,260	(6,594,880)	(6,627,186)
Equity attributable to owners of the Company		39,259,886	35,375,875	25,362,022	22,329,716
Non-controlling interests		329,507	351,189	–	–
Total equity		39,589,393	35,727,064	25,362,022	22,329,716
Liabilities					
Loans and borrowings	14	12,781,230	13,577,700	–	–
Deferred tax liabilities	15	286,231	445,925	–	–
Non-current liabilities		13,067,461	14,023,625	–	–
Trade and other payables	16	53,968,149	56,338,025	342,572	386,383
Loans and borrowings	14	2,689,938	4,428,791	–	–
Current tax payable		1,873,299	2,588,535	–	6,687
Provision	17	4,500,000	–	–	–
Current liabilities		63,031,386	63,355,351	342,572	393,070
Total liabilities		76,098,847	77,378,976	342,572	393,070
Total equity and liabilities		115,688,240	113,106,040	25,704,594	22,722,786

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

Consolidated Income **Statement**

For the year ended 31st December 2012

	Note	Group 2012	Group 2011
		$	$
Revenue	19	142,863,348	136,920,392
Cost of sales		(118,800,073)	(112,633,063)
Gross profit		24,063,275	24,287,329
Other income	20	3,285,776	1,344,721
Distribution expenses		(5,702,130)	(6,454,842)
Administrative expenses		(18,976,440)	(20,607,364)
Other expenses		(596,397)	(1,562,856)
Results from operating activities		2,074,084	(2,993,012)
Finance costs	21	(1,314,663)	(1,237,339)
Profit/(Loss) before tax		759,421	(4,230,351)
Tax credits	22	137,831	570,576
Profit/(Loss) for the year		897,252	(3,659,775)
Profit/(Loss) attributable to:			
Owners of the Company		986,906	(3,473,868)
Non-controlling interests		(89,654)	(185,907)
Profit/(Loss) for the year	23	897,252	(3,659,775)
Earnings per share	24		
Basic and diluted earnings per share (cents)		0.53	(2.27)

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

Consolidated Statement of **Comprehensive Income**

For the year ended 31st December 2012

	Group	
	2012	2011
	$	$
Profit/(Loss) for the year	897,252	(3,659,775)
Other comprehensive income		
Foreign currency translation differences for foreign operations	(69,923)	(169,793)
Total comprehensive income for the year	827,329	(3,829,568)
Total comprehensive income attributable to:		
Owners of the Company	939,660	(3,588,143)
Non-controlling interests	(112,331)	(241,425)
Total comprehensive income for the year	827,329	(3,829,568)

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

Consolidated Statement of **Changes in Equity**

For the year ended 31st December 2012

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 2011	25,629,354	(3,377,530)	(32,482)	1,125,645	16,689,182	40,034,169	592,614	40,626,783
Total comprehensive income for the year								
Loss for the year	–	–	–	–	(3,473,868)	(3,473,868)	(185,907)	(3,659,775)
Other comprehensive income	–	–						
Foreign currency translation differences	–	–	(114,275)	–	–	(114,275)	(55,518)	(169,793)
Total comprehensive income for the year	–	–	(114,275)	–	(3,473,868)	(3,588,143)	(241,425)	(3,829,568)
Contribution by/distribution to owners								
Exercise of warrants	3,327,548	–	–	(1,125,645)	–	2,201,903	–	2,201,903
Dividends paid (2.00 cents per ordinary share)	–	–	–	–	(3,272,054)	(3,272,054)	–	(3,272,054)
At 31 December 2011 / 1 January 2012	28,956,902	(3,377,530)	(146,757)	–	9,943,260	35,375,875	351,189	35,727,064
Total comprehensive income for the year								
Profit for the year	–	–	–	–	986,906	986,906	(89,654)	897,252
Other comprehensive income								
Foreign currency translation differences	–	–	(47,246)	–	–	(47,246)	(22,677)	(69,923)
Total comprehensive income for the year	–	–	(47,246)	–	986,906	939,660	(112,331)	827,329
Contribution by owners								
Issue of shares	3,000,000	–	–	–	–	3,000,000	–	3,000,000
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests without change in control	–	–	–	–	(55,649)	(55,649)	90,649	35,000
At 31 December 2012	31,956,902	(3,377,530)	(194,003)	–	10,874,517	39,259,886	329,507	39,589,393

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

Consolidated Statement of **Cash Flows**

For the year ended 31st December 2012

	Group	
	2012	**2011**
	$	**$**
Cash flows from operating activities		
Profit/(Loss) for the year	897,252	(3,659,775)
Adjustments for:		
Amortisation of deferred revenue	(1,300,000)	(1,300,000)
Amortisation of club memberships	272,460	454,100
Amortisation of intangible assets	169,211	243,858
Depreciation of investment properties	310,076	327,913
Depreciation of property, plant and equipment	3,067,906	2,356,798
Gain on disposal of investment properties	(1,534,513)	–
Gain on disposal of property, plant and equipment	(89,890)	(435,508)
Impairment loss on property, plant and equipment	–	377,763
Intangible asset written-off	51	–
(Over provision for listing expenses)/Listing expenses	(181,189)	1,618,113
Plant and equipment written-off	23,624	394
Interest expenses	1,314,663	1,237,339
Interest income	(26,981)	(15,448)
Tax credits	(137,831)	(570,576)
	2,784,839	634,971
Changes in working capital:		
Inventories	703,953	(4,099,077)
Trade and other receivables	(3,311,947)	(4,356,625)
Trade and other payables	(712,928)	3,675,958
Cash used in operations	(536,083)	(4,144,773)
Taxes paid	(295,115)	(371,712)
Net cash used in operating activities	(831,198)	(4,516,485)
Cash flows from investing activities		
Interest received	26,981	15,448
Proceeds from disposal of investment properties	6,900,000	–
Proceeds from disposal of property, plant and equipment	282,383	822,818
Proceeds from disposal of club membership	44,460	–
Purchase of computer software	(314,022)	(62,363)
Purchase of industrial certificates	(270,720)	(337,075)
Purchase of property, plant and equipment	(6,218,473)	(3,563,340)
Purchase of investment property	–	(1,600,000)
Purchase of club memberships	–	(908,200)
Receipt of profit guarantee	–	360,000
Net cash from/(used in) investing activities	450,609	(5,272,712)

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

Consolidated Statement of **Cash Flows**

For the year ended 31st December 2012

	Note	2012	2011
		$	$
Cash flows from financing activities			
Computer software grant received		–	98,825
Dividends paid		–	(3,272,054)
Fixed deposits pledged		(413)	100,559
Interest paid		(1,314,663)	(1,237,339)
Non-trade amounts due from a related party		775	(775)
Payment of listing expenses		(83,787)	(490,980)
Proceeds from issue of shares		3,000,000	2,201,903
Proceeds from borrowings		6,840,000	1,629,718
Repayment of bank borrowings		(9,704,019)	(3,470,777)
Repayment of finance lease liabilities		(1,289,767)	(1,383,857)
Net cash used in financing activities		(2,551,874)	(5,824,777)
Net decrease in cash and cash equivalents		(2,932,463)	(15,613,974)
Effect of changes in foreign exchange rate		27,887	60,677
Cash and cash equivalents at beginning of year		9,795,055	25,348,352
Cash and cash equivalents at end of year	11	6,890,479	9,795,055

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 26 March 2013.

1. Domicile and activities

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

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

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

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

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 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.

2. Basis of preparation (Continued)

2.4 Uses of estimates and judgements (Continued)

Information about critical judgements in applying accounting policies, assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 4 – estimated useful lives of property, plant and equipment
- Note 5 – measurement of recoverable amounts of goodwill and estimated useful lives of intangible assets
- Note 6 – measurement of recoverable amount of investment properties
- Note 8 – valuation of carrying amount of inventories
- Note 18 – recoverability of trade and other receivables
- Note 19 – revenue and profit recognition on projects
- Note 28 – contingencies

3. Significant accounting policies

The Group adopted new/revised FRS and interpretations which became effective during the year. The initial adoption of these standards and interpretations did not have a material effect on the financial statements. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Acquisition of non-controlling interests

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The 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.

3. Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

(iii) 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 restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. The components of equity of the acquired entities are added to the same components within Group equity, and any gain/loss arising is recognised directly in equity.

(iv) Transactions eliminated on consolidation

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

(v) Accounting for subsidiaries

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

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of 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.

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the 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 are translated at the exchange rates at the end of the reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

3. Significant accounting policies (Continued)

3.2 Foreign currency (Continued)

(ii) Foreign operations (Continued)

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

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

3.3 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets 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 classifies non-derivative financial assets into the loans and receivables category.

<u>Loans and receivables</u>

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.

3. Significant accounting policies (Continued)

3.3 Financial instruments

(i) Non-derivative financial assets

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

Financial assets and liabilities are offset and the net amount presented in the 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 (including bank overdrafts) and trade and other payables.

(iii) Share capital

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

(iv) Intra-group financial guarantees in the separate financial statements

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

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

3. Significant accounting policies (Continued)

3.4 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

3. Significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

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

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

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

3.5 Intangible assets

(i) Goodwill

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

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

<u>Subsequent measurement</u>

Goodwill is measured at cost less accumulated impairment losses.

(ii) Computer software

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

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

3. Significant accounting policies (Continued)

3.5 Intangible assets (Continued)

(ii) Computer software (Continued)

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

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

(iii) Industrial certificates

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

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

(iv) 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 measured 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.

(v) Subsequent expenditure

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

3.6 Investment property

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

Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful life of the investment property. The estimated useful lives of the Group's properties are within 41 to 77 years. No depreciation is provided on freehold land. Depreciation methods, useful lives and residual values are reviewed at each reporting period, and adjusted if appropriate.

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

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

3. Significant accounting policies (Continued)

3.7 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 balance sheet.

3.8 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.

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 3.13) 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.

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 construction contracts in progress as part of trade and other payables in the balance sheet.

3.9 Impairment

(i) Non-derivative financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers in the group, and economic conditions that correlate with defaults.

3. Significant accounting policies (Continued)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Loans and receivables

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

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's 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.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds 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 CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

3. Significant accounting policies (Continued)

3.9 Impairment (Continued)

(ii) Non-financial assets (Continued)

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

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

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

3.10 Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

3.11 Deferred revenue

(i) Advance payments received from customers

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

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

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

3. Significant accounting policies (Continued)

3.12 Provisions

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

3.13 Revenue

(i) Sale of goods

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

The timing of the 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.

(ii) Revenue of services

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

(iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. 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 the proportion of contract costs incurred for work performed to date to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iv) Rental income

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

3. Significant accounting policies (Continued)

3.14 Government grants

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

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

3.15 Lease payments

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

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

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

Determining whether an arrangement contains a lease

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

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

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

3.16 Finance income and costs

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

3. Significant accounting policies (Continued)

3.17 Tax

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 to the extent that it is probable that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

3. Significant accounting policies (Continued)

3.18 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.

3.19 Earnings per share

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

3.20 Segment reporting

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

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

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

3.21 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. Management has assessed that none of these new standards, amendments to standards and interpretations are expected to have a significant effect on the financial statements of the Group and the Company.

4. Property, plant and equipment

	Freehold land	Freehold properties	Leasehold properties	Computers	Furniture, fittings and office equipment	Motor vehicles	Tools and machineries	Renovation	Total
	$	$	$	$	$	$	$	$	$
Group									
Cost									
At 1 January 2011	1,776,048	3,999,216	–	883,005	1,291,707	2,868,326	6,331,945	3,734,046	20,884,293
Additions	–	–	–	126,776	421,466	1,789,198	1,466,325	1,651,172	5,454,937
Disposals/write-offs	–	–	–	–	(2,680)	(1,219,212)	(819,819)	–	(2,041,711)
Translation differences on consolidation	(40,991)	92,018	–	(3,430)	(7,308)	(12,416)	(131,498)	(23,612)	(127,237)
At 31 December 2011	1,735,057	4,091,234	–	1,006,351	1,703,185	3,425,896	6,846,953	5,361,606	24,170,282
Additions	–	14,923	4,300,000	445,370	106,494	370,334	924,718	1,615,341	7,777,180
Disposals/write-offs	–	–	–	(478,323)	(65,631)	(353,404)	(826,279)	(68,850)	(1,792,487)
Translation differences on consolidation	(40,016)	(92,140)	–	(4,462)	(9,995)	(4,774)	(101,598)	(33,254)	(286,239)
At 31 December 2012	1,695,041	4,014,017	4,300,000	968,936	1,734,053	3,438,052	6,843,794	6,874,843	29,868,736
Accumulated depreciation and impairment losses									
At 1 January 2011	–	127,548	–	595,245	558,602	2,194,860	2,627,001	1,005,326	7,108,582
Depreciation for the year	–	81,434	–	211,382	279,349	239,932	624,272	920,429	2,356,798
Disposals/write-offs	–	–	–	–	(1,561)	(1,139,763)	(512,683)	–	(1,654,007)
Impairment loss	–	–	–	–	1,327	–	–	376,436	377,763
Translation differences on consolidation	–	(2,740)	–	(2,507)	(4,068)	(5,609)	(55,715)	(4,923)	(75,562)
At 31 December 2011	–	206,242	–	804,120	833,649	1,289,420	2,682,875	2,297,268	8,113,574
Depreciation for the year	–	79,036	78,323	178,261	329,200	367,073	882,247	1,153,766	3,067,906
Disposals/write-offs	–	–	–	(478,249)	(65,703)	(159,003)	(825,831)	(47,584)	(1,576,370)
Translation differences on consolidation	–	(3,163)	–	(2,652)	(4,217)	(2,473)	(33,784)	(13,655)	(59,944)
At 31 December 2012	–	282,115	78,323	501,480	1,092,929	1,495,017	2,705,507	3,389,795	9,545,166
Carrying amounts									
At 1 January 2011	1,776,048	3,871,668	–	287,760	733,105	673,466	3,704,944	2,728,720	13,775,711
At 31 December 2011	1,735,057	3,884,992	–	202,231	869,536	2,136,476	4,164,078	3,064,338	16,056,708
At 31 December 2012	1,695,041	3,731,902	4,221,677	467,456	641,124	1,943,035	4,138,287	3,485,048	20,323,570

4. Property, plant and equipment (Continued)

Leased assets

During the financial year, the Group acquired property, plant and equipment under finance lease amounted to $1,442,700 (2011: $1,741,900). As at the reporting date, net book values of property, plant and equipment which were held under finance leases were as follows:

	2012	2011
	$	$
Motor vehicles	1,743,064	1,658,373
Machineries	1,734,825	1,481,616
Computers	–	19,510
	3,477,889	3,159,499

Securities

As at the reporting date, net book values of property, plant and equipment pledged as security to secure banking facilities as set out in note 14 to the financial statements were as follows:

	2012	2011
	$	$
Freehold land and properties	5,426,943	5,620,049
Leasehold properties	4,221,677	–
Machineries	385,858	343,180
	10,034,478	5,963,229

Sources of estimation uncertainty

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

5. Intangible assets

	Goodwill on consolidation	Computer software	Industrial certificates	Customer contracts	Total
	$	$	$	$	$
Group					
Cost					
At 1 January 2011	1,879,134	958,565	1,657,427	71,936	4,567,062
Additions	–	62,363	337,075	–	399,438
Disposals	–	(98,825)	–	–	(98,825)
Translation differences on consolidation	–	3,145	(650)	–	2,495
At 31 December 2011	1,879,134	925,248	1,993,852	71,936	4,870,170
Additions	–	349,580	270,720	–	620,300
Disposals/write-offs	–	(308,934)	–	–	(308,934)
Translation differences on consolidation	–	(500)	(17,254)	–	(17,754)
At 31 December 2012	1,879,134	965,394	2,247,318	71,936	5,163,782
Accumulated amortisation					
At 1 January 2011	–	675,202	125,947	71,936	873,085
Amortisation for the year	–	172,675	71,183	–	243,858
Translation differences on consolidation	–	(325)	(30)	–	(355)
At 31 December 2011	–	847,552	197,100	71,936	1,116,588
Amortisation for the year	–	97,292	71,919	–	169,211
Disposals/write-offs	–	(308,883)	–	–	(308,883)
Translation differences on consolidation	–	(446)	(66)	–	(512)
At 31 December 2012	–	635,515	268,953	71,936	976,404
Carrying amounts					
At 1 January 2011	1,879,134	283,363	1,531,480	–	3,693,977
At 31 December 2011	1,879,134	77,696	1,796,752	–	3,753,582
At 31 December 2012	1,879,134	329,879	1,978,365	–	4,187,378

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

5. Intangible assets (Continued)

Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in note 25.

The carrying amount of goodwill amounted to $1,872,639 is allocated to the switchgear CGU.

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

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

The Group prepares 5 years cash flow forecast derived from the most recent financial budgets approved by the Directors of the Group.

Key assumptions used in the value-in-use calculation for the year ended 31 December 2013 are as follows:

- No anticipated revenue growth in the year ending 31 December 2013. The order book as at 31 January 2013 was $35 million. These orders are expected to be delivered by 31 December 2013;

- Pre-tax discount rate of 10% (2011: 8%) has been applied to pre-tax cash flow projections; and

- The terminal value was estimated using the cash flows forecast at the end of the forecasted period at zero growth rate.

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

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.

Amortisation

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

6 Investment properties

	Freehold land	Freehold property	Leasehold properties	Total
	$	$	$	$
Group				
Cost				
At 1 January 2011	2,967,794	1,091,796	–	4,059,590
Addition	–	–	1,600,000	1,600,000
Reclassification from non-current asset held for sale	–	–	11,214,279	11,214,279
At 31 December 2011	2,967,794	1,091,796	12,814,279	16,873,869
Disposals	(2,967,794)	(1,091,796)	(1,600,000)	(5,659,590)
At 31 December 2012	–	–	11,214,279	11,214,279
Accumulated depreciation				
At 1 January 2011	–	233,673	–	233,673
Depreciation for the year	–	21,836	306,077	327,913
At 31 December 2011	–	255,509	306,077	561,586
Depreciation for the year	–	10,918	299,158	310,076
Disposals	–	(266,427)	(27,676)	(294,103)
At 31 December 2012	–	–	577,559	577,559
Carrying amounts				
At 1 January 2011	2,967,794	858,123	–	3,825,917
At 31 December 2011	2,967,794	836,287	12,508,202	16,312,283
At 31 December 2012	–	–	10,636,720	10,630,720

In September 2011, the Group's investment property located at 20 Benoi Cresent ("Benoi property") was damaged by fire and the Group claimed damages against the insurance company. In September 2012, the Group agreed to accept from the insurance company an amount of $4,500,000 as full and final settlement. Separately, the Group entered into an undertaking with a bank to ensure the completion of reinstatement and deposit the insurance compensation for use solely for the purpose of reinstatement of the Benoi property (see notes 11 and 17).

As at the reporting date, the fair value of the Benoi property with carrying amount of $10,636,720 was $11,000,000. The fair value was determined in January 2013 by GSK Global Pte Ltd.

The 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 value is 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 have each acted knowledgeably.

6 Investment properties (Continued)

Securities

As at the reporting date, investment property of the Group with carrying amount of $10,636,720 (2011: $16,312,283) is pledged as security to secure bank loans (see note 14).

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

Location	Gross floor area (approximate sq.m.)	Tenure	Existing use	Remaining term of lease
20 Benoi Crescent Singapore 629983	16,388.10	Leasehold	Industrial	37 years

7 Subsidiaries

	Company	
	2012	2011
	$	$
Equity investments, at cost	15,006,817	15,006,817

Details of significant subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective equity held by the Group	
		2012	2011
		%	%
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@	100@
Held by a subsidiary of GG(C)			
Titans Power Holding Pte. Ltd. ("TPH")#	Singapore	–	100
Gathergates Switchgear Pte Ltd ("GSPL")	Singapore	100	100
Titans Power System Pte Ltd	Singapore	100	100
Titans Industries (M) Sdn Bhd	Malaysia	100	100

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

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

8 Inventories

	Note	Group 2012	Group 2011
		$	$
Raw materials		5,856,280	5,999,633
Work in progress		874,218	924,040
Finished goods		10,497,442	11,813,108
Construction contracts in progress	9	1,686,722	881,834
		18,914,662	19,618,615

The cost of inventories recognised as an expense and included in the cost of sales of the Group amounted to $76,944,990 (2011: $77,878,760). As at the reporting date, inventories amounting to $154,268 (2011: $191,496) are pledged under fixed and floating charge to secure banking facilities.

Management reviews an ageing analysis at each reporting date, and makes allowance for obsolete and slow-moving inventory items that are identified as obsolete and slow-moving, if any. Management estimates the net realisable value for goods for resale based primarily on the latest selling prices and current market conditions. Allowances for inventories of $42,830 were made as at 31 December 2012 (2011: $42,830). Adjustments to the carrying amount of inventories may be made in future periods in the event that their carrying amounts may not be recoverable resulting from future loss events.

9 Construction work-in-progress

	Note	Group 2012	Group 2011
		$	$
Contract costs incurred		48,866,378	29,667,878
Attributable profits		5,927,368	3,443,376
		54,793,746	33,111,254
Progress billings		(55,283,960)	(32,340,132)
		(490,214)	771,122
Comprising			
Construction contracts in progress	8	1,686,722	881,834
Retention sum included in accrued revenue		3,201,785	2,797,766
Excess of progress billings over construction contracts in progress	16	(5,378,721)	(2,908,478)
		(490,214)	771,122

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 16).

10 Trade and other receivables

	Note	Group 2012	Group 2011	Company 2012	Company 2011
		$	$	$	$
Trade receivables – third parties		33,531,230	28,823,405	–	–
Amounts due from subsidiaries:					
- trade		–	–	1,825,128	410,197
- non-trade		–	–	7,890,557	940,475
Amount due from a related party, non trade		–	775	–	–
Accrued discounts receivable		1,924,205	1,363,376	–	–
Other receivables		776,990	1,134,162	–	–
Deposits		7,871,644	9,138,903	–	–
Dividend receivable		–	–	–	5,730,000
		44,104,069	40,460,621	9,715,685	7,080,672
Impairment losses		(1,475,259)	(1,073,607)	–	–
Loans and receivables	18	42,628,810	39,387,014	9,715,685	7,080,672
Accrued revenue		4,529,286	4,392,015	–	–
Prepayments		412,879	274,279	24,603	50,868
Advances to suppliers		265,586	472,081	–	–
		47,836,561	44,525,389	9,740,288	7,131,540

Accrued revenue for the Group includes retentions relating to construction contracts in progress of $3,855,004 (2011: $3,249,131).

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 loans and receivables are disclosed in note 18.

11 Cash and cash equivalents

	Note	Group 2012	Group 2011	Company 2012	Company 2011
		$	$	$	$
Cash at bank and in hand		11,574,185	9,213,782	820,309	130,329
Fixed deposits		391,968	1,043,581	–	–
Cash and cash equivalents in the balance sheet		11,966,153	10,257,363	820,309	130,329
Pledged deposits		(350,870)	(350,457)		
Cash restricted in use		(4,500,000)	–		
Bank overdrafts - secured	14	(224,804)	(111,851)		
		(5,075,674)	(462,308)		
Cash and cash equivalents in cash flow statement		6,890,479	9,795,055		

Cash restricted in use relates to an undertaking by the Group to deposit with a bank the insurance compensation of $4,500,000 received during the year which is restricted solely for the purpose of reinstatement of an investment property (see Note 6).

Bank overdrafts are secured by joint and several personal guarantees by two directors of the Company and directors of a subsidiary.

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

12 Share capital

	Company 2012 No. of shares	Company 2012 $	Company 2011 No. of shares	Company 2011 $
Fully paid ordinary shares, with no par value				
At 1 January	165,447,985	28,956,902	143,427,621	25,629,354
Issue of shares on exercise of warrants (net of expenses)	–	–	22,020,364	3,327,548
Issue of shares on private placement	40,000,000	3,000,000	–	–
At 31 December	205,447,985	31,956,902	165,447,985	28,956,902

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

12 Share capital (Continued)

In 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. 22,020,364 warrants were exercised in 2011 and the remaining 540,119 warrants expired on 1 July 2011. The number of outstanding warrants as at 31 December 2012 and 2011 was nil.

In 2012, the Company issued 40,000,000 placement shares at $0.075 per placement share for a consideration of $3,000,000 to four places to provide for working capital.

13 Reserves

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Capital reserve	(3,377,530)	(3,377,530)	–	–
Translation reserve	(194,003)	(146,757)	–	–
	(3,571,533)	(3,524,287)	–	–

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.

14 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 18.

		Group		Company	
	Note	2012	2011	2012	2011
		$	$	$	$
Non-current liabilities					
Unsecured					
Bridging loan		138,082	938,480	–	–
Secured					
Bank loans		10,665,821	11,065,810	–	–
Finance lease liabilities		1,977,327	1,573,410	–	–
		12,643,148	12,639,220	–	–
Total non-current liabilities		12,781,230	13,577,700	–	–
Current liabilities					
Unsecured					
Bridging loan		800,399	761,221	–	–
Short-term loans		–	1,628,445	–	–
		800,399	2,389,666	–	–
Secured					
Bank overdrafts	11	224,804	111,851	–	–
Current portion of bank loans		841,020	877,128	–	–
Short-term loans		155,471	193,728	–	–
Finance lease liabilities		668,244	856,418	–	–
		1,889,539	2,039,125	–	–
Total current liabilities		2,689,938	4,428,791	–	–
Total loans and borrowings		15,471,168	18,006,491	–	–

14 Loans and borrowings (Continued)

Terms and debt repayment schedule

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

			2012		2011	
	Nominal interest rate	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
	%		$	$	$	$
Group						
Bank overdrafts	benchmark prime lending rate + 0.25%	2013	224,804	224,804	111,851	111,851
RM floating rate loans	prime rate - 1.25%	2023	1,967,335	1,967,335	2,136,770	2,136,770
S$ floating rate loans	from 0.25% to 3.00% above prime rate	2022-2030	9,539,506	9,539,506	9,806,168	9,806,168
Hong Kong dollars floating rate loan	prime rate	2012	–	–	1,628,445	1,628,445
Indian rupee floating rate loan	prime rate + 0.5%	2013	155,471	155,471	193,728	193,728
S$ fixed rate bridging loan	2.64%	2014	938,481	938,481	1,699,701	1,699,701
Finance lease liabilities	1.88% - 4.25%	2013-2022	2,954,720	2,645,571	2,703,580	2,429,828
			15,780,317	15,471,168	18,280,243	18,006,491

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

14 Loans and borrowings (Continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2012			2011		
	Future minimum lease payments	**Interest**	**Payments**	**Future minimum lease payments**	**Interest**	**Payments**
	$	**$**	**$**	**$**	**$**	**$**
Group						
Within 1 year	668,244	125,447	793,691	856,418	104,203	960,621
Between 1 year and 5 years	1,778,932	174,727	1,953,659	1,266,105	158,536	1,424,641
More than 5 years	198,395	8,975	207,370	307,305	11,013	318,318
	2,645,571	309,149	2,954,720	2,429,828	273,752	2,703,580

15 Deferred tax liabilities

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

	At 1/1/2012	**Foreign currency translation difference**	**Reclassification of asset**	**Recognised in income statements (note 22)**	**At 31/12/2012**
	$	**$**	**$**	**$**	**$**
Group					
Deferred tax liabilities					
Property, plant and equipment	435,029	16,451	–	(176,145)	275,335
Investment properties	10,896	–	–	–	10,896
	445,925	16,451	–	(176,145)	286,231

	At 1/1/2011	**Foreign currency translation difference**	**Reclassification of asset**	**Recognised in income statements (note 22)**	**At 31/12/2011**
	$	**$**	**$**	**$**	**$**
Deferred tax liabilities					
Property, plant and equipment	714,314	(3,843)	–	(275,442)	435,029
Investment properties	–	–	38,225	(27,329)	10,896
Non-current asset held for sale	38,225	–	(38,225)	–	–
	752,539	(3,843)	–	(302,771)	445,925

15 Deferred tax liabilities (Continued)

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Unutilised tax losses	2,420,696	1,531,872	–	–

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.

16 Trade and other payables

		Group		Company	
	Note	**2012**	**2011**	**2012**	**2011**
		$	**$**	**$**	**$**
Trade payables:					
- third parties		17,623,701	20,375,036	24,908	293,633
- subsidiary		–	–	2,345	3,179
Amount due to subsidiaries, non-trade		–	–	136,007	162
Bills payable		14,824,626	15,275,273	–	–
Excess of progress billings over construction contracts in progress	9	5,378,721	2,908,478	–	–
Deposits received	(i)	2,596,807	2,490,643	–	–
Deferred revenue	(ii)	10,560,196	11,910,242	–	–
Accrued expenses		2,452,381	2,620,590	179,312	89,409
Other payables	(iii)	531,717	757,763	–	–
		53,968,149	56,338,025	342,572	386,383

(i) Includes deposit received of approximately $1.1 million for a property.

(ii) Includes deferred revenue of $10.6 million (2011: $11.2 million) representing the excess of selling price over the fair value, i.e. market value at the date of disposal for property located at 29 Tai Seng Avenue, Singapore 534119, which was disposed off under a sale and leaseback arrangement. The deferred revenue is amortised on a straight-line basis over the leaseback period of 10 years. As at the reporting date, deferred tax asset amounting to $1,686,016 (2011: $2,128,000) in respect of the deferred revenue has been recognised.

(iii) Includes payables for acquisition of property, plant and equipment of $116,007 (2011: $62,810) and payables for acquisition of intangible assets of $35,558 (2011: nil).

16 Trade and other payables (Continued)

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 2.40% to 4.40% (2011: 2.30% to 3.50%) per annum.

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

17 Provision

	Provision for reinstatement costs
	$
Group	
At 1 January 2012	–
Provision made during the year	4,500,000
At 31 December 2012	4,500,000

The provision relates to an amount set aside for the purpose of reinstatement of an investment property (see note 6). On 20 December 2012, the Group entered into an agreement with a contractor to reconstruct the investment property for a sum of $4,500,000.

18 Financial instruments

Overview

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

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

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

18 Financial instruments (Continued)

Risk management framework

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

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

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

(i) Credit risk

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

The carrying amount of financial assets in the balance sheet represents the Group and the Company's respective maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company does not hold any collateral in respect of its financial assets.

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

		Group		Company	
	Note	**2012**	**2011**	**2012**	**2011**
		$	**$**	**$**	**$**
Loans and receivables	10	42,628,810	39,387,014	9,715,685	7,080,672
Cash and cash equivalents	11	11,966,153	10,257,363	820,309	130,329
Recognised financial assets		54,594,963	49,644,377	10,535,994	7,211,001
Intra-group financial guarantee		–	–	29,609,496	30,349,644
		54,594,963	49,644,377	40,145,490	37,560,645

18 Financial instruments (Continued)

(i) Credit risk (Continued)

Loans and receivables

Risk management policy

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

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

Exposure to credit risk

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

	2012	**2011**
	$	**$**
Group		
Commercial	38,362,387	36,256,875
Retail	426,579	687,580
Trading	3,777,658	2,384,249
Others	62,186	58,310
	42,628,810	39,387,014
Company		
Commercial	8,034,450	6,023,987
Retail	1,681,235	1,056,685
	9,715,685	7,080,672

Impairment losses

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

18 Financial instruments (Continued)

(i) Credit risk (Continued)

Loans and receivables (Continued)

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

	Gross 2012	Impairment losses 2012	Gross 2011	Impairment losses 2011
	$	$	$	$
Group				
Not past due	27,497,493	–	19,841,697	–
Past due 0 – 30 days	2,900,128	–	7,091,248	–
Past due 31 – 120 days	8,514,957	–	9,299,451	–
Past due 121 – 365 days	3,200,837	40,660	2,259,443	256
More than one year	1,990,654	1,434,599	1,968,782	1,073,351
	44,104,069	1,475,259	40,460,621	1,073,607
Company				
Not past due	8,029,797	–	6,670,516	–
Past due 0 – 30 days	278,200	–	2,273	–
Past due 31 – 120 days	278,801	–	3,146	–
Past due 121 – 365 days	765,453	–	74,007	–
More than one year	363,434	–	330,730	–
	9,715,685	–	7,080,672	–

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

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
At 1 January	1,073,607	742,299	–	–
Impairment loss recognised	403,667	332,247	–	–
Translation differences	(2,015)	(939)	–	–
At 31 December	1,475,259	1,073,607	–	–

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

The allowance accounts in respect of loans and receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written-off against the financial asset directly. At 31 December 2012, the Group and the Company do not have any collective impairment on its loans and receivables (2011: nil).

18 Financial instruments (Continued)

(i) Credit risk (Continued)

Cash and cash equivalents

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

Intra-group financial guarantees

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

(ii) Liquidity risk

Risk management policy

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

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

As at the reporting date, the Group maintains $12.0 million (2011: $24.0 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.

18 Financial instruments (Continued)

(ii) Liquidity risk (Continued)

Risk management policy (Continued)

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

		Contractual undiscounted Cash flows			
	Carrying amount	**Total**	**Within 1 year**	**Within 2 to 5 years**	**More than 5 years**
	$	**$**	**$**	**$**	**$**
Group					
2012					
Non-derivative financial liabilities					
Variable interest rate loans	11,662,312	(14,572,321)	(1,353,570)	(4,972,411)	(8,246,340)
Fixed interest rate loan	938,481	(967,232)	(829,056)	(138,176)	
Finance lease liabilities	2,645,571	(2,954,720)	(793,691)	(1,953,659)	(207,370)
Trade and other payables*	43,407,953	(43,502,252)	(43,502,252)	–	–
Bank overdrafts	224,804	(224,804)	(224,804)	–	–
	58,879,121	(62,221,329)	(46,703,373)	(7,064,246)	(8,453,710)
2011					
Non-derivative financial liabilities					
Variable interest rate loans	13,765,111	(17,807,287)	(3,398,841)	(5,610,773)	(8,797,673)
Fixed interest rate loan	1,699,701	(1,796,288)	(829,056)	(967,232)	
Finance lease liabilities	2,429,828	(2,703,580)	(960,621)	(1,424,641)	(318,318)
Trade and other payables*	44,427,783	(44,530,380)	(44,530,380)	–	–
Bank overdrafts	111,851	(111,851)	(111,851)	–	–
	62,434,274	(66,949,386)	(49,830,749)	(8,002,646)	(9,115,991)

* Exclude deferred revenue

18 Financial instruments (Continued)

(ii) Liquidity risk (Continued)

Risk management policy (Continued)

		Contractual undiscounted Cash flows			
	Carrying amount	Total	Within 1 year	Within 2 to 5 years	More than 5 years
	$	$	$	$	$
Company					
2012					
Non-derivative financial liabilities					
Trade and other payables	342,572	(342,572)	(342,572)	–	–
Intra-group financial guarantee	–	(29,609,496)	(29,609,496)	–	–
	342,572	(29,952,068)	(29,952,068)	–	–
2011					
Non-derivative financial liabilities					
Trade and other payables	386,383	(386,383)	(386,383)	–	–
Intra-group financial guarantee	–	(30,349,644)	(30,349,644)	–	–
	386,383	(30,736,027)	(30,736,027)	–	–

The maturity analyses show the undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

Except for the cash flow arising from the intra-group financial guarantee, it is not expected that the cash flows included in the maturity analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

(iii) Market risk

Risk management policy

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

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

18 Financial instruments (Continued)

(iii) Market risk (Continued)

Risk management policy (Continued)

Currency risk

Exposure to currency risk

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

The summary of quantitative data about the Group's exposure to foreign currency risk as provided to the management of the Group based on its risk management policy was as follows:

	Singapore dollar	**US dollar**	**Hong Kong dollar**
	$	**$**	**$**
2012			
Trade and other receivables	18,492,476	5,066	–
Cash and cash equivalents	5,778	31,806	4,822
Trade and other payables	(24,324,035)	(1,072,739)	–
	(5,825,781)	(1,035,867)	4,822
2011			
Trade and other receivables	6,559,577	11,768	37,593
Cash and cash equivalents	7,702	481,426	4,924
Trade and other payables	(12,933,684)	(1,527,005)	–
Loans and borrowings	–	–	(1,628,445)
	(6,366,405)	(1,033,811)	(1,585,928)

The Company did not have any foreign currency transactions.

18 Financial instruments (Continued)

(iii) Market risk (Continued)

Risk management policy (Continued)

Sensitivity analysis

A 10% strengthening (weakening) of the Singapore dollar, as indicated against the above currencies at 31 December 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 and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2011, as indicated below:

	Group	
	2012	**2011**
	$	**$**
Profit before tax		
Singapore dollar	(582,578)	(636,641)
US dollar	103,587	103,381
Hong Kong dollars	(482)	158,593
	(479,473)	(374,667)

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.

<u>Interest rate risk</u>

Exposure to interest rate risk

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

Fixed rate instruments		
Loans and borrowings	(3,584,052)	(4,129,529)
Bills payable	(14,824,626)	(15,275,273)
Fixed deposits	391,968	1,043,581
	(18,016,710)	(18,361,221)
Variable rate instruments		
Loans and borrowings	(11,887,116)	(13,876,962)

18 Financial instruments (Continued)

(iii) Market risk (Continued)

Risk management policy (Continued)

Interest rate risk (Continued)

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 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 2011.

	2012		2011	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
	$	**$**	**$**	**$**
Group				
Profit before tax				
Variable rate instruments	(118,871)	118,871	(138,770)	138,770

Capital management

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

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

Neither the Company nor any of its subsidiaries are not subject to externally imposed capital requirements.

18 Financial instruments (Continued)

(iii) Market risk (Continued)

Accounting classification and fair values

Fair values versus carrying amounts

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

	Note	Loans and receivables	Other financial liabilities within scope of FRS 39	Other financial liabilities outside scope of FRS 39	Total carrying amount	Fair value
		$	$		$	$
Group						
31 December 2012						
Cash and cash equivalents	11	11,966,153	–	–	11,966,153	11,966,153
Trade and other receivables	10	42,628,810	–	–	42,628,810	42,628,810
		54,594,963	–	–	54,594,963	54,594,963
Fixed interest rate loan	14	–	938,481	–	938,481	959,781
Variable interest rate loans	14	–	11,662,312	–	11,662,312	11,662,312
Finance lease liabilities	14	–	–	2,645,571	2,645,571	2,840,101
Bank overdrafts	14	–	224,804	–	224,804	224,804
Trade and other payables*	16	–	43,407,953	–	43,407,953	43,407,953
		–	56,233,550	2,645,571	58,879,121	59,094,951
31 December 2011						
Cash and cash equivalents	11	10,257,363	–	–	10,257,363	10,257,363
Trade and other receivables	10	39,387,014	–	–	39,387,014	39,387,014
		49,644,377	–	–	49,644,377	49,644,377
Fixed interest rate loan	14	–	1,699,701	–	1,699,701	1,886,802
Variable interest rate loans	14	–	13,765,111	–	13,765,111	13,765,111
Finance lease liabilities	14	–	–	2,429,828	2,429,828	2,613,366
Bank overdrafts	14	–	111,851	–	111,851	111,851
Trade and other payables*	16	–	44,427,783	–	44,427,783	44,427,783
		–	60,004,446	2,429,828	62,434,274	62,804,913

* *Exclude deferred revenue*

18 Financial instruments (Continued)

(iii) Market risk (Continued)

Risk management policy (Continued)

Fair values versus carrying amounts (Continued)

	Note	Loans and receivables	Other financial liabilities within scope of FRS 39	Total carrying amount	Fair value
		$	$	$	$
Company					
31 December 2012					
Cash and cash equivalents	11	820,109	–	820,109	820,109
Trade and other receivables	10	9,715,685	–	9,715,685	9,715,685
		10,535,794	–	10,535,794	10,535,794
Trade and other payables	16	–	342,572	342,572	342,572
31 December 2011					
Cash and cash equivalents	11	130,329	–	130,329	130,329
Trade and other receivables	10	7,080,672	–	7,080,672	7,080,672
		7,211,001	–	7,211,001	7,211,001
Trade and other payables	16	–	386,383	386,383	386,383

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.

19 Revenue

	Group	
	2012	2011
	$	$
Sale of goods	93,229,742	97,287,000
Revenue from construction contracts	37,056,080	30,188,067
Revenue from services rendered	6,517,253	5,016,537
Rental income	6,060,273	4,428,788
	142,863,348	136,920,392

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

20 Other income

	Group	
	2012	2011
	$	$
Bad debts written back	369	24,392
Creditors written back	209,826	–
Gain on disposal of investment properties	1,534,512	–
Gain on disposal of property, plant and equipment	89,890	435,508
Government grants	309,963	–
Income from cafeteria	215,246	–
Interest income from banks	26,981	15,448
Rental income	283,305	387,667
Others	615,684	481,706
	3,285,776	1,344,721

21 Finance costs

	Group 2012	Group 2011
	$	$
Interest expenses:		
- bank loans	1,137,686	1,081,815
- bank overdrafts	460	15,101
- finance leases	176,517	131,957
- others	–	8,466
	1,314,663	1,237,339

22 Tax credits

	Group 2012	Group 2011
	$	$
Current tax expenses		
Current year	4,642	167,189
Adjustment for prior years	33,672	(434,994)
	38,314	(267,805)
Deferred tax expenses		
Origination and reversal of temporary differences	(131,686)	(245,203)
Adjustment for prior years	(44,459)	(57,568)
	(176,145)	(302,771)
Total tax credits	(137,831)	(570,576)
Reconciliation of effective tax rate		
Profit/(loss) before income tax	759,421	(4,230,351)
Tax using Singapore tax rate at 17% (2011: 17%)	129,102	(719,160)
Effect of different tax rates in other countries	4,984	(25,560)
Tax exempt income	(404,720)	(122,186)
Singapore statutory stepped income exemption	(53,324)	(59,297)
Non-deductible expenses	436,115	977,677
Effect of previously unrecognised tax losses	(60,926)	(78,458)
Over provided in prior years	(10,787)	(492,562)
Deferred tax assets not recognised	232,699	151,399
Tax incentives under Productivity and Innovation Credit ("PIC") Scheme	(366,811)	(198,188)
Others	(44,163)	(4,241)
	(137,831)	(570,576)

22 Tax credits (Continued)

In 2011, a subsidiary reversed provision of $492,562 relating to 2010 tax incentives under PIC Scheme and capital allowances on certain qualifying property, plant and equipment upon the finalisation of the tax assessments.

23 Profit/(Loss) for the year

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

		Group	
	Note	**2012**	**2011**
		$	**$**
Allowance for stock obsolescence	8	–	42,830
Amortisation of club memberships		272,460	454,100
Amortisation of intangible assets	5	169,211	243,858
Bad debts written-off		69,958	543,157
Staff costs		24,100,424	24,244,909
Contributions to defined contribution plans, included in staff costs		1,212,773	1,120,516
Government grants – Jobs Credit Scheme offset against staff cost		–	(4,187)
Foreign exchange loss – net		99,109	27,755
Gain on disposal of investment properties		1,534,512	–
Impairment loss on trade and other receivables – net	18	403,667	332,247
Impairment loss on property, plant and equipment	4	–	377,763
(Over-provision for listing expenses)/Listing expenses		(181,189)	1,618,113
Audit fees paid to:			
- auditors of the Company		271,763	204,047
- other auditors		21,519	11,756
Non-audit fees paid to:			
- auditors of the Company		31,079	156,837
Operating expenses arising from rental of investment properties		370,659	426,891
Operating lease expenses		6,084,647	5,272,165
Plant and equipment written-off		23,624	394

24 Earnings per share

Profit/(loss) attributable to ordinary shareholders

	Group	
	2012	**2011**
	$	**$**
Basic and diluted earnings per share are based on:		
Net profit/(loss) attributable to ordinary shareholders	986,906	(3,473,868)

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share was based on weighted average number of ordinary shares outstanding of 186,050,725 (2011: 152,714,346), calculated as follows:

Weighted average number of ordinary shares

	Group	
	2012	**2011**
	$	**$**
Issued ordinary shares at 1 January	165,447,985	143,427,621
Effect of warrants exercised	–	13,480,323
Effect of shares issued	20,602,740	–
Bonus element of warrants	–	(4,193,598)
Weighted average number of ordinary shares	186,050,725	152,714,346

There were no potential dilutive ordinary shares for the years ended 31 December 2012 and 2011. As such, the net profit or net loss attributable to owners of the Company and the weighted average number of ordinary shares used in the calculation of diluted earnings per share are the same as those used in the calculation of basic earnings per share.

25 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO and GED 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.

25 Operating segments (Continued)

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

Information about reportable segments

	Aircon	Switchgear	Investment	Total
	$	$	$	$
Revenue and expenses				
2012				
Total revenue from external customers	84,555,786	53,848,647	4,458,915	142,863,348
Inter-segment revenue	73,898	633,127	2,296,991	3,004,016
Total revenue of reportable segments	84,629,684	54,481,774	6,755,906	145,867,364
Finance income	30,504	23,422	8,764	62,690
Finance costs	321,647	646,871	384,149	1,352,667
Depreciation and amortisation	1,070,036	1,836,354	647,433	3,553,823
Reportable segment profit/(loss) before income tax	1,799,802	244,788	(1,319,103)	725,487
Other material non-cash items				
- Bad debts written-off	70,193	1,505	37	71,735
- Impairment of trade and other receivables-net	79,944	323,723	–	403,667
- Plant and equipment written-off	21,422	295	1,907	23,624
Reportable segment assets	42,916,150	47,110,076	30,104,193	120,130,419
Capital expenditure	5,660,829	2,160,209	576,442	8,397,480
Reportable segment liabilities	28,600,344	31,123,630	32,656,723	92,380,697

25 Operating segments (Continued)

Information about reportable segments (Continued)

	Aircon	Switchgear	Investment	Total
	$	$	$	$
Revenue and expenses				
2011				
Total revenue from external customers	78,426,199	54,065,050	4,429,143	136,920,392
Inter-segment revenue	503,579	229,094	3,251,597	3,984,270
Total revenue of reportable segments	78,929,778	54,294,144	7,680,740	140,904,662
Finance income	3,405	1,577	6,599	11,581
Finance costs	233,933	561,299	442,107	1,237,339
Depreciation and amortisation	724,384	1,458,859	806,253	2,989,496
Reportable segment profit/(loss) before income tax	1,147,075	(1,762,014)	(542,221)	(1,157,160)
Other material non-cash items				
- Allowance for stock obsolescence	42,830	–	–	42,830
- Bad debts written-off	91,566	246	451,345	543,157
- Impairment of trade and other receivables-net	103,417	228,830	–	332,247
- Impairment of property, plant and equipment	377,763	–	–	377,763
- Plant and equipment written-off	394	–	–	394
Reportable segment assets	36,679,738	48,848,891	27,453,465	112,982,094
Capital expenditure	3,637,149	6,521,856	729,701	10,888,706
Reportable segment liabilities	24,367,296	31,076,515	28,747,994	84,191,805

25 Operating segments (Continued)

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

	2012	2011
	$	$
Revenue		
Total revenue for reportable segments	145,867,364	140,904,662
Elimination of inter-segment revenue	(3,004,016)	(3,984,270)
Consolidated revenue	142,863,348	136,920,392
Profit or loss before income tax		
Total profit/(loss) before income tax for reportable segments	725,487	(1,157,160)
Other profit/(loss)	32,437	(3,065,613)
	757,924	(4,222,773)
Elimination of inter-segment profits	1,497	(7,578)
Consolidated profit/(loss) before tax	759,421	(4,230,351)
Assets		
Total assets for reportable segments	120,130,419	112,982,094
Other assets	25,704,593	22,722,625
Elimination of inter-segment assets	(30,146,772)	(22,598,679)
Consolidated total assets	115,688,240	113,106,040
Liabilities		
Total liabilities for reportable segments	92,380,697	84,191,805
Other liabilities	342,573	392,908
Elimination of inter-segment liabilities	(16,624,423)	(7,205,737)
Consolidated total liabilities	76,098,847	77,378,976

25 Operating segments (Continued)

Other material items

	Reportable segment totals	Adjustments	Consolidated totals
	$	$	$
2012			
Finance income	62,690	(35,709)	26,981
Finance costs	1,352,667	(38,004)	1,314,663
Depreciation and amortisation	3,553,823	265,830	3,819,653
Bad debts written-off	71,735	(1,777)	69,958
Impairment of trade and other receivables - net	403,667	–	403,667
Plant and equipment written-off	23,624	–	23,624
Capital expenditure	8,397,480	–	8,397,480
2011			
Finance income	11,581	3,867	15,448
Finance costs	1,237,339	–	1,237,339
Depreciation and amortisation	2,989,496	393,173	3,382,669
Allowance for stock obsolescence	42,830	–	42,830
Bad debts written-off	543,157	–	543,157
Impairment of trade and other receivables - net	332,247	–	332,247
Impairment of property, plant and equipment	377,763	–	377,763
Plant and equipment written-off	394	–	394
Capital expenditure	10,888,706	(3,434,331)*	7,454,375

* *Elimination of sale of freehold land and properties between segments*

Geographical information

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

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

25 Operating segments (Continued)

Geographical information (Continued)

	Revenue	Non-current assets*
	$	**$**
31 December 2012		
Singapore	135,849,079	26,908,106
India	337,156	605,367
Malaysia	5,710,035	7,771,375
Other countries	967,078	–
	142,863,348	35,284,848
31 December 2011		
Singapore	132,071,811	28,188,506
India	547,549	608,738
Malaysia	3,970,426	7,779,429
Other countries	330,606	–
	136,920,392	36,576,673

* *Exclude investments in subsidiaries and deferred tax asset.*

Major customer

Revenue from one customer of the Group's Aircon segment represents approximately $5,545,000 (2011: $11,099,000) of the Group's total revenue.

26 Determination of fair values

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

Non-derivative financial liabilities

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.

27 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2012	**2011**
	$	**$**
Within one year	7,715,441	9,916,189
Between one and five years	24,032,825	25,228,332
More than five years	22,187,941	27,992,725
	53,936,207	63,137,246

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

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

	Group	
	2012	**2011**
	$	**$**
Within one year	2,504,591	5,162,985
Between one and five years	1,279,227	3,024,387
	3,783,818	8,187,372

During the year, $176,917 (2011: $141,000) of income arising from investment properties was recognised in profit or loss by the Group.

28 Contingencies

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Corporate guarantees				
Banking facilities corporate guarantee	–	–	29,609,496	30,349,644
Unsecured guarantees given to banks for issuance of the performance bonds on behalf of subsidiaries	702,258	330,000	702,258	330,000
Corporate guarantee given to a trade creditor of a subsidiary	–	–	1,104,032	893,236

28 Contingencies (Continued)

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

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

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

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

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

Continuing financial support

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. As at 31 December 2012, the net current liabilities and deficits in shareholders' funds of these subsidiaries amounted to approximately $11,234,000 (2011: $7,284,000) and $2,841,000 (2011: $1,667,000) respectively.

Contingent liability

On 17 May 2012, Toyochem Marketing Pte Ltd ("Toyochem") claimed against a subsidiary in the High Court alleging breaches of the Option and Tenancy agreement entered with the subsidiary and seeking, amongst others, the following:

- specific performance of the Option, further and/or in the alternative, damages to be assessed for the breach of the Option;
- liquidated damages under the Option totalling $321,800 and continuing at the rate 10% per annum on the sale price of $11,800,000 under the Option up to the state of completion of the Option;
- application by the subsidiary of insurance monies received towards reinstatement of the Benoi Property or, in the alternative, damages for breach of the insurance covenant under the tenancy, damages to be assessed; and
- changes to be assessed for breach of the rental suspension clause under the tenancy

As at the date of this report, the parties are in the discovery stage and a further pre-trial conference is scheduled on 4 April 2013.

Based on legal advice, the Directors are of the view that there are reasonably strong arguments to be made in support of the subsidiary's case and assessed that no provision is required to be made in the Group financial statements.

29 Related parties

Transactions with key management personnel

Key management personnel compensation

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

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

Key management personnel compensation, included in staff costs comprised:

	Group	
	2012	**2011**
	$	**$**
Short-term employee benefits	3,080,454	3,651,617
Post-employment benefits	133,091	113,614
	3,213,545	3,765,231

Included in key management personnel compensation is director's remuneration of the Company of $566,406 (2011: $574,777).

Key management personnel and director transactions

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

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

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

Director	**Transaction**	**Transaction value Year ended 31 December**		**Balance outstanding As at 31 December**	
		2012	**2011**	**2012**	**2011**
		$	**$**	**$**	**$**
William da Silva	Legal fees	24,200	25,000	–	–

The Group used the legal services of William da Silva in relation to advice over the sale of certain properties and other matters of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

29 Related parties (Continued)

Transactions with key management personnel (Continued)

Key management personnel and director transactions (Continued)

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

Other related party transactions

	Group	
	2012	**2011**
	$	**$**
Related parties		
Sale of goods	60,498	3,026
Purchase of goods	967,831	487,500
Directors of the Company and subsidiaries		
Bank facilities secured by personal guarantees from 3 directors of a subsidiary and 2 directors of the Company	380,277	305,579
Obligations under finance leases guaranteed by a director of the Company	–	3,081

30 Subsequent events

On 22 January 2013, the Company entered into a convertible loan note agreement with HT Holdings (HK) Ltd to obtain a loan of $3,750,000. The convertible notes, comprising ten notes each with a principal face value of $375,000 and is convertible into new ordinary shares in the capital of the Company. The agreement is subject to completion of the specified terms therein and has not been completed as at the date of this report. The Company shall use the proceeds to invest in HMK Energy Pte Ltd in which the principal activities are in the minerals oil and gas industry in Indonesia.

In connection with this investment, the Company incorporated a wholly-owned subsidiary, Natural Cool Energy Pte. Ltd., in Singapore, with an initial issued and paid up share capital of S$100.

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

Project Risk

Delays in the completion of our Commercial business projects may occur due to unforeseen circumstances. If such delay in the completion of our projects is attributable to us, we will be liable for liquidated damages which will materially and adversely affect our financial position and performance. To mitigate this risk, project meetings are held periodically to update management on the progress of all on-going projects. Work-in-progress is monitored closely by the management to avoid the situation of cost overrun. In the event that management perceives a potential delay in a project, we immediately alert the main contractor. A revised project completion date will be negotiated subsequently. Half yearly Group performance reports are also presented to the Board of Directors for their review and comments.

Risk Management Policies **and Processes**

Investment Risk

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

Foreign Exchange Risk

The foreign exchange risk of the Group arises from sales, purchases and borrowings that are denominated in foreign currencies. The currencies giving rise to the risk are US dollars, 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.

Credit Risk

Credit risk is managed through the application of credit approvals, setting credit limits and monitoring procedures. Our cash balances are placed with banks and regulated financial institutions.

It is our Group's policy to sell to a diverse credit worthy customer base so as to mitigate our credit risk. Cash terms and/or advance payments are required for customers with lower credit rating. While the Groupfaces 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 andliabilities. Interest rate risk is managed on an on-going basis with the objective of limiting the extent towhich 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 policyto obtain the most favourable interest rates available without increasing our exposure.

Liquidity Risk

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

Derivative Financial Instrument Risk

The Group does not hold or issue derivative financial instruments.

CLASS OF SHARES
Ordinary Shares

NUMBER OF SHARES
205,447,985

NUMBER OF ORDINARY SHAREHOLDERS
The number of ordinary shareholders as at 22 March 2013 is 677

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 22 March 2012 approximately 65.14% 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 22 MARCH 2013

	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	273	40.32	90,005	0.04
1,000 - 10,000	216	31.91	728,708	0.36
10,001 - 1,000,000	163	24.08	24,142,530	11.75
1,000,001 AND ABOVE	25	3.69	180,486,742	87.85
	677	100.00	205,447,985	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2013

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
Joseph Ang Choon Cheng [(1)]	24,284,505	–	3,150,001	27,434,506	13.35%
Tsng Joo Peng	6,048,426	11,300,000	–	17,348,426	8.44%

Notes:

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

Shareholdings **Statistics**

As at 22 March 2013

TOP 20 SHAREHOLDERS AS AT 22 MARCH 2013

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	40,008,000	19.47
2	DBS NOMINEES PTE LTD	28,652,354	13.95
3	ANG CHOON CHENG	24,284,505	11.82
4	EDWARD CHIA PUAY HWEE	10,214,000	4.97
5	ANG CHOON BENG	7,831,352	3.81
6	CIMB SECURITIES (SINGAPORE) PTE LTD	7,300,000	3.55
7	KEN TAN AIK KWONG	6,790,700	3.31
8	MAYBANK NOMINEES (S) PTE LTD	6,390,010	3.11
9	TSNG JOO PENG	6,048,426	2.94
10	BANK OF SINGAPORE NOMINEES PTE LTD	5,932,561	2.89
11	SBS NOMINEES PTE LTD	4,300,000	2.09
12	NEO CHUAN TIONG	4,125,866	2.01
13	HSBC (SINGAPORE) NOMINEES PTE LTD	3,733,277	1.82
14	HONG LEONG FINANCE NOMINEES PTE LTD	3,283,000	1.60
15	YAP GEOK KHIM	3,150,001	1.53
16	TSNG JOO WEE	3,010,150	1.47
17	LEE CHEE BOON	2,940,000	1.43
18	CHIA PECK HUAN	2,237,834	1.09
19	POH YEOW KIM LAWRENCE	2,112,449	1.03
20	HONG BOON YOON	1,700,000	0.83
		174,044,485	84.72

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 Wednesday, 24 April 2013 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 2012 and the Auditors' Report thereon. **[Resolution 1]**

2 To re-elect Mr Joseph Ang Choon Cheng who is retiring by rotation pursuant to Article 101 of the Company's Articles of Association as Director of the Company. **[Resolution 2]**

3 To re-elect Mr Tsng Joo Peng who is retiring by rotation pursuant to Article 101 of the Company's Articles of Association as Director of the Company. **[Resolution 3]**

4 To re-elect Mr Edward Chia Puay Hwee who is retiring by rotation pursuant to Article 105 of the Company's Articles of Association as Director of the Company. **[Resolution 4]**

5 To re-elect Mr Ken Tan Aik Kwong who is retiring by rotation pursuant to Article 105 of the Company's Articles of Association as Director of the Company. **[Resolution 5]**

6 To approve Directors' fees of S$98,000/- for the financial year ending 31 December 2013. (2012: S$88,000/-) **[Resolution 6]**

7 To approve additional Director's fee of S$5,000/- for the financial year ended 31 December 2012.
[See Explanatory Note (a)] **[Resolution 7]**

8 To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 8]**

9 To transact any other business that may be transacted at an Annual General Meeting.

Special Business

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

General mandate to allot and issue new shares

10 "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 (b)] **[Resolution 9]**

By Order of the Board

Leaw Wei Siang
Sharon Yeoh
Company Secretaries
8 April 2013
Singapore

Explanatory Note:

(a) This is an increment of Director's fee in respect of Dr Wu Chiaw Ching's appointment as Chairman of the Board of Directors with effect from 1 July 2012.

(b) The ordinary resolution 9 set out in item 10 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 9 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 9 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.

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NATURAL COOL HOLDINGS LIMITED

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

PROXY FORM

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.

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, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 on Wednesday, 24 April 2013 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 2012		
2	Re-election of Joseph Mr Ang Choon Cheng as director		
3	Re-election of Mr Tsng Joo Peng as director		
4	Re-election of Mr Edward Chia Puay Hwee as director		
5	Re-election of Mr Ken Tan Aik Kwong as director		
6	Approval of directors' fees FY2013		
7	Approval of additional director's fee FY2012		
8	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
9	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 ___________ 2013

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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Singapore 534119
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