REACHING BEYOND THE HORIZON

Natural Cool
Holdings Limited

Annual Report 2013

CONTENTS

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 and 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

Tsng Joo Peng

Chief Executive Director

Dear Shareholders

Amid a global slowdown embroiled 2013, Natural Cool has once again emerged unscathed given its strong fundamentals. The year under review saw the Company continued to embark on process upgrading with productivity remaining as one of its top priorities. There is a need to constantly think of ways to do more with less given the tight labour situation in Singapore. Such measure entails working with every individual staff to drive productivity improvements in each and every department.

Going forward, the business prospects for 2014 look promising. According to the Conference Board's Global Economic Outlook report, global GDP growth is likely to show a rebound from 2.9% in 2013 to 3.5% in 2014. Across mature economies, the 2014 growth outlook has improved significantly to 2.2% growth in 2014 compared to 1.3% last year. Several factors influencing this growth prospect include the recovery of Eurozone from negative territory of -0.3% in 2013 to 1% in 2014; growth in mature economies like the United States by more than 1% to 3% in 2014, and overall growth restoration in emerging and developing economies.

Against this backdrop, the Singapore economy is expected to post modest growth of between 2% and 4% in 2014. Export-oriented sectors such as manufacturing and wholesale trade are likely to improve and provide support to growth, in tandem with the recovery in global demand. However, labour crunch could weigh on growth in some labour-intensive domestically-oriented sectors.

Notwithstanding this, Natural Cool will continue to enjoy a fair share of the growing construction demand in Singapore which is projected to hit S$38 billion in 2014 barring any unforeseen circumstances.

Financial Review

The Group achieved revenue of S$154.73 million in FY2013, an increase of S$11.87 million, or 8.31% as compared to FY2012. This was due mainly to higher revenue registered by our Aircon division. Gross profit margin decreased marginally by 1.04% and was due mainly to higher labour costs. Other income decreased by S$2.34 million to S$0.95 million and was due mainly to non-recurrence of gain on disposal of properties at Hougang and Tagore in FY2012.

Administrative expenses decreased by S$2.38 million or 12.53% to S$16.60 million. This was due mainly to lower salaries and lower rental expenses incurred during the financial year.

Finance costs decreased by S$0.11 million or 8.28%. This was due mainly to repayment of mortgage term loans in relation to disposal of properties at Hougang and Tagore in FY2012.

The higher tax credit in FY2012 was due mainly to higher tax savings derived from certain new tax incentives introduced by the government and overprovision of tax liabilities in prior years.

Arising from the above, the Group reported a profit attributable to shareholders of S$0.51 million in FY2013.

Intangible assets increased by S$2.98 million to S$7.17 million. This was due mainly to additions in industrial operating rights and new computer software.

Other investment increased by S$3.75 million. This was due to investment in HMK Energy Pte Ltd pursuant to a subscription agreement.

Non-current liabilities increased by S$2.44 million to S$15.51 million in FY2013. The increase was due mainly to convertible loan notes issued to Rhodus Capital Ltd pursuant to a convertible loan agreement.

Cash flows from operating activities were an inflow of S$10.48 million for FY2013 as compared to outflow of S$0.83 million for FY2012. This was due mainly to increase in payables in the last quarter of the year, better inventory management and faster collections of trade and other receivables.

Cash flows from investing activities were an outflow of S$7.27 million. This was due mainly to investment in HMK Energy Pte Ltd and purchase of computer software and industrial rights.

Cash flows from financing activities were an inflow of S$0.96 million. This was due mainly to proceeds from issue of convertible loan notes for the purpose of investing in HMK Energy Pte Ltd and was partially offset by repayment of bank term loans.

Venturing into New Business

Natural Cool started 2013 with an opportunistic investment into an oil & gas venture in Indonesia. We invested in HMK Energy Pte Ltd, for a stake in PT Harpindo, an Indonesia incorporated company, which owns a 100% participating interest in a production sharing contract ("PSC") with Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("BP MIGAS") in Lampung Indonesia. Under the contract, PT Harpindo will explore the oil and gas resources on the land site and will share the production with BPMIGAS under PSC. BP MIGAS is a non-profit, state-owned legal entity which supervises and controls upstream oil and gas business activities including exploration in Indonesia. Our Company is of the view that the subscription represents an opportunity for us to gain exposure to the oil and gas industry and to provide an investment return.

As Singapore's economy expands, the ever-growing business activities as well as the general population spell opportunities especially in the areas of infrastructure development. One noticeable trend has been the demand for storage space which has increased significantly over the years in land-scarce Singapore. As part of our business expansion strategy, Natural Cool ventured into the self-storage business in September 2013 by teaming up with a Hong Kong based company known as Store-Friendly, the largest self-storage network in Asia.

LETTER TO SHAREHOLDERS

Strengthening our Core Capabilities

Apart from exploring new business opportunities, our Group is always keenly aware of the need to strengthen our core capabilities. On this aspect, we are pleased to report that all our Main Switchboard (MSB) products have been fully ASTA type-tested and certified to IEC-61439 1&2 standard. They are classified under our GS models ranging from 1600A to 6000A and using component brands such as Schneider, ABB and Mitsubishi.

1) MSB-Schneider (GS16-Sch, GS25-Sch, GS32-Sch, GS40-Sch, GS60-Sch)

2) MSB-ABB (GS16-ABB, GS25-ABB, GS32-ABB, GS40-ABB, GS60-ABB)

3) MSB-Mitsubishi (GS16-Mit, GS25-Mit, GS32-Mit, GS40-Mit, GS60-Mit)

Benefiting from Sustained Construction Demand

As an integral player of the built environment industry, our Group's air-con distribution and switchgear manufacturing business stand to benefit from Singapore's new infrastructure development and precinct upgrading programmes. It is envisaged that growth for the built environment industry will remain strong and sustainable in the ensuing years. Building & Construction Authority ("BCA") estimates that the total contracts to be awarded in 2014 could reach between $31 billion and $38 billion. For 2015 and 2016, BCA has projected anywhere between $25 billion and $34 billion worth of contracts to be awarded annually.

This demand is fuelled largely by public infrastructure projects such as the Thomson MRT Line, Eastern Region Line, North-South Expressway and the various healthcare infrastructural developments, as well as key commercial and institutional developments such as Project Jewel and Changi Airport Terminals 4 and 5.

Commitment and Appreciation

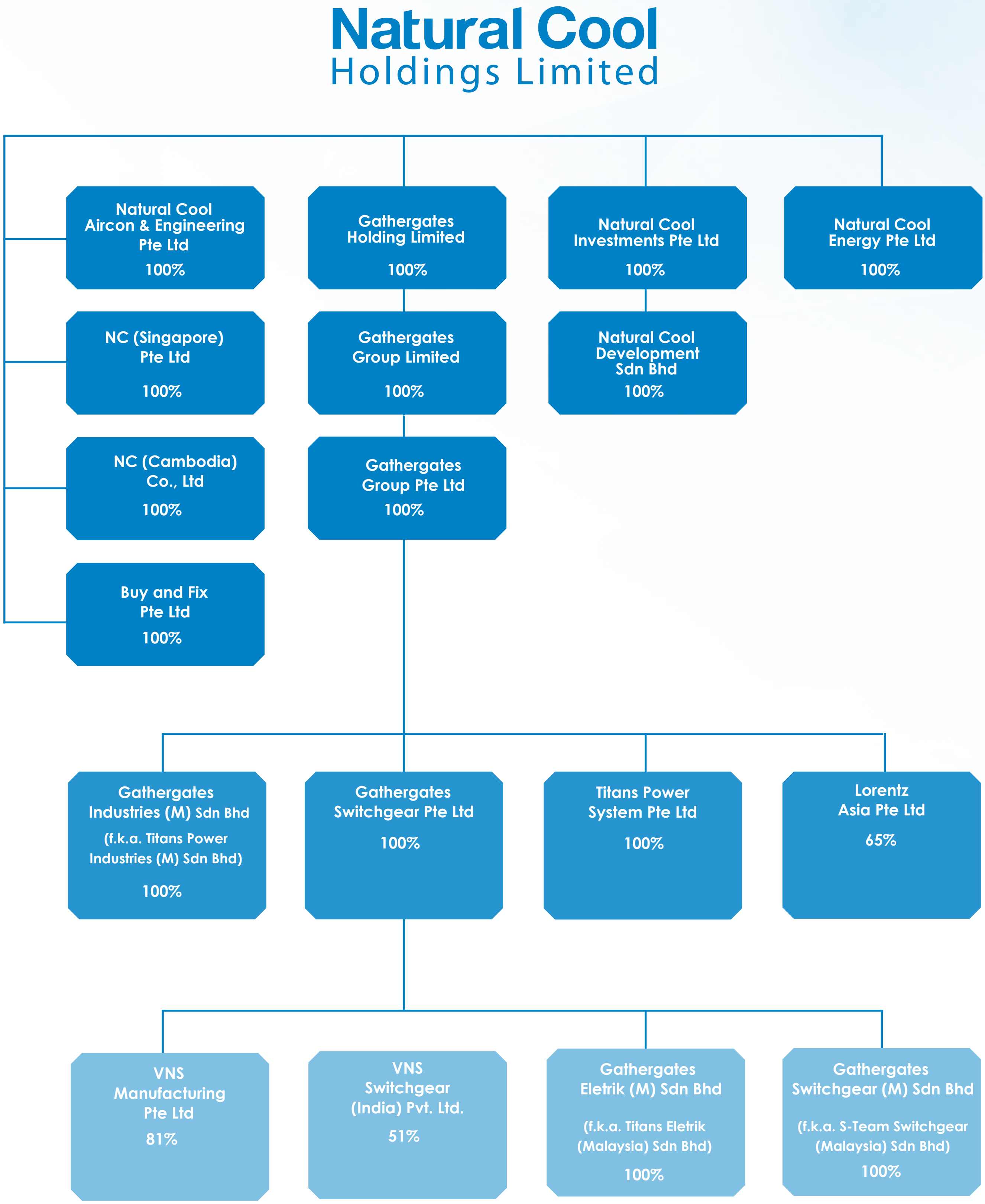
At Natural Cool, we are committed to generating shareholder value and are mindful of our responsibilities and obligations to all our stakeholders. Our customers are pivotal in all that we do and we spare no effort in ensuring that we provide them the best solutions at the shortest possible time. Our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

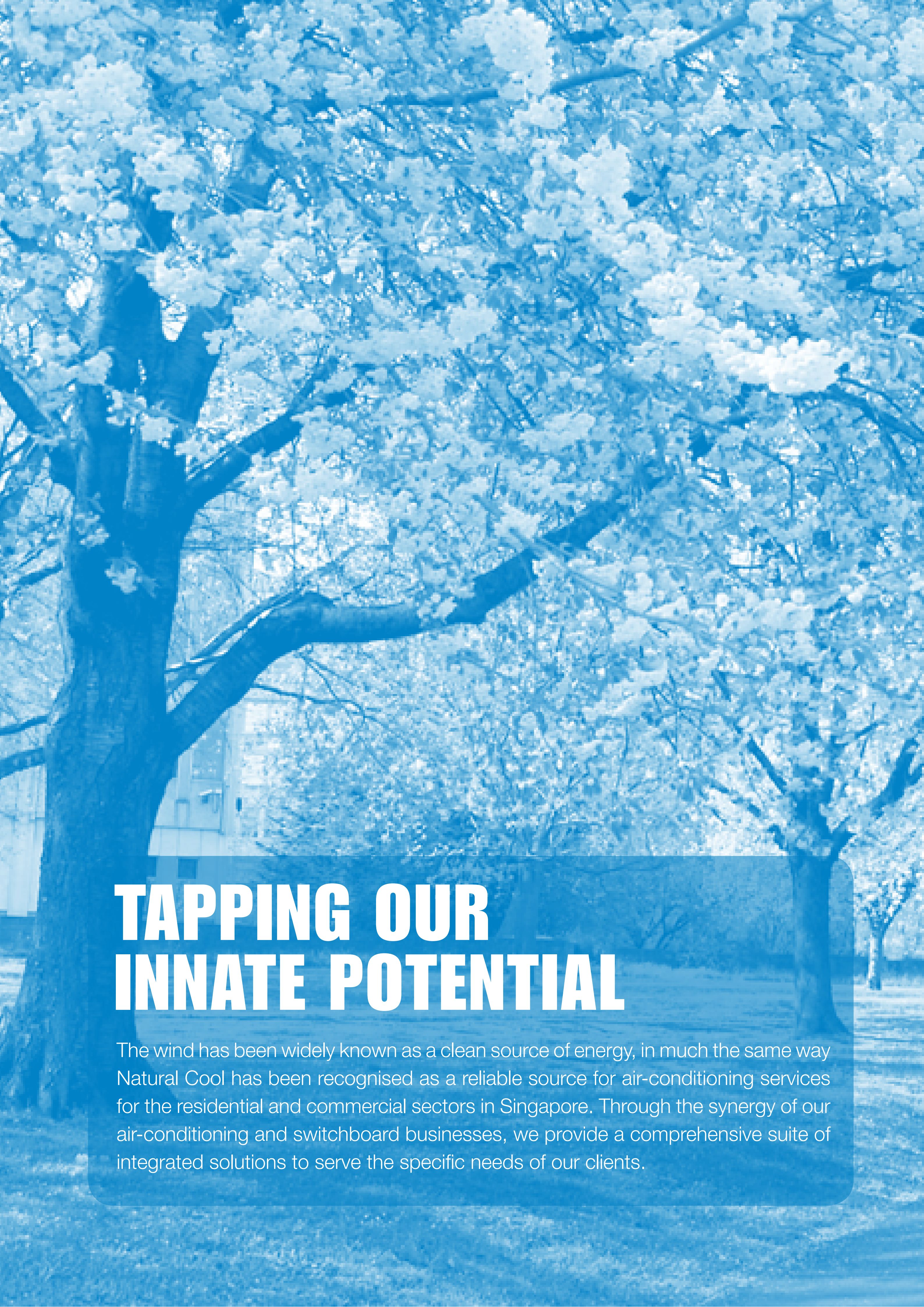
Yours faithfully

Dr Wu Chiaw Ching
Independent Non-Executive Chairman

Tsng Joo Peng
Chief Executive Officer

GROUP STRUCTURE





TAPPING OUR INNATE POTENTIAL

The wind has been widely known as a clean source of energy, in much the same way Natural Cool has been recognised as a reliable source for air-conditioning services for the residential and commercial sectors in Singapore. Through the synergy of our air-conditioning and switchboard businesses, we provide a comprehensive suite of integrated solutions to serve the specific needs of our clients.

OPERATIONS REVIEW

In next few years, the built environment industry will be undergoing a unprecedented period of structural reform. The tight labour market will remain unabated, leading to industry players scouring for productivity enhancing solutions just to stay in business. In addition, upstream design and planning will need to become more sophisticated as consumers demand more environmentally sustainable infrastructure. Those at the lower end of the value chain too have to produce, supply and deliver technical solutions that support this new demand. Amid such transformation, opportunities abound. Natural Cool's quest for service quality as encapsulated in its long standing penguin brand mark has served us well over the years. Guided by this principle, we will do what it takes to maintain our lead position as a trusted industry partner for air-conditioner and switchgear engineering solutions in the vibrant built environment sector.

THE AIRCON DIVISION

Installation & Servicing

Leveraging on its strong brand image, Natural Cool continued to do well in 2013 especially its flagship business in air-conditioning systems installation and servicing. Our continuous efforts to enhance service quality have generated positive results as customers not only enjoy our strong brand promise but also receive valuable advice on how to keep their air-conditioners in top working conditions. Customers also like our flexible service package from annual servicing contract to ad-hoc or "emergency" service on demand. Our repair and servicing staff are well equipped to respond to all types of air-conditioner service requests and are well versed with air-conditioner performance in different types of premises such as public housing, private condominiums, land properties and service apartments.

For more sophisticated installations especially in commercial and public institutions such as offices, shopping malls, retail & F&B outlets, school and hospitals, Natural Cool is well supported by a team of in-house air-conditioner specialists from the Commercial Projects department. This specialist team is trained to handle more sophisticated projects, from special air-conditioning installation service to complex turnkey projects which may require designing and manufacturing of customised air-conditioning mechanical ventilation ("ACMV") systems based on customers' technical specifications. In addition, our Integrated Projects department has the capability to provide Facilities Management services including space planning, assets management and scheduled air-conditioner maintenance for smooth and uninterrupted 24 hour service.

Retail & Trading

For greater customer convenience, Natural Cool continued to perform best sourcing of building and air-conditioner accessories and make them available at our corporate outlets in Defu Lane and 10 Toh Guan. Conveniently located at industrial estates, these outlets are popular among customers like building and M&E contractors, air-conditioning retailers, renovators and import/export traders. Not only can they buy their goods at reasonable prices but also getting all that they want under one roof. These products include 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.

For the first time, Natural Cool conceptualized and created the Penguin Aircon Force (PAF) to exhibit its competence and commitment towards its customers. This also led to a new marketing campaign, i.e., location-based advertising within a 10 km radius coverage around our main showroom at Defu Lane. PAF was first revealed to the nation in May 2013 through a popular radio channel, LOVE 97.2FM and has gained much popularity since. Advertising campaigns were launched in Ang Mo Kio, Bedok and Tampines using feeder bus advertisements and brochures. The close proximity to these neighbourhoods has enabled us to reduce operating costs which means more saving for our customers. As part of Natural Cool's ongoing effort to reach out to more customers, it will extend this PAF experience to customers around its main showroom at Tai Seng. For 2014, we will focus our marketing campaign on Hougang, Punggol, Sengkang, Serangoon, Toa Payoh and Bishan areas.

THE SWITCHGEAR DIVISION

The year in review saw almost 90% of the Group's switchgear manufacturing activities being relocated to its plants in the Iskandar region, Malaysia. The decision to relocate some years back has paid off both in terms of cost advantage and business potential. Given the high land rent and wage pressure in Singapore, inherently labour intensive operations such as switchgear assembly has to be relocated or risk becoming uncompetitive. Our foresight has also given us the first mover advantage, i.e., as we made our foray into the construction industry, we have accumulated significant amount of valuable experience doing business in Malaysia. On hindsight, it has been a strategic venture that not only allows us to build manufacturing capacity and capability there but also enhances our market presence. In the long term, we anticipate our business orders from across the causeway building up to some 20 to 30 percent of our total switchgear business.

During the year, we continued to strengthen our Gathergates brand name with a goal to make it synonymous with switchgear products among the building professionals. To achieve this, we continued to focus our attention on both product and service quality. Apart from product training, service staff were given incentives to spend time with customers, obtain feedback, streamline internal processes, explore new communication channels thereby improving response time. In addition, we invested time in developing our own in-house e-Flow Management system, a productivity tool to help staff plan and schedule their work more efficiently. This has resulted in both time and cost saving as human errors and repetitive work are being eliminated.

As more manual operations were being shifted to Malaysia, the Group continued to step up its efforts in pursuing operational efficiency and quality consistency. With Singapore as our headquarters for design and engineering, we ensured that goods delivered to customers on both sides received the highest quality assurance that Singapore stands for. With the support of our components trading subsidiary, VNS Manufacturing Pte Ltd, the Group was able to consolidate demand and procure electrical components at more competitive prices. To strengthen our core business, the year in review also saw the Group invested substantially in having all its Main Switchboard (MSB) products certified to the highest level. Towards this end, we are happy to report that all our MSBs have been ASTA type-tested and certified to the IEC 61439 1&2 standard. They are classified under our GS models ranging from 1600A to 6000A and using component brands such as Schneider, ABB and Mitsubishi as follows:-

- Main Switchboard - Schneider (GS16-Sch, GS20-Sch, GS32-Sch, GS40-Sch, GS60-Sch)
- Main Switchboard - ABB (GS16-ABB, GS20-ABB, GS32-ABB, GS40-ABB, GS60-ABB)
- Main Switchboard - Mitsubishi (GS16-Mit, GS20-Mit, GS32-Mit, GS40-Mit, GS60-Mit)

Riding on the rapid growth of modern infrastructures in the region, the Switchgear Division will continue to expand its business reach by exploring developing markets such as Myanmar, Vietnam and Indonesia. In particular, Myanmar offers enormous business potential as it continues to liberalize and opens its door to more and more external investors like Norway's Telenor and Qatar Telecom. Similar to our business experience in Malaysia, Natural Cool will need to overcome the learning curve as it makes inroad into emerging markets such as Myanmar.

KEEPING A STEADY COURSE

At Natural Cool, we rise up to different challenges by conscientiously building up our capability and capacity. Just as a sailboat adjusts to changing winds and tides, we in the Group sustain a steady performance through technical expertise, proactive management and strategic partnerships. The recent developments in the construction industry augur a positive outlook for the Group, allowing us to leverage on our strong brand equity.

BOARD OF DIRECTORS

Dr Wu Chiaw Ching
Independent Non-Executive Chairman

Dr Wu was appointed as an Independent Director to our Board on March 7, 2006 (Date of last re-appointment as director: 23 April, 2012) and he was appointed as the Group Independent Non-Executive Chairman on July 1, 2012. Dr Wu is a partner of Wu Chiaw Ching & Company presently. He is a fellow member of the Institute of Singapore Chartered Accountants, the Association of Chartered Certified Accountants, United Kingdom and Certified Public Accountants, Australia and a member of the Singapore Institute of Directors.

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

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

Mr Tsng Joo Peng
Chief Executive Officer

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

Mr Eric Ang Choon Beng
Executive Director

Mr Ang was appointed to our Board on August 1, 2005 (Date of last re-appointment as director: 25 April, 2011). As Executive Director, he is responsible for the strategic planning and management of the Switchgear business operations. He is also the Chief Operating Officer ("COO") of Gathergates Group whose primary role is to oversee the business expansion and operations in Malaysia. Mr Ang has substantial years of experience in the switchgear industry. Over the last 20 years, he has held several management positions, rising from factory manager to Assistant Vice President in various engineering companies.

Mr Edward Chia Puay Hwee
Executive Director and CEO, Gathergates Group

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

BOARD OF DIRECTORS

Mr Ken Tan Aik Kwong
Executive Director and COO, Gathergates Group

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

Mr Lim Siang Kai
Lead Independent Director

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

Mr Lim is currently the Chairman and Independent Director of ISDN Holdings Limited and China Print Power Group Limited, and an Independent Director of Foreland Fabrictech Holdings Limited and Joyas International Holdings Limited, all of which are public companies listed in Singapore. He had resigned as an Independent Director of Texchem-Pack Holdings (S) Ltd with effect from April 26, 2013.

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

Mr William da Silva
Independent Director

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

Mr Joseph Ang Choon Cheng
Group Advisor

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

KEY MANAGEMENT

Mr Sean Leaw Wei Siang
Chief Financial Officer

Mr Leaw was appointed on January 20, 2012 and he 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 18 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 Singapore Chartered Accountants and Certified Public Accountants, Australia and holds a Bachelor of Commerce Degree majoring in Accounting and Finance from University of Western Australia.

Mr Kelvin Neo Han Cheng
Executive Director and COO, Natural Cool Airconditioning &Engineering Pte Ltd

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

FINANCIAL REVIEW

The Group achieved revenue of S$154.73 million in FY2013, an increase of S$11.87 million, or 8.31% as compared to FY2012. This was due mainly to higher revenue registered by our Aircon division.Gross profit margin decreased marginally by 1.04% and was due mainly to higher labour costs.Other income decreased by S$2.34 million to S$0.95 million and was due mainly to non-recurrence of gain on disposal of properties at Hougang and Tagore in FY2012.

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CORPORATE INFORMATION

Board of Directors:

Independent Non-Executive Chairman
Dr Wu Chiaw Ching

Chief Executive Officer
Mr Tsng Joo Peng

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
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:

CNP Compliance Pte Ltd
36 Carpenter Street
Singapore 059915

Registered Office:

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

Share Registrar:

M & C Services Private Limited
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

Investor Relations Contact:
Email: corporateaffairs@natcool.com

NATURAL COOL HOLDINGS LIMITED

The Board of Directors (the "Board") 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 2012 issued by the Ministry of Finance on 2 May 2012 (the "Code"). For the year ended 31 December 2013, 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 long-term success of the company. The Board works with Management to achieve this objective and 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 2013, the Board met on two occasions.

The attendance of the directors at meetings of the Board and Board committees, as well as the frequency of such meetings is disclosed as follows:-

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

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

* By Invitation
(1) Resigned on 31 October 2013

The Group has internal guidelines governing matters that require the Board's approval which include:-

- approval of the Group's strategic objectives.
- approval of the annual operating and capital expenditure budgets and any material changes to them.
- review of performance in the light of the Group's strategic objectives and business plans.
- changes relating to the Group's capital structure including reduction of capital, share issues and share buy backs.
- major changes to the Group's corporate structure, including, but not limited to acquisitions and disposals.
- changes to the Group's management and control structure.
- approval of the half-yearly/full year's results announcements; annual reports and accounts, including the corporate governance report.
- approval of the dividend policy, declaration of the interim dividend and recommendation of the final dividend.
- approval of any significant changes in accounting policies or practices.
- ensuring maintenance of a sound system of internal control and risk management.
- approval of major capital projects.
- contracts regarding acquisitions or disposals of fixed assets (including intangible assets such as intellectual property); substantial bank borrowings, etc.
- major investments.
- approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting including approval of all circulars, prospectuses, etc.
- approval of press releases concerning matters decided by the Board.
- changes to the structure, size and composition of the Board, including following recommendations from the NC regarding appointment, cessation of directors, members of Board committees.
- determine the remuneration policy for the directors, and other senior executives including the introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.
- establishing Board committees and approving their terms of reference, and approving material changes thereto.
- approval of policies, including code of conduct, share dealing code, whistle blowing policy, environment and sustainability policy, corporate social responsibility policy, etc.
- any decision likely to have a material impact on the Group from any perspective, including, but not limited to, financial, operational, strategic or reputational.

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. Such training would include areas such as accounting, legal and industry-specific knowledge as appropriate. There was no new director appointed during the financial year ended 31 December 2013.

All directors will also be given regular training particularly on relevant new laws, regulations and changing commercial risks which have an important bearing on the Company and the directors' obligations towards the Company.

The Company has set aside funding and will be responsible for arranging and funding the training of directors.

Briefing and updates provided to the directors for the financial year ended 31 December 2013 include:

- briefing by the external auditors, KPMG LLP, on the developments in financial reporting and governance standard at the half-yearly review meetings;
- briefing on the Revised Code of Corporate Governance 2012;
- briefing on the new notification regime for the disclosure of interests by Directors/Chief Executive Officers and substantial shareholders of listed entities under the Securities and Futures Act on 28 December 2012;
- The Chief Executive Officer updates the Board at each Board meeting on business and strategic developments pertaining to the Group's business.

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 and 10% shareholders. 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 Tsng Joo Peng – Chief Executive Officer
3. Mr Eric Ang Choon Beng – Executive Director
4. Mr Edward Chia Puay Hwee – Executive Director
5. Mr Ken Tan Aik Kwong – Executive Director
6. Mr Lim Siang Kai – Lead Independent Director
7. Mr William da Silva – Independent Director

Independent directors made up at least one-third of the Board, where Dr Wu Chiaw Ching, an independent director, is the Chairman of the Board.

The independence of each director is reviewed annually by the Board through the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. Each independent director is required to complete a director's independent checklist annually to confirm his independence based on the guidelines as set out in the Code. Each of them also confirmed that they are independent despite not having any relationship identified in the Code. The NC has determined that all the three independent directors are independent. Through the NC, the Board considers all the three directors to be independent including independent from the 10%* shareholders of the Company.

**"10% shareholder" refers to a person who has an interest or interests in one or more voting shares in the Company and the total vote attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. Voting shares exclude treasury shares.*

With all three of the seven directors deemed to be independent, the Board is able to exercise independent and objective judgement on Board affairs.

Further, the Board and its committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience, and knowledge of the Group with core competencies in accounting, business experience, and industry knowledge. At Board and committee meetings, key issues and strategies, challenges arising from the changes in the evolving competitive landscape are critically examined, taking into consideration the long-terms interests of the Group and its shareholders.

There is no director who has served on the Board beyond nine years from the date of his first appointment.

The Board is of the opinion that given the scope and nature of the Group's operations, the size of the Board is appropriate in facilitating effective decision making.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Dr Wu Chiaw Ching, is the Independent Non-Executive Chairman.

Mr Joseph Ang Choon Cheng, was an Executive Director and the Chief Executive Officer ("CEO") until 31 October 2013. He is now the Group Advisor.

Mr Tsng Joo Peng who is the Executive Director has been appointed as the CEO with effect from 31 October 2013.

The Chairman and the CEO are not immediate family members.

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 leads the Board to ensure effectiveness on all aspects of its role. With assistance from the Company Secretary who co-ordinates with management and CEO, the Chairman sets the meeting agenda and ensures that directors are provided with complete, adequate and timely information. Board papers are sent to directors at least three days in advance in order for directors to be adequately prepared for the meeting. The Chairman ensures effective communication with shareholders and encourages constructive relations within the Board and between the Board and management by promoting a culture of transparency and openness in such relationship and in discussion at meetings. Management 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 Chairman also facilitates the effective contribution of non-executive directors and promotes high standards of corporate governance.

The CEO works with the Board to determine the strategy for the Group and is responsible for the Group's business performance. The CEO also works with the management of the Group to ensure that the Group operates in accordance with its strategic and operational objectives.

The independent element is further strengthened by the appointment of Mr Lim Siang Kai as the Lead Independent Director. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer ("CFO") has failed to resolve or is inappropriate.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of 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.

All the members of the NC including the Chairman of the NC are independent directors. The Lead Independent Director is a member of the NC.

The key terms of reference of the NC includes, to:

- evaluate and review nominations for appointment and re-appointment to the Board and the various committees.
- nominate a director for re-election at the Annual General Meeting ("AGM"), having regard to the director's contribution and performance.
- determine annually and as and when circumstances require if a director is independent.
- recommend to the Board the process for the evaluation of the performance of the Board, the Board committees and individual directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each director, annual assessment of the effectiveness of the Board.
- decide whether a director who has multiple board representations is able to and has been adequately carrying out his duties as director of the Company.
- review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman/CEO) and senior management personnel.
- review of training and professional development programmes for the Board.

The NC is responsible for identifying and recommending new Board members to the Board for approval, after considering the necessary and desirable competencies such as their skills, experience, knowledge and diversity of expertise. Accordingly, in selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. The NC may engage consultants to undertake research on, or assess, candidates for new positions on the Board, or to engage such other independent experts as it considers necessary to carry out its duties and responsibilities.

When a vacancy arises under any circumstance, either as part of the progressive renewal of the Board or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC or the Board would determine the selection criteria and sources for candidates. The NC would make reference checks, meet up with the candidates, assess their suitability, and make recommendation to the Board. Shortlisted candidates would meet up with the other Board members before the Board approves the appointment.

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, and 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 AGM. Every director must retire from office and submit themselves for re-nomination and re-election at least once every three years.

The NC has recommended to the Board that Dr Wu Chiaw Ching, independent director and Mr Eric Ang Choon Beng, executive director be nominated for re-appointment at the forthcoming AGM pursuant to Article 101 of the Company's Articles of Association. In recommending the above directors for re-appointment, the NC has given regard to the results of the Board assessment (please refer to Principle 5 on page 22 regarding Board performance) in respect of their competencies in fulfilling their responsibilities as directors to the Board. The NC has also reviewed the independence of Dr Wu Chiaw Ching. In assessing his independence, the NC having considered the guidelines set out in the Code, is of the view that Dr Wu Chiaw Ching is independent and there are no relationships identified in the Code which would deem him not to be independent. Dr Wu Chiaw Ching has also declared that he is independent. Mr Eric Ang Choon Beng, executive director, is the brother of Mr Joseph Ang Choon Cheng who was an Executive Director and the CEO until 31 October 2013. Mr Joseph Ang Choon Cheng who is now the Group Advisor is a substantial shareholder of the Company. Mr Eric Ang Choon Beng is also the brother-in-law of Mr Edward Chia Puay Hwee, an executive director of the Company.

More information on Dr Wu Chiaw Ching and Mr Eric Ang Choon Beng can be found in the Key information in the section entitled "Board of Directors" on Page 12 in this Annual Report.

In its annual review of independence, the NC, having considered the guidelines set out in the Code, is of the view that Dr Wu Chiaw Ching, Mr Lim Siang Kai and Mr William da Silva, are independent. The Board, after taking into consideration the views of the NC, is of the view that Dr Wu Chiaw Ching, Mr Lim Siang Kai and Mr William da Silva are considered independent.

All directors are required to declare their board representations. When a director has multiple board representation, the NC will consider whether the director is able to adequately carry out his/her duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments.The NC has reviewed and is satisfied that Mr Lim Siang Kai, Dr Wu Chiaw Ching and Mr William da Silva, who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as director of the Company, notwithstanding their multiple Board appointments.

The Board does not see any reason to set the maximum number of listed company representations that any director may hold as all the directors are able to devote to the Company's affairs in light of their other commitments. However, a director who holds more than six listed company representations should be rigorously assessed by the Board to ensure that sufficient time and attention is given to the affairs of each company and he is able to and has been adequately carrying his duties as a director of the Company.

There is no alternate director on the Board.

Key information regarding the directors is given in the section entitled "Board of Directors" on Page 12 in this Annual Report. The shareholdings of the individual directors are set out on page 100 of this Annual Report.

For the financial year ended 31 December 2013, the NC met on one occasion.

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 annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board through the NC has used its best efforts to ensure that directors appointed to the Board and Board committees, whether individually or 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 Group's business. It has also ensured that each director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC has established a review process to assess the performance and effectiveness of the Board as a whole and the contribution by individual directors to the effectiveness of the Board.

During the financial year ended 31 December 2013, all directors are requested to complete a Board Assessment Checklist designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The performance criteria for the Board evaluation covers amongst other criteria, composition structure and processes of the Board, access to information, corporate strategy, internal control and risk management and standard of conduct of the Board.

The completed checklists were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement with a view to enhance Board effectiveness.

Following the review, the Board is of the view that the Board and its Board committees operate effectively and each director is contributing to the overall effectiveness of the Board.

The factors taken into consideration for the re-nomination of the directors for the current year are based on the directors' attendance at meetings held during the year including their preparation and participation made by the directors at the meetings.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are from time to time furnished with complete, adequate information concerning the Group to enable them to be fully cognizant of the decisions and actions of the management. All directors have separate and independent access to management. 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 disclosure documents, budgets, forecasts, business and monthly financial statements to enable the directors to be properly briefed on issues to be considered at Board meetings.

Directors are entitled to request from management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same to the directors in a timely manner.

The Board has separate and independent access to the Company Secretary. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Board committees and between the management and independent directors.

The Company Secretary assists the Chairman and the Chairman of each Board committees in the development of the agendas for the various Board and Board committees meetings. She administers and attends all Board and Board committees meetings of the Company and prepares minutes of meetings. She is also responsible for, among other things, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist (the "SGX-ST Listing Manual" or the "Listing Rules of the SGX-ST"), are complied with. Her responsibilities also include advising the Board on all governance matters as well as facilitating orientation and assisting with professional developments as directed by the Chairman.

The appointment and the removal of the Company Secretary are subject to the approval of the Board.

Where the directors, whether individually or collectively, require independent professional advice in furtherance of their duties, the Chairman of the Board and the Company Secretary will assist him/them to appoint an independent professional advisor, if necessary, to render the professional advice and to keep the Board informed of the advice. The cost of such professional advice will be borne by the Company.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and 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.

All the members of the RC including the Chairman of the RC are independent directors.

The key terms of reference of the RC is to review and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each director (executive and independent) as well as for the key management personnel.

The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy on executive remuneration and for determining the remuneration packages of individual directors and key management personnel. It reviews the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progression policies.

The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefits-in kind and specific remuneration packages for each director. In addition, the RC reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment of and recommendation for remuneration and bonus.

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him.

The RC has access to appropriate expert advice inside and/or outside the Company on remuneration of all the directors. For the financial year ended 31 December 2013, the RC has not consulted any external remuneration consultant.

The RC reviews the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

For the financial year ended 31 December 2013, 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 and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC reviews annually the remuneration of the executive directors and key management personnel to ensure that the level and structure of remuneration commensurate is aligned with the long-term interest and risk policies of the Group and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company and (b) key management personnel to successfully manage the Group.

The remuneration package of the executive directors has been designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group. Please refer to the following paragraphs for more details on the remuneration package of the executive directors as provided in their service agreements.

The key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

Service Agreements

The service agreements (the "Service Agreements") with the executive directors namely, 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 Agreements in the event that 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 Group does not have any share-based compensation scheme or share option scheme in place for the independent directors.

The RC is of the view that the remuneration policy and amounts paid to directors are adequate and are reflective of present market conditions.

The Company does not use contractual provisions to allow itself to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The executive directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.

Guideline 9.2 of the Code recommends that companies fully disclose the remuneration of each individual director and the CEO on a named basis.

For confidentiality reasons and prevention of poaching, the Board has deviated from complying with the above recommendation and provide herein below a breakdown, showing the level and mix of each director's remuneration and the CEO in bands of $250,000 for the financial year ended 31 December 2013:-

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					
Ken Tan Aik Kwong	70%	–	6%	24%	100%
Edward Chia Puay Hwee	75%	–	6%	19%	100%
S$500,000 to S$749,999					
Tsng Joo Peng (CEO)	64%	–	5%	31%	100%
*Joseph Ang Choon Cheng	65%	–	5%	30%	100%
Eric Ang Choon Beng	66%	–	6%	28%	100%

* Resigned on 31 October 2013

Guideline 9.3 of the Code recommends that companies should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. In addition, the companies should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of the said top five key management personnel.

For confidentiality reason and prevention of poaching, the Board has deviated from complying with the above recommendation. The Group only partially complies with the above recommendation by providing below a breakdown, showing the level and mix of each of the top five management personnel's remuneration (who are not directors or the CEO) in bands of $250,000 for the financial year ended 31 December 2013:-

Remuneration Band and Name of Executive	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than $250,000					
Ang Choon Teck	73%	–	6%	21%	100%
Lee Wan Kah	70%	–	16%	14%	100%
$250,000 to $499,999					
Sean Leaw Wei Siang	77%	–	6%	17%	100%
Kelvin Neo Han Cheng	64%	–	28%	8%	100%
Tan Kian Yong	63%	–	24%	13%	100%

The profiles of our key executives are found on page 14 of this Annual Report.

Except as disclosed below, the Group does not have any employee who is an immediate family member of a director or the CEO and whose remuneration exceeds S$50,000 for the year ended 31 December 2013.

Remuneration Band and Name of any employee who is an immediate family member of a Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
$50,000 and above					
(1) Ang Siew Khim	71%	–	6%	23%	100%
(2) Cheong Kim Hock	66%	–	5%	29%	100%
(3) Lee Poh Hong	79%	–	6%	15%	100%
(4) Yap Geok Khim	67%	–	6%	28%	100%
(5) Chia Peck Huan	71%	–	6%	23%	100%

(1) Spouse of Edward Chia Puay Hwee, Executive Director and also sister of Eric Ang Choon Beng, Executive Director and Joseph Ang Choon Cheng, CEO till 31 October 2013.
(2) Cousin of Eric Ang Choon Beng, Executive Director and Joseph Ang Choon Cheng, CEO till 31 October 2013.
(3) Spouse of Eric Ang Choon Beng, Executive Director and also a sister-in-law of Joseph Ang Choon Cheng, CEO till 31 October 2013.
(4) Spouse of Joseph Ang Choon Cheng, CEO till 31 October 2013 and also a sister-in-law of Eric Ang Choon Beng, Executive Director.
(5) Sister of Edward Chia Puay Hwee, Executive Director and also a sister-in-law of Ang Siew Khim, Executive Director of VNS Manufacturing Pte Ltd.

The Group does not have any share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

The Board reviews and approves the results as well as any announcements before their release to the SGX-ST and the media. Shareholders are provided with the half-yearly and full year results and annual financial reports on a timely manner. In presenting the annual financial statements and half yearly announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group's performance, position and prospects. This responsibility is extended to the regulators. Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

To ensure compliance with legislative and regulatory requirements, including requirements under the SGX-ST Listing Manual, the Board through management reviews the relevant compliance reports and ensure that management seeks the Board's approval of such reports or requirements.

In compliance with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its half-yearly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

Management provides the Board with management accounts and such explanation and information on a timely basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. As the Board has separate and independent access to management, the Board has no objection to receiving the management accounts with such explanation and information on a quarterly basis.

The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal controls systems are in place, including financial, operational compliance and information technology controls.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board has overall responsibility for the management of the Group's key risks to safeguard shareholders' interests and its assets. The Board has engaged the services of professional firm in respect of internal audit services, under which the internal controls of the Group are consistently being reviewed and recommendation made to improve the internal controls.

The work of the internal auditors and the report of the external auditors, has enabled the identification of key risks which are reported to the AC to facilitate the Board's oversight of the effectiveness of risk management and the adequacy of mitigating measures taken by management to address the underlying risks.

The AC assists the Board in providing risk management oversight while the ownership of day-to-day management and monitoring of existing internal control systems are delegated to management which comprises the CEO, the CFO and Head of each business division.

At every AC and Board meeting (which is on a half-yearly basis), the Board reviews the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology controls based on report prepared by the internal auditors and reviewed by the management. The Head of each business division also gives a negative confirmation to the AC in this respect.

The Group's financial risk management objectives are discussed under Note 19 of the Notes to the Financial Statements on pages 75 to 83 of this Annual Report.

For the financial year ended 31 December 2013, the Board and the AC have received assurance from the CEO and the CFO on the adequacy and effectiveness of the Group's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

Based on the internal controls established and maintained by the Group, work performed by internal and external auditors, and reviews performed by management, various Board committees and the Board, the Board with the concurrence of the AC is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as at 31 December 2013.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The Board did not establish a separate Board risk committee as the Board is already currently assisted by the AC and management in carrying out its responsibility of overseeing the Group's risk management framework and policies.

Audit Committee

Principle 12: The Board should ensure an AC with written terms of reference which clearly set out its authority and duties.

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. All the members of the AC are independent directors. Two of the members of the AC have recent and relevant accounting or related financial management expertise or experience.

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.

For the financial year ended 31 December 2013, the AC met on two occasions.

The key terms of reference of the AC are to:-

(a) review with the external/internal auditors the audit plans, their evaluation of the system of internal accounting controls, and their audit report including the scope and results of the external audit, the independence and objectivity of the external auditors.

(b) review the financial statements including reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and the Company and any announcements relating to the Company's financial performance, before submission to the Board for approval.

(c) review the internal control procedures, its scope and the results and to ensure co-ordination between the 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 report to the Board at least annually the adequacy and effectiveness of the Group's internal controls.

(e) review the effectiveness of the Group's internal audit function.

(f) review and discuss with the external auditors on any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position, and the management's response.

(g) make recommendation to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors.

(h) review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual.

(i) review potential conflicts of interest, if any.

(j) undertake such other review and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and which requires the attention of the AC.

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

The AC meets with the internal auditors and the external auditors, in each case, without the presence of the management, at least annually. Matters to discuss include the reasonableness of the financial reporting process, the internal control process, the adequacy of resources, 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 reviewed the independence of the external auditors annually. The AC has conducted an annual review of the volume of non-audit services provided by the external auditors to satisfy the AC that the nature and extent of such services will not prejudice the independence of the external auditors. The AC is satisfied with the external auditors' confirmation of their independence. Please refer to the table below for the aggregate fees paid to the external auditors and breakdown of fees paid in total to audit and non-audit services respectively.

The AC has recommended to the Board the re-appointment of KPMG LLP as the Company's external auditors at the forthcoming AGM.

For the financial year ended 31 December 2013	
- fees payable to the external auditors in respect of audit services	S$215,756
- fees payable to the external auditors in respect of non-audit services	S$41,642
Total	S$275,398

The Company is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual in relation to its external auditors.

The Company has put in place a whistle blowing policy which has been reviewed, endorsed by the AC and approved by the Board. Under the whistle blowing policy, employees can, in confidence, raise concerns about improper conduct for investigation. The procedures for the whistle blowing policy are made public to the employees of the Group. For the financial year ended 31 December 2013, there were no reported incidents pertaining to whistle blowing.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

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 AUDIT

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

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal audit function of the Group is outsourced to Goh Boon Kok & Co, an independent accounting and auditing firm (the "internal auditors") with effect from 14 October 2013. The internal auditors report primarily to the Chairman of the AC and have full access to the documents, records properties and personnel including access to the AC.

The Board recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. Rule 719(1) of the SGX-ST Listing Manual requires an issuer to have a robust and effective system of internal controls, addressing financial, operational and compliance risks. Effective internal controls not only refer to financial controls but include, among others, business risk assessment , operational and compliance controls.

The internal audit plan is approved by the AC and the results of the audit findings are submitted to the AC for its review. The internal auditors conducted an annual review in accordance with their audit plans, the effectiveness of the Group's material internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements were reported to the AC. The AC, together with the Board have also reviewed the effectiveness of the actions taken by management on the recommendations made by the internal auditors in this respect. The Board and the AC are of the view that the internal audit is adequately resourced and has the appropriate standing within the Group.

Based on the internal auditors' report submitted by the internal auditors and the various controls put in place by the management and the review and work performed by the internal and external auditors, management, the various Board committees, the Board, with the concurrence of the AC, is of the view that there are adequate internal controls.

The AC is satisfied that the internal auditors have adequate resources to perform its function effectively and is staffed by suitably qualified and experienced professionals with the relevant experience.

The internal audit work carried out by the internal auditors in the financial year ended 31 December 2013 was guided by the Standards for the Professional Practice of Internal Auditing laid down by the International Professional Practices Framework issued by the Institute of Internal Auditors.

On an annual basis, the AC reviews the internal audit program and function to ensure the adequacy and effectiveness of the Group's internal audit function as well as to align it to the changing needs and risk profile of the Group's activities.

(D) SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Group's corporate governance culture and awareness promotes fair and equitable treatment for all shareholders. All shareholders enjoy specific rights under the Companies Act and the Articles of Association of the Company. All shareholders are treated fairly and equitably.

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company. At general meetings, shareholders will be informed of the rules, voting procedures relating to the general meetings.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Articles of Association of the Company allow each shareholder to appoint up to two proxies to attend AGMs. Subject to legislative amendment to the Companies Act of the relevant provision regarding appointment of proxies, the Company will consider amending its Articles of Association to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group. Information will first be disseminated through SGXNET and where relevant, followed by news release and the Company's website. The Company will also make announcements from time to time to update investors and shareholders on developments that are of interest to them.

The Company strives to supply shareholders with reliable and timely information so as to strengthen the relationship with its shareholders based on trust and accessibility.

The Company has an internal investor relations function to facilitate the communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns as well as to keep the investors apprised of the Group's corporate developments and financial performance.

To enable shareholders to contact the Company easily, the contact details of the investor relations function are set out in the contents page of this Annual Report as well as on the Company's website. The Company have procedures in place for responding to investors' queries.

The Group does not have a concrete dividend policy at present. In considering the declaration of dividends, the Company will have to take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend has been declared for the financial year ended 31 December 2013 as the Group intends to conserve cash for future business growth.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All shareholders receive reports or circulars of the Company including notice of general meeting by post within the prescribed period. Notice of general meeting is announced through SGXNET and published in the Business Times.

The Company supports active shareholders' participation. If shareholders are unable to attend the meetings, the Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.

At general meetings, all the directors, Chairman of the Board and the respective Chairman of the AC, NC and RC as well as the external auditors should be present and available to address shareholders' queries at these meetings.

The Company with the help of the Company Secretary prepares minutes of general meetings that include substantial and relevant comments relating to the agenda of the meetings and responses from the Board and management and such minutes, where relevant will be made available to shareholders upon their request.

The Company will consider conducting poll voting at all its general meetings. Where a poll is conducted at a general meeting, the detailed voting results of each of the resolutions tabled will be announced at the meeting. The results of the poll voting stating total numbers of votes cast for or against the resolutions will also be announced after the meeting via SGXNET.

(E) DEALING IN SECURITIES

The Company has adopted an internal code in compliance with Catalist Rule 1204(19) which prohibits all the Company and 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 –ST Listing Manual for the financial year ended 31 December 2013.

(G) USE OF PROCEEDS FROM SHARES ISSUE

The estimated net proceeds from the shares issued in the financial year ended 31 December 2012 were approximately S$2.99 million. The proceeds of approximately S$1.50 million were earmarked to upgrade its switchgear products to meet new international standards were fully utilized. The balance of approximately S$1.49 million were fully utilized for payments of salaries, rental, legal and professional fees.

No new shares were issued in the financial year ended 31 December 2013.

As at 31 December 2013, the Group has utilized all the net proceeds and such use is in line with the intended use that was previously disclosed.

(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 financial year ended 31 December 2013.

(I) MATERIAL CONTRACTS

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

Other than disclosed in the audited financial statements, there are no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholder subsisting at the end of the financial year ended 31 December 2013.

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 2013.

Directors

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

Dr. Wu Chiaw Ching	Non-Executive Chairman
Tsng Joo Peng	Chief Executive Officer
Eric Ang Choon Beng	Executive Director
Tan Aik Kwong	Executive Director
Edward Chia Puay Hwee	Executive Director
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**	**Holdings at end of the year**
The Company		
Ordinary shares		
Tsng Joo Peng		
- interest held	10,033,862	5,000,000
- deemed interest	11,300,000	12,348,426
Ang Choon Beng		
- interest held	7,831,352	7,831,352
- deemed interest	1,000	1,000
Tan Aik Kwong		
- interest held	8,790,700	5,000,000
- deemed interest	–	3,790,000
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 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 2014.

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

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 30 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which 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 716 of the SGX Listing Manual.

Auditors

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

On behalf of the Board of Directors

Tsng Joo Peng
Director

Eric Ang Choon Beng
Director

26 March 2014

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 40 to 98 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 2013 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

Tsng Joo Peng
Director

Eric Ang Choon Beng
Director

26 March 2014

Report on the financial statements

We have audited the accompanying financial statements of Natural Cool Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the statements of financial position of the Group and the Company as at 31 December 2013, 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 40 and 98.

Management’s responsibility for the financial statements

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

Auditors’ responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
26 March 2014

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group		Company	
		2013	2012	2013	2012
		$	$	$	$
Assets					
Property, plant and equipment	4	18,143,803	20,323,570	–	–
Intangible assets	5	7,165,879	4,187,378	–	–
Club memberships		–	137,180	–	137,180
Investment property	6	10,347,941	10,636,720	–	–
Subsidiaries	7	–	–	15,006,917	15,006,817
Other investment	8	3,750,000	–	3,750,000	–
Deferred tax assets	17	1,465,016	1,686,016	–	–
Non-current assets		40,872,639	36,970,864	18,756,917	15,143,997
Inventories	9	16,409,554	18,914,662	–	–
Trade and other receivables	11	49,089,878	47,836,561	10,557,163	9,740,288
Cash and cash equivalents	12	12,389,679	11,966,153	18,890	820,309
Current assets		77,889,111	78,717,376	10,576,053	10,560,597
Total assets		118,761,750	115,688,240	29,332,970	25,704,594
Equity					
Share capital	13	31,956,902	31,956,902	31,956,902	31,956,902
Reserves	14	(3,384,022)	(3,571,533)	300,000	–
Accumulated profits/(losses)		11,383,330	10,874,517	(7,184,518)	(6,594,880)
Equity attributable to owners of the Company		39,956,210	39,259,886	25,072,384	25,362,022
Non-controlling interests		275,340	329,507	–	–
Total equity		40,231,550	39,589,393	25,072,384	25,362,022
Liabilities					
Loans and borrowings	15	15,273,227	12,781,230	3,450,000	–
Deferred tax liabilities	16	238,403	286,231	–	–
Non-current liabilities		15,511,630	13,067,461	3,450,000	–
Trade and other payables	17	58,354,291	53,968,149	810,586	342,572
Loans and borrowings	15	2,407,780	2,689,938	–	–
Current tax payable		1,465,145	1,873,299	–	–
Provision	18	791,354	4,500,000	–	–
Current liabilities		63,018,570	63,031,386	810,586	342,572
Total liabilities		78,530,200	76,098,847	4,260,586	342,572
Total equity and liabilities		118,761,750	115,688,240	29,332,970	25,704,594

The accompanying notes form an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group	
	Note	2013	2012
		$	$
Revenue	20	154,728,617	142,863,348
Cost of sales		(130,915,207)	(118,800,073)
Gross profit		23,813,410	24,063,275
Other income	21	949,572	3,285,776
Distribution expenses		(5,812,276)	(5,702,130)
Administrative expenses		(16,599,321)	(18,976,440)
Other expenses		(676,800)	(596,397)
Results from operating activities		1,674,585	2,074,084
Finance costs	22	(1,205,864)	(1,314,663)
Profit before tax		468,721	759,421
Income tax	23	1,330	137,831
Profit for the year		470,051	897,252
Profit attributable to:			
Owners of the Company		508,813	986,906
Non-controlling interests		(38,762)	(89,654)
Profit for the year	24	470,051	897,252
Earnings per share			
Basic and diluted earnings per share (cents)	25	0.25	0.53

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group	
	2013	2012
	$	$
Profit for the year	470,051	897,252
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Recognition of equity component from issue of convertible loan notes	300,000	–
Item that is or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	(127,894)	(69,923)
Other comprehensive income for the year	172,106	(69,923)
Total comprehensive income for the year	642,157	827,329
Total comprehensive income attributable to:		
Owners of the Company	696,324	939,660
Non-controlling interests	(54,167)	(112,331)
Total comprehensive income for the year	642,157	827,329

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Share capital	Capital reserve	Translation reserve	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
	$	$	$	$	$	$	$
Group							
At 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 / 1 January 2013	31,956,902	(3,377,530)	(194,003)	10,874,517	39,259,886	329,507	39,589,393
Total comprehensive income for the year							
Profit for the year	–	–	–	508,813	508,813	(38,762)	470,051
Other comprehensive income							
Foreign currency translation differences	–	–	(112,489)	–	(112,489)	(15,405)	(127,894)
Recognition of equity component from issue of convertible loan notes	–	300,000	–	–	300,000	–	300,000
Total comprehensive income for the year	–	300,000	(112,489)	508,813	696,324	(54,167)	642,157
At 31 December 2013	31,956,902	(3,077,530)	(306,492)	11,383,330	39,956,210	275,340	40,231,550

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group	
	2013	2012
	$	$
Cash flows from operating activities		
Profit for the year	470,051	897,252
Adjustments for:		
Amortisation of deferred revenue	(1,300,000)	(1,300,000)
Amortisation of club memberships	137,180	272,460
Amortisation of intangible assets	372,333	169,211
Depreciation of investment properties	288,779	310,076
Depreciation of property, plant and equipment	3,125,852	3,067,906
Gain on disposal of investment properties	–	(1,534,513)
Gain on disposal of property, plant and equipment	(1,669)	(89,890)
Intangible asset written-off	–	51
Over provision for listing expenses	–	(181,189)
Plant and equipment written-off	26,353	23,624
Interest expenses	1,205,864	1,314,663
Interest income	(29,108)	(26,981)
Income tax credit	(1,330)	(137,831)
	4,294,305	2,784,839
Changes in working capital:		
Inventories	2,505,108	703,953
Trade and other receivables	(1,251,779)	(3,311,947)
Trade and other payables	5,169,704	(712,928)
Cash generated from/(used in) operations	10,717,338	(536,083)
Taxes paid	(233,652)	(295,115)
Net cash generated from/(used in) operating activities	10,483,686	(831,198)
Cash flows from investing activities		
Interest received	27,573	26,981
Proceeds from disposal of investment properties	–	6,900,000
Proceeds from disposal of property, plant and equipment	30,545	282,383
Proceeds from disposal of club membership	–	44,460
Purchase of computer software	(1,131,686)	(314,022)
Purchase of industrial certificates	(1,795,378)	(270,720)
Purchase of property, plant and equipment	(651,680)	(6,218,473)
Acquisition of other investment	(3,750,000)	–
Net cash (used in)/generated from investing activities	(7,270,626)	450,609

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 $	Group 2012 $
Cash flows from financing activities			
Fixed deposits released/(pledged)		136,812	(413)
Interest paid		(1,018,364)	(1,314,663)
Non-trade amounts due from a related party		–	775
Payment of listing expenses		–	(83,787)
Proceeds from issue of convertible loan notes		3,750,000	–
Proceeds from issue of shares		–	3,000,000
Proceeds from borrowings		1,000,000	6,840,000
Repayment of bank borrowings		(2,171,667)	(9,704,019)
Repayment of finance lease liabilities		(741,202)	(1,289,767)
Net cash generated from/(used in) financing activities		955,579	(2,551,874)
Net increase/(decrease) in cash and cash equivalents		4,168,639	(2,932,463)
Effect of changes in foreign exchange rate		(11,530)	27,887
Cash and cash equivalents at beginning of year		6,890,479	9,795,055
Cash and cash equivalents at end of year	12	11,047,588	6,890,479

Significant non-cash transactions

During the financial year, the Group acquired:

- property, plant and equipment amounted to $1,282,282, of which $560,833 was acquired under finance lease (see Note 4) and $69,769 remained unpaid as at year end (see Note 17); and

- intangible assets amounted to $3,366,313, of which $439,249 remained unpaid as at year end (see Note 17).

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 2014.

1. Domicile and activities

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

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

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

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

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

2 Basis of preparation (Continued)

2.4 Use of estimates and judgements (Continued)

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

- Note 4 – estimated useful lives of property, plant and equipment
- Note 5 – measurement of recoverable amounts of goodwill and estimated useful lives of intangible assets
- Note 9 – valuation of carrying amount of inventories
- Note 19 – recoverability of trade and other receivables
- Note 20 – revenue and profit recognition on projects

2.5 Changes in accounting policies

(i) Fair value measurement

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities. The additional disclosures necessary as a result of the adoption of this standard has been included in Note 27.

FRS 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other FRSs, including FRS 107 *Financial Instruments: Disclosures*.

(ii) Presentation of items of other comprehensive income

From 1 January 2013, as a result of the amendments to FRS 1, the Group has modified the presentation of items of other comprehensive income in its statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

3. Significant accounting policies

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

3.1 Basis of consolidation

(i) Acquisition of non-controlling interests

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

(iii) Acquisition from entities under common control

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

(iv) Transactions eliminated on consolidation

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

(v) Accounting for subsidiaries

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

3. Significant accounting policies (Continued)

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.

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. Significant accounting policies (Continued)

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

The Group classifies non-derivative financial assets into the loans and receivables and available-for-sale financial assets.

Loans and receivables

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

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

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

Available-for-sale financial assets comprise equity securities.

3. Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(ii) Non-derivative financial liabilities

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

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

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

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

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

(iii) Share capital

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

(iv) Compound financial instruments

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

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

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

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

3. Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

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

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

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

3.4 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.

3. Significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

(iii) Depreciation

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

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

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

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

Freehold properties	50 years
Leasehold properties	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.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

3. Significant accounting policies (Continued)

3.5 Intangible assets (Continued)

(ii) Computer software

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

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

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

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

(iii) Industrial certificates

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

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

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill 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 life of the Group's investment property is 41 years. Depreciation method, useful life and residual value are reviewed at each reporting period, and adjusted if appropriate.

3. Significant accounting policies (Continued)

3.6 Investment property (Continued)

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.

3.7 Leased assets

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

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

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 estimated costs necessary to make the sales.

Construction contracts-in-progress

Construction contracts-in-progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 3.13) less progress billings 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 statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed the costs incurred plus recognised profits, then the difference is presented as excess of progress billings over construction contracts in progress as part of trade and other payables in the statement of financial position.

3. Significant accounting policies (Continued)

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

<u>Loans and receivables</u>

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When 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.

3. Significant accounting policies (Continued)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Available-for-sale financial assets

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

(ii) Non-financial assets

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

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

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

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

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

3. Significant accounting policies (Continued)

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 value of the property which is deferred and accreted over the period for which the property is expected to be used, when the sale and leaseback transaction resulted in operating lease.

3.12 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.

3. Significant accounting policies (Continued)

3.13 Revenue (Continued)

(i) Sale of goods (Continued)

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

(ii) Rendering of services

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

(iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. 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.

3.14 Government grants

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

3.15 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.

3. Significant accounting policies (Continued)

3.15 Lease payments (Continued)

Determining whether an arrangement contains a lease

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

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

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

3.16 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.

3.17 Income tax

Income tax 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.

3. Significant accounting policies (Continued)

3.17 Income tax (Continued)

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 Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.18 Earnings per share

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

3.19 Segment reporting

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

Segment results that are reported to the 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.

3.20 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations to existing standards are effective for annual periods beginning after 1 January 2013 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 2012	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
Additions	–	–	–	70,893	105,667	405,193	274,481	426,048	1,282,282
Disposals/write-offs	–	–	–	–	(3,980)	(29,400)	(8,685)	(736,985)	(779,050)
Translation differences on consolidation	(59,082)	(136,270)	–	(7,743)	(14,270)	(4,736)	(125,051)	(49,462)	(396,614)
At 31 December 2013	1,635,959	3,877,747	4,300,000	1,032,086	1,821,470	3,809,109	6,984,539	6,514,444	29,975,354
Accumulated depreciation									
At 1 January 2012	–	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
Depreciation for the year	–	79,628	93,984	225,249	313,474	366,032	852,922	1,194,563	3,125,852
Disposals/write-offs	–	–	–	–	(3,980)	(5,880)	(3,329)	(710,632)	(723,821)
Translation differences on consolidation	–	(7,164)	–	(5,017)	(8,267)	(2,611)	(61,062)	(31,525)	(115,646)
At 31 December 2013	–	354,579	172,307	721,712	1,394,156	1,852,558	3,494,038	3,842,201	11,831,551
Carrying amounts									
At 1 January 2012	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
At 31 December 2013	1,635,959	3,523,168	4,127,693	310,374	427,314	1,956,551	3,490,501	2,672,243	18,143,803

4. Property, plant and equipment (Continued)

Leased assets

During the financial year, the Group acquired property, plant and equipment under finance leases amounting to $560,833 (2012: $1,442,700). As at the reporting date, net book values of property, plant and equipment which were held under finance leases were as follows:

	2013	2012
	$	$
Motor vehicles	1,814,306	1,743,064
Machineries	1,550,571	1,734,825
	3,364,877	3,477,889

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 15 to the financial statements were as follows:

	2013	2012
	$	$
Freehold land and properties	5,159,127	5,426,943
Leasehold properties	4,127,693	4,221,677
Machineries	298,487	385,858
	9,585,307	10,034,478

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	Total
	$	$	$	$
Group				
Cost				
At 1 January 2012	1,879,134	925,248	1,993,852	4,798,234
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	5,091,846
Additions	–	1,147,609	2,218,704	3,366,313
Translation differences on consolidation	–	(737)	(15,601)	(16,338)
At 31 December 2013	1,879,134	2,112,266	4,450,421	8,441,821
Accumulated amortisation				
At 1 January 2012	–	847,552	197,100	1,044,652
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	904,468
Amortisation for the year	–	300,440	71,893	372,333
Translation differences on consolidation	–	(715)	(144)	(859)
At 31 December 2013	–	935,240	340,702	1,275,942
Carrying amounts				
At 1 January 2012	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
At 31 December 2013	1,879,134	1,177,026	4,109,719	7,165,879

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

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 26.

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

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

- Anticipated revenue growth of 14% in the year ending 31 December 2014. No growth was assumed for the subsequent years. The order book as at 31 January 2014 was $31 million. These orders are expected to be delivered by 31 December 2014;

- Pre-tax discount rate of 10% (2012: 10%) has been applied to pre-tax cash flow projections; and

- The terminal value was estimated using the cash flows forecast at the fifth year at zero terminal growth rate.

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

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 property

	Freehold land	Freehold property	Leasehold property	Total
	$	$	$	$
Group				
Cost				
At 1 January 2012	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 and 31 December 2013	–	–	11,214,279	11,214,279
Accumulated depreciation				
At 1 January 2012	–	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
Depreciation for the year	–	–	288,779	288,779
At 31 December 2013	–	–	866,338	866,338
Carrying amounts				
At 1 January 2012	2,967,794	836,287	12,508,202	16,312,283
At 31 December 2012	–	–	10,636,720	10,636,720
At 31 December 2013	–	–	10,347,941	10,347,941

In September 2011, the Group's investment property located at 20 Benoi Crescent ("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 to deposit the insurance compensation with the bank for use solely for the purpose of reinstatement of the Benoi property (see Notes 12 and 18).

As at 31 December 2013, the level 2 fair value of the Benoi property with carrying amount of $10,347,941 was $24,990,000. The fair value was determined by Asia One Asset Management Pte Ltd in January 2014.

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. Such valuation is derived from the location, tenure, size, shape, design and layout, age and condition of comparable properties' market data with insignificant valuation adjustment.

6. Investment property (Continued)

Securities

As at the reporting date, investment property of the Group with carrying amount of $10,347,941 (2012: $10,636,720) is pledged as security to secure bank loans (see Note 15).

Details of the Group's property classified under investment property 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	36 years

7. Subsidiaries

	Company 2013	Company 2012
	$	$
Equity investments, at cost	15,006,917	15,006,817

Details of significant subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective equity held by the Group 2013	Effective equity held by the Group 2012
		%	%
Held by the Company			
Natural Cool Airconditioning & Engineering Pte Ltd ("NCAE")	Singapore	100	100
Natural Cool Investments Pte. Ltd. ("NCI")	Singapore	100	100
Gathergates Group Pte. Ltd. ("GGPL")	Singapore	100	100
Held by GGPL			
Gathergates Switchgear Pte. Ltd. ("GSPL")	Singapore	100	100
Titans Power System Pte. Ltd.	Singapore	100	100
Gathergates Industries (M) Sdn. Bhd. (formerly known as Titans Industries (M) Sdn. Bhd.)	Malaysia	100	100

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

8. Other investment

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Available-for-sale financial assets:				
- Unquoted equity securities	3,750,000	–	3,750,000	–

For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see Note 19.

9. Inventories

		Group	
	Note	2013	2012
		$	$
Raw materials		5,024,115	5,856,280
Work-in-progress		772,955	874,218
Finished goods		8,535,356	10,497,442
Construction contracts-in-progress	10	2,077,128	1,686,722
		16,409,554	18,914,662

The cost of inventories recognised as an expense and included in the cost of sales of the Group amounted to $88,241,377 (2012: $76,944,990). As at the reporting date, inventories amounting to $254,696 (2012: $154,268) are pledged under fixed and floating charges 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 $42,380 were made as at 31 December 2013 (2012: $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.

10. Construction contracts-in-progress

	Group	
	2013	2012
	$	$
Contract costs incurred	54,508,722	48,866,378
Attributable profits	7,519,318	5,927,368
	62,028,040	54,793,746
Progress billings	(61,379,108)	(55,283,960)
	648,932	(490,214)

10. Construction contracts-in-progress (Continued)

	Note	Group 2013	Group 2012
		$	$
Comprising:			
Construction contracts-in-progress	9	2,077,128	1,686,722
Retention sum included in accrued revenue		3,278,184	3,201,785
Excess of progress billings over construction contracts-in-progress	17	(4,706,380)	(5,378,721)
		648,932	(490,214)

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

11. Trade and other receivables

	Note	Group 2013	Group 2012	Company 2013	Company 2012
		$	$	$	$
Trade receivables – third parties		31,994,121	33,531,230	–	–
Amounts due from subsidiaries:					
- trade		–	–	333,995	1,825,128
- non-trade		–	–	9,768,607	7,890,557
Accrued discounts receivable		1,385,740	1,924,205	–	–
Other receivables		1,162,749	776,990	436,645	–
Deposits		9,335,557	7,871,644	–	–
		43,878,167	44,104,069	10,539,247	9,715,685
Impairment losses		(1,013,635)	(1,475,259)	–	–
Loans and receivables	19	42,864,532	42,628,810	10,539,247	9,715,685
Accrued revenue		5,688,859	4,529,286	–	–
Prepayments		388,403	412,879	17,916	24,603
Advances to suppliers		148,084	265,586	–	–
		49,089,878	47,836,561	10,557,163	9,740,288

Accrued revenue for the Group includes retention sum relating to construction contracts-in-progress of $3,278,184 (2012: $3,201,785) and completed projects of $1,089,124 (2012: $653,219).

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

Other receivables includes a loan to third party of $406,000 (2012: Nil) to an investee company for working capital purposes. The loan is unsecured, interest-free and repayable upon demand.

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

12. Cash and cash equivalents

	Note	Group 2013	Group 2012	Company 2013	Company 2012
		$	$	$	$
Cash at bank and in hand		12,175,621	11,574,185	18,890	820,309
Fixed deposits		214,058	391,968	–	–
Cash and cash equivalents in the statements of financial position		12,389,679	11,966,153	18,890	820,309
Pledged deposits		(214,058)	(350,870)		
Cash restricted in use		(791,354)	(4,500,000)		
Bank overdrafts – secured	15	(336,679)	(224,804)		
		(1,342,091)	(5,075,674)		
Cash and cash equivalents in the consolidated statement of cash flows		11,047,588	6,890,479		

Cash restricted in use relates to the remaining insurance compensation of $791,354 (2012: $4,500,000) received in 2012, 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.

13. Share capital

	Group and Company 2013 No. of shares	Group and Company 2013 $	Group and Company 2012 No. of shares	Group and Company 2012 $
Fully paid ordinary shares, with no par value				
At 1 January	205,447,985	31,956,902	165,447,985	28,956,902
Issue of shares on private placement	–	–	40,000,000	3,000,000
At 31 December	205,447,985	31,956,902	205,447,985	31,956,902

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

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

14. Reserves

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Capital reserve	(3,077,530)	(3,377,530)	300,000	–
Translation reserve	(306,492)	(194,003)	–	–
	(3,384,022)	(3,571,533)	300,000	–

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

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

15. Loans and borrowings

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

		Group		Company	
	Note	2013	2012	2013	2012
		$	$	$	$
Non-current liabilities					
Unsecured					
Convertible loan notes		3,450,000	–	3,450,000	–
Term loans		368,169	138,082	–	–
		3,818,169	138,082	3,450,000	–
Secured					
Bank loans		9,720,570	10,665,821	–	–
Finance lease liabilities		1,734,488	1,977,327	–	–
		11,455,058	12,643,148	–	–
Total non-current liabilities		15,273,227	12,781,230	3,450,000	–
Current liabilities					
Unsecured					
Term loans		475,165	800,399	–	–
Secured					
Bank overdrafts	12	336,679	224,804	–	–
Current portion of bank loans		865,222	841,020	–	–
Short-term loans		–	155,471	–	–
Finance lease liabilities		730,714	668,244	–	–
		1,932,615	1,889,539	–	–
Total current liabilities		2,407,780	2,689,938	–	–
Total loans and borrowings		17,681,007	15,471,168	3,450,000	–

15. Loans and borrowings (Continued)

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

	Nominal interest rate	Year of maturity	2013 Face value	2013 Carrying amount	2012 Face value	2012 Carrying amount
	%		$	$	$	$
Group						
Bank overdrafts	benchmark prime lending rate + 0.25%	2014	N.A.	336,679	N.A.	224,804
RM floating rate loans	prime rate – 1.25%	2023	1,774,389	1,774,389	1,967,335	1,967,335
S$ floating rate loans	from 0.25% to 3.00% above prime rate	2022–2030	8,811,403	8,811,403	9,539,506	9,539,506
Indian rupee floating rate loan	prime rate + 0.50%	2013	–	–	155,471	155,471
S$ fixed rate term loans	2.64% – 3.50%	2014	843,334	843,334	938,481	938,481
Finance lease liabilities	1.88% – 4.25%	2014–2022	N.A.	2,465,202	N.A.	2,645,571
Convertible loan notes	5.00%	2015	3,750,000	3,450,000	–	–
Company						
Convertible loan notes	5.00%	2015	3,750,000	3,450,000	–	–

As at the reporting date, certain banking facilities are secured with the Group's freehold land and properties, leasehold properties and machineries with net carrying amount of $9,585,307 (2012: $10,034,478) and investment property with net carrying amount of $10,347,941 (2012: $10,636,720).

The Group's banking facilities are subject to the fulfilment of covenants relating to certain financial 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 19. As at the reporting date, none of the covenants relating to drawn down facilities had been breached.

Convertible loan notes

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

15. Loans and borrowings (Continued)

Convertible loan notes (Continued)

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

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2013			2012		
	Future minimum lease payments	Interest	Payments	Future minimum lease payments	Interest	Payments
	$	$	$	$	$	$
Group						
Within 1 year	730,714	110,355	841,069	668,244	125,447	793,691
Between 1 year and 5 years	1,563,841	136,063	1,699,904	1,778,932	174,727	1,953,659
More than 5 years	170,647	8,808	179,455	198,395	8,975	207,370
	2,465,202	255,226	2,720,428	2,645,571	309,149	2,954,720

16. Deferred tax liabilities

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

	At 1/1/2013	Foreign currency translation difference	Recognised in profit or loss (Note 23)	At 31/12/2013
	$	$	$	$
Group				
Deferred tax liabilities				
Property, plant and equipment	275,335	(6,550)	(41,278)	227,507
Investment property	10,896	–	–	10,896
	286,231	(6,550)	(41,278)	238,403

	At 1/1/2012	Foreign currency translation difference	Recognised in profit or loss (Note 23)	At 31/12/2012
	$	$	$	$
Deferred tax liabilities				
Property, plant and equipment	435,029	16,451	(176,145)	275,335
Investment property	10,896	–	–	10,896
	445,925	16,451	(176,145)	286,231

16. Deferred tax liabilities (Continued)

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Unabsorbed capital allowances	217,341	–	–	–
Unutilised tax losses	1,560,414	2,420,696	–	–

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

17. Trade and other payables

		Group		Company	
	Note	2013	2012	2013	2012
		$	$	$	$
Trade payables:					
- third parties		19,869,572	17,623,701	52,306	24,908
- subsidiaries		–	–	59,867	2,345
Amount due to subsidiaries:					
- non-trade		–	–	315,024	136,007
Bills payable		16,946,689	14,824,626	–	–
Excess of progress billings over construction contracts-in-progress	10	4,706,380	5,378,721	–	–
Deposits received	(i)	2,125,944	2,596,807	–	–
Deferred revenue	(ii)	9,439,101	10,560,196	–	–
Accrued expenses		4,463,163	2,452,381	317,764	179,312
Other payables	(iii)	803,442	531,717	65,625	–
		58,354,291	53,968,149	810,586	342,572

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

(ii) Includes deferred revenue of $8.6 million (2012: $10.6 million) representing the excess of selling price over the fair value, i.e. market value at the date of disposal for property located at 29 Tai Seng Avenue, Singapore 534119, which was disposed off under a sale and leaseback arrangement. The deferred revenue is amortised on a straight-line basis over the leaseback period of 10 years. As at the reporting date, deferred tax assets amounting to $1,465,016 (2012: $1,686,016) in respect of the deferred revenue have been recognised.

(iii) Includes payables for acquisition of property, plant and equipment of $69,769 (2012: $116,007) and payables for acquisition of intangible assets of $439,249 (2012: $35,558).

17. 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 2.26% to 5.10% (2012: 2.40% to 4.40%) per annum.

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

18. Provision

	Provision for reinstatement costs	
	2013	2012
	$	$
Group		
At 1 January	4,500,000	–
Provision made during the year	–	4,500,000
Provision utilised during the year	(3,708,646)	–
At 31 December	791,354	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.

19. 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.

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.

19. Financial instruments (Continued)

Risk management framework (Continued)

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by outsourced Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results 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 statements of financial position 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 do not hold any collateral in respect of its financial assets.

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

		Group		Company	
	Note	2013	2012	2013	2012
		$	$	$	$
Loans and receivables	11	42,864,532	42,628,810	10,539,247	9,715,685
Cash and cash equivalents	12	12,389,679	11,966,153	18,890	820,309
Recognised financial assets		55,254,211	54,594,963	10,558,137	10,535,994
Intra-group financial guarantees		–	–	26,326,875	29,609,496
		55,254,211	54,594,963	36,885,012	40,145,490

<u>Loans and receivables</u>

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.

19. Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Loans and receivables (Continued)

Exposure to credit risk

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

	2013	2012
	$	$
Group		
Commercial	38,824,193	38,362,387
Retail	996,693	426,579
Trading	2,842,281	3,777,658
Others	201,365	62,186
	42,864,532	42,628,810
Company		
Commercial	9,776,495	8,034,450
Retail	762,752	1,681,235
	10,539,247	9,715,685

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.

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

	Gross 2013	Impairment losses 2013	Gross 2012	Impairment losses 2012
	$	$	$	$
Group				
Not past due	23,274,562	–	27,497,493	–
Past due 0 – 30 days	9,288,721	–	2,900,128	–
Past due 31 – 120 days	4,878,658	–	8,514,957	–
Past due 121 – 365 days	4,540,752	(74,900)	3,200,837	(40,660)
More than one year	1,895,474	(938,735)	1,990,654	(1,434,599)
	43,878,167	(1,013,635)	44,104,069	(1,475,259)

19. Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Loans and receivables (Continued)

	Gross 2013	Impairment losses 2013	Gross 2012	Impairment losses 2012
	$	$	$	$
Company				
Not past due	10,207,012	–	8,029,797	–
Past due 0 – 30 days	–	–	278,200	–
Past due 31 – 120 days	361	–	278,801	–
Past due 121 – 365 days	460	–	765,453	–
More than one year	331,414	–	363,434	–
	10,539,247	–	9,715,685	–

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
At 1 January	1,475,259	1,073,607	–	–
Impairment loss recognised	544,626	403,667	–	–
Impairment loss utilised	(714,114)	–	–	–
Impairment loss written back	(292,026)	–	–	–
Translation differences	(110)	(2,015)	–	–
At 31 December	1,013,635	1,475,259	–	–

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

The allowance accounts in respect of loans and receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written-off against the financial assets directly. At 31 December 2013, the Group and the Company do not have any collective impairment on its loans and receivables (2012: nil).

Cash and cash equivalents

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

19. Financial instruments (Continued)

Risk management framework (Continued)

(i) *Credit risk (Continued)*

Intra-group financial guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. 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 $15.8 million (2012: $12.0 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.

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					
2013					
Non-derivative financial liabilities					
Variable interest rate loans	10,585,792	(12,848,201)	(1,235,619)	(5,006,629)	(6,605,953)
Fixed interest rate loan	843,334	(849,474)	(465,794)	(383,680)	–
Convertible loan notes	3,450,000	(4,125,000)	–	(4,125,000)	–
Finance lease liabilities	2,465,202	(2,720,428)	(841,069)	(1,699,904)	(179,455)
Trade and other payables*	48,915,190	(49,048,832)	(49,048,832)	–	–
Bank overdrafts	336,679	(336,679)	(336,679)	–	–
	66,596,197	(69,928,614)	(51,927,993)	(11,215,213)	(6,785,408)

19. Financial instruments (Continued)

Risk management framework (Continued)

(ii) Liquidity risk (Continued)

	Carrying amount	Contractual undiscounted Cash flows Total	Within 1 year	Within 2 to 5 years	More than 5 years
	$	$	$	$	$
Group					
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)
Company					
2013					
Non-derivative financial liabilities					
Convertible loan notes	3,450,000	(4,125,000)	–	(4,125,000)	–
Trade and other payables	810,586	(810,586)	(810,586)	–	–
Intra-group financial guarantees	–	(26,326,875)	(26,326,875)	–	–
	4,260,586	(31,262,461)	(27,137,461)	(4,125,000)	–
2012					
Non-derivative financial liabilities					
Trade and other payables	342,572	(342,572)	(342,572)	–	–
Intra-group financial guarantees	–	(29,609,496)	(29,609,496)	–	–
	342,572	(29,952,068)	(29,952,068)	–	–

* *Exclude deferred revenue*

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 analyses of the Group and the Company could occur significantly earlier, or at significantly different amounts.

19. Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk

Risk management policy

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

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

Foreign currency risk

Exposure to foreign currency risk

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

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

	SGD	USD
	$	$
2013		
Trade and other receivables	9,882,625	2,021,709
Cash and cash equivalents	5,754	229,475
Trade and other payables	(15,211,059)	(2,366,644)
	(5,322,680)	(115,460)
2012		
Trade and other receivables	18,492,476	5,066
Cash and cash equivalents	5,778	31,806
Trade and other payables	(24,324,035)	(1,072,739)
	(5,825,781)	(1,035,867)

The Company did not have any foreign currency transactions.

19. Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated against the above currencies at 31 December would have decreased profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2012, as indicated below:

	Group	
	2013	2012
	$	$
Profit before tax		
Singapore dollar	(532,268)	(582,578)
US dollar	11,546	103,587
	(520,722)	(478,991)

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

Interest rate risk

Exposure to interest rate risk

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

	Group	
	2013	2012
	$	$
Fixed rate instruments		
Loans and borrowings	(6,758,536)	(3,584,052)
Bills payable	(16,946,689)	(14,824,626)
Fixed deposits	214,058	391,968
	(23,491,167)	(18,016,710)
Variable rate instruments		
Loans and borrowings	(10,922,471)	(11,887,116)

19. Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased)/increased profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	2013		2012	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	$	$	$	$
Group				
Profit before tax				
Variable rate instruments	(109,225)	109,225	(118,871)	118,871

Capital management

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

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

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

19. Financial instruments (Continued)

Accounting classifications and fair values

Fair values versus carrying amounts

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

	Note	Loans and receivables	Available-for-sale	Other financial liabilities within scope of FRS 39	Other financial liabilities outside scope of FRS 39	Total carrying amount	Fair value
		$	$	$	$	$	$
Group							
31 December 2013							
Cash and cash equivalents	12	12,389,679	–	–	–	12,389,679	12,389,679
Available-for-sale securities:							
- Unquoted equity securities	8	–	3,750,000	–	–	3,750,000	3,750,000
Trade and other receivables	11	42,864,532	–	–	–	42,864,532	42,864,532
		55,254,211	3,750,000	–	–	59,004,211	59,004,211
Loans and borrowings*	15	–	–	15,215,805	–	15,215,805	15,517,708
Finance lease liabilities	15	–	–	–	2,465,202	2,465,202	2,627,557
Trade and other payables**	17	–	–	48,915,190	–	48,915,190	48,915,190
		–	–	64,130,995	2,465,202	66,596,197	67,060,455
31 December 2012							
Cash and cash equivalents	12	11,966,153	–	–	–	11,966,153	11,966,153
Trade and other receivables	11	42,628,810	–	–	–	42,628,810	42,628,810
		54,594,963	–	–	–	54,594,963	54,594,963
Loans and borrowings*	15	–	–	12,825,597	–	12,825,597	12,846,897
Finance lease liabilities	15	–	–	–	2,645,571	2,645,571	2,840,101
Trade and other payables*	17	–	–	43,407,953	–	43,407,953	43,407,953
		–	–	56,233,550	2,645,571	58,879,121	59,094,951

* *Exclude finance lease liabilities*
** *Exclude deferred revenue*

19. Financial instruments (Continued)

Accounting classifications and fair values (Continued)

	Note	Loans and receivables	Available-for-sale	Other financial liabilities within scope of FRS 39	Total carrying amount	Fair value
		$	$	$	$	$
Company						
31 December 2013						
Cash and cash equivalents	12	18,890	–	–	18,890	18,890
Available-for-sale securities:						
- Unquoted equity securities	8	–	3,750,000	–	3,750,000	3,750,000
Trade and other receivables	11	10,539,247	–	–	10,539,247	10,539,247
		10,558,137	3,750,000	–	14,308,137	14,308,137
Convertible loan notes	15	–	–	3,450,000	3,450,000	3,725,909
Trade and other payables	17	–	–	810,586	810,586	810,586
		–	–	4,260,586	4,260,586	4,536,495
31 December 2012						
Cash and cash equivalents	12	820,109	–	–	820,109	820,109
Trade and other receivables	11	9,715,685	–	–	9,715,685	9,715,685
		10,535,794	–	–	10,535,794	10,535,794
Trade and other payables	17	–	–	342,572	342,572	342,572

Interest rates used for determining fair value

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

Fair value hierarchy

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

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 : unobservable inputs for the asset or liability.

19. Financial instruments (Continued)

Fair value hierarchy (Continued)

There are no financial assets and financial liabilities which are carried at fair value. Notwithstanding, financial assets and financial liabilities which are not carried at fair value but for which fair values are disclosed, are as follows*:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Group				
31 December 2013				
Liabilities				
Loans and borrowings**	–	15,517,708	–	15,517,708
Finance lease liabilities	–	2,627,557	–	2,627,557
	–	18,145,265	–	18,145,265
31 December 2012				
Liabilities				
Loans and borrowings**	–	12,846,897	–	12,846,897
Finance lease liabilities	–	2,840,101	–	2,840,101
	–	15,686,998	–	15,686,998
Company				
31 December 2013				
Liabilities				
Convertible loan notes	–	3,725,909	–	3,725,909
31 December 2012				
Liabilities				
Convertible loan notes	–	–	–	–

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

** *Exclude finance lease liabilities*

20. Revenue

	Group 2013	Group 2012
	$	$
Sale of goods	98,796,042	93,229,742
Revenue from construction contracts	42,703,587	37,056,080
Revenue from services rendered	8,065,116	6,517,253
Rental income	5,163,872	6,060,273
	154,728,617	142,863,348

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.

21. Other income

	Group 2013	Group 2012
	$	$
Bad debts written back	3,665	369
Creditors written back	–	209,826
Gain on disposal of Investment property	–	1,534,512
Gain on disposal of property, plant and equipment	1,669	89,890
Government grants	195,141	309,963
Income from cafeteria	129,788	215,246
Interest income from banks	29,108	26,981
Rental income	95,031	283,305
Others	495,170	615,684
	949,572	3,285,776

22. Finance costs

	Group 2013	Group 2012
	$	$
Interest expenses:		
- bank loans	857,975	1,137,686
- bank overdrafts	20,773	460
- finance leases	139,616	176,517
- convertible loan notes	187,500	–
	1,205,864	1,314,663

23. Income tax

	Group 2013	Group 2012
	$	$
Current tax expense		
Current year	38,887	4,642
Adjustment for prior years	1,061	33,672
	39,948	38,314
Deferred tax credit		
Origination and reversal of temporary differences	(7,859)	(131,686)
Adjustment for prior years	(33,419)	(44,459)
	(41,278)	(176,145)
Total tax credit	(1,330)	(137,831)

Reconciliation of effective tax rate

	Group 2013	Group 2012
Profit before tax	468,721	759,421
Tax using Singapore tax rate at 17% (2012: 17%)	79,683	129,102
Effect of different tax rates in other countries	6,480	4,984
Tax exempt income	(398,129)	(404,720)
Singapore statutory stepped income exemption	(20,334)	(53,324)
Non-deductible expenses	435,320	436,115
Effect of previously unrecognised tax losses	(151,793)	(60,926)
Over provided in prior years	(32,358)	(10,787)
Deferred tax assets not recognised	97,568	232,699
Tax incentives	(27,542)	(366,811)
Others	9,775	(44,163)
	(1,330)	(137,831)

24 Profit for the year

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

	Note	Group 2013	Group 2012
		$	$
Amortisation of club memberships		137,180	272,460
Amortisation of intangible assets	5	372,333	169,211
Amortisation of deferred revenue		(1,300,000)	(1,300,000)
Bad debts written-off		105,035	69,958
Staff costs		22,945,991	24,100,424
Contributions to defined contribution plans, included in staff costs		1,148,832	1,212,773
Foreign exchange loss – net		373,238	99,109
Impairment loss on trade and other receivables	19	544,626	403,667
Write back of impairment loss on trade and other receivables	19	(292,026)	–
Over-provision for listing expenses		–	(181,189)
Audit fees paid to:			
- auditors of the Company		215,756	271,763
- other auditors		5,069	21,519
Non-audit fees paid to:			
- auditors of the Company		41,642	31,079
Operating expenses arising from rental of investment properties		373,417	370,659
Operating lease expenses		6,295,747	6,084,647
Plant and equipment written-off		26,353	23,624

25 Earnings per share

Profit attributable to ordinary shareholders

	Group 2013	Group 2012
	$	$
Basic and diluted earnings per share are based on:		
Net profit attributable to ordinary shareholders	508,813	986,906

25 Earnings per share (Continued)

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share was based on weighted average number of ordinary shares outstanding of 205,447,985 (2012: 186,050,725), calculated as follows:

Weighted average number of ordinary shares

	2013	2012
	$	$
Issued ordinary shares at 1 January	205,447,985	165,447,985
Effect of shares issued	–	20,602,740
Weighted average number of ordinary shares	205,447,985	186,050,725

At 31 December 2013, 25,000,000 options (2012: Nil) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

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

26 Operating segments

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

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

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

26 Operating segments (Continued)

Information about reportable segments

	Aircon	Switchgear	Investment	Total
	$	$	$	$
Revenue and expenses				
2013				
Total revenue from external customers	98,731,941	50,529,750	5,466,926	154,728,617
Inter-segment revenue	52,950	281,572	1,718,618	2,053,140
Total revenue of reportable segments	98,784,891	50,811,322	7,185,544	156,781,757
Finance income	1,020	26,025	1,571	28,616
Finance costs	244,357	624,375	149,632	1,018,364
Depreciation and amortisation	1,133,270	1,962,039	689,653	3,784,962
Reportable segment profit/(loss) before income tax	1,239,716	364,045	(544,980)	1,058,781
Other material non-cash items:				
- Bad debts written-off	81,857	21,663	1,515	105,035
- Impairment of trade and other receivables-net	427,107	117,519	–	544,626
- Plant and equipment written-off	26,353	–	–	26,353
Reportable segment assets	45,054,708	47,823,409	26,103,026	118,981,143
Capital expenditure	269,740	3,960,598	418,257	4,648,595
Reportable segment liabilities	29,536,645	31,588,726	29,172,156	90,297,527
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

26 Operating segments (Continued)

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

	2013	2012
	$	$
Revenue		
Total revenue for reportable segments	156,781,757	145,867,364
Elimination of inter-segment revenue	(2,053,140)	(3,004,016)
Consolidated revenue	154,728,617	142,863,348
Profit or loss before income tax		
Total profit before income tax for reportable segments	1,058,780	725,487
Other (loss)/profit	(588,056)	32,437
	470,724	757,924
Elimination of inter-segment profits	(2,003)	1,497
Consolidated profit before tax	468,721	759,421
Assets		
Total assets for reportable segments	118,981,143	120,130,419
Other assets	29,341,717	25,704,593
Elimination of inter-segment assets	(29,561,110)	(30,146,772)
Consolidated total assets	118,761,750	115,688,240
Liabilities		
Total liabilities for reportable segments	90,297,527	92,380,697
Other liabilities	4,269,332	342,573
Elimination of inter-segment liabilities	(16,036,659)	(16,624,423)
Consolidated total liabilities	78,530,200	76,098,847

Other material items

	Reportable segment totals	Adjustments	Consolidated totals
	$	$	$
2013			
Finance income	28,616	492	29,108
Finance costs	1,018,364	187,500	1,205,864
Depreciation and amortisation	3,784,962	139,182	3,924,144
Bad debts written-off	105,035	–	105,035
Impairment of trade and other receivables-net	544,626	–	544,626
Plant and equipment written-off	26,353	–	26,353
Capital expenditure	4,648,595	–	4,648,595

26 Operating segments (Continued)

Other material items (Continued)

	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

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.

	Revenue	Non-current assets*
	$	$
31 December 2013		
Singapore	147,670,286	32,134,536
India	200,886	487,182
Malaysia	5,468,321	6,785,905
Other countries	1,389,124	–
	154,728,617	39,407,623
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

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

26 Operating segments (Continued)

Major customer

Revenue from one customer of the Group's Aircon segment represents approximately $6,398,000 (2012: $5,545,000) of the Group's total revenue.

27. 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.

Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property every year. The fair values are based on market values (i.e. market comparison approach), being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. Such valuation is based on price per square metre for the buildings derived from observable market data from an active and transparent market.

In the absence of a price per square metre for similar buildings with comparable lease terms in an active market, the valuations are prepared by considering the estimated rental value of the property (i.e. the income approach). A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

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.

28. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2013	2012
	$	$
Within one year	6,586,643	7,715,441
Between one and five years	22,981,059	24,032,825
More than five years	17,431,716	22,187,941
	46,999,418	53,936,207

28. Operating leases (Continued)

Leases as lessee (Continued)

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	
	2013	2012
	$	$
Within one year	2,996,937	2,504,591
Between one and five years	1,135,665	1,279,227
	4,132,602	3,783,818

During the year, $700,000 (2012: $176,917) of income arising from investment property was recognised in profit or loss by the Group.

29. Contingencies

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Corporate guarantees				
Banking facilities corporate guarantees	–	–	26,326,875	29,609,496
Unsecured guarantees given to financial institutions for issuance of performance bonds on behalf of subsidiaries	546,072	702,258	–	–
Corporate guarantee given to a trade creditor of a subsidiary	–	–	–	1,104,032

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 2013, the net current liabilities and deficits in shareholders' funds of these subsidiaries amounted to approximately $11,783,000 (2012: $11,234,000) and $3,227,000 (2012: $2,841,000) respectively.

30. Related parties

Key management personnel compensation

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

Key management personnel compensation, included in staff costs comprised:

	Group	
	2013	2012
	$	$
Short-term employee benefits	3,809,643	3,080,454
Post-employment benefits	128,947	133,091
	3,938,590	3,213,545

Included in key management personnel compensation is director's remuneration of the Company of $630,764 (2012: $566,406).

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	
		2013	2012	2013	2012
		$	$	$	$
William da Silva	Legal fees	–	24,200	–	–

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.

30. Related parties (Continued)

Other related party transactions

	Group	
	2013	2012
	$	$
Related parties		
Sale of goods	(99,681)	(60,498)
Purchase of goods	703,397	967,831
Directors of the Company and subsidiaries		
Bank facilities secured by personal guarantees from 2 (2012: 3) directors of a subsidiary and 2 directors of the Company	335,900	380,277

31. Subsequent events

(i) *Purchase of property*

On 24 January 2014, Natural Cool Airconditioning & Engineering Pte Ltd ("NCAE"), a wholly-owned subsidiary, signed a purchase option agreement to purchase a leasehold property at 81 Defu Lane 10 for a consideration of $7.8 million, based on valuation by an independent professional valuer, GSK Global Pte Ltd. NCAE paid 10% of the consideration and the 90% balance was paid on 24 March 2014.

(ii) *Mutual settlement of an ongoing litigation*

In prior year, Toyochem Marketing Pte Ltd ("Toyochem") claimed against Natural Cool Investments Pte. Ltd. ("NCI"), a wholly-owned subsidiary of the Company, in the High Court alleging breaches of the option to purchase a property at 20 Benoi Crescent, Singapore 629983 ("Benoi property") and Tenancy agreement entered with NCI ("Tenancy agreement").

On 18 March 2014, Toyochem and NCI mutually entered into a final and amicable settlement agreement wherein inter alia, the Benoi property will be disposed and the sales proceeds less the original option price and disposal cost will be equally shared among the two parties.

Accordingly, Toyochem and NCI are discharged from any claims or counter-claims, in connection with or incidental to the Benoi property and the Tenancy agreement.

RISK MANAGEMENT POLICIES AND PROCESSES

Business Risk

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

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

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

Operational Risk

Operational risk refers to the loss incurred by our Group due to operational failures arising from a breakdown in internal process, 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.

Investment Risk

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

RISK MANAGEMENT POLICIES AND PROCESSES

Foreign Exchange Risk

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

Credit Risk

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

It is our Group's policy to sell to a diverse credit worthy customer base so as to mitigate our credit risk. Cash terms and/or advance payments are required for customers with lower credit rating. While the 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 20 March 2014 is 657

VOTING RIGHTS
The Articles of Association provide for:

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

TREASURY SHARES
Nil

Shareholdings Held in Hands of Public

Based on information available to the Company as at 20 March 2014 approximately 64.52% of the total number of issued shares (excluding treasury shares) in the capital of the Company are held in the hands of the public. Rule 723 of the Listing Manual issued by SGX-ST has therefore been complied with.

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 20 MARCH 2014

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	275	41.86	91,442	0.04
1,000 - 10,000	188	28.61	690,716	0.34
10,001-1,000,000	166	25.27	22,429,174	10.92
1,000,001 AND ABOVE	28	4.26	182,236,653	88.70
	657	100.00	205,447,985	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2014

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

Notes:

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

SHAREHOLDINGS STATISTICS

AS AT 20 MARCH 2014

TOP 20 SHAREHOLDERS AS AT 20 MARCH 2014

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	45,982,561	22.38
2	ANG CHOON CHENG	25,549,385	12.44
3	DBS NOMINEES PTE LTD	24,014,156	11.69
4	CHIA PUAY HWEE	10,214,000	4.97
5	MAYBANK NOMINEES (S) PTE LTD	9,270,010	4.51
6	ANG CHOON BENG	7,831,352	3.81
7	CIMB SECURITIES (SINGAPORE) PTE LTD	7,300,000	3.55
8	TSNG JOO PENG	5,000,000	2.43
9	TAN AIK KWONG	5,000,000	2.43
10	SBS NOMINEES PTE LTD	4,500,000	2.19
11	NEO CHUAN TIONG	4,125,866	2.01
12	HSBC (SINGAPORE) NOMINEES PTE LTD	3,289,377	1.60
13	TSNG JOO WEE	3,010,150	1.47
14	LEE CHEE BOON	2,940,000	1.43
15	BANK OF SINGAPORE NOMINEES PTE LTD	2,839,126	1.38
16	HONG LEONG FINANCE NOMINEES PTE LTD	2,615,000	1.27
17	CHIA PECK HUAN	2,237,834	1.09
18	KOH SIEW KHING	2,123,000	1.03
19	POH YEOW KIM LAWRENCE	1,865,449	0.91
20	LEE BOON SIONG	1,724,000	0.84
		171,431,266	83.44

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 on Wednesday, 23 April 2014 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 2013 and the Auditors' Report thereon. **[Resolution 1]**

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

3 To re-elect Dr Wu Chiaw Ching who is retiring by rotation pursuant to Article 101 of the Company's Articles of Association as Director of the Company. **[Resolution 3]**
[See Explanatory Note (a)]

4 To approve Directors' fees of S$98,000/- for the financial year ending 31 December 2014. (2013: S$98,000/-) **[Resolution 4]**

5 To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 5]**

6 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

7 "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 6]**

By Order of the Board

Leaw Wei Siang
Sharon Yeoh
Company Secretaries
8 April 2014

Singapore

Explanatory Note:

(a) Dr Wu Chiaw Ching, if re-elected, will remain as a member of the Company's Audit Committee, Nominating Committee and Remuneration Committee and will also continue to be the Chairman of the Nominating Committee. Dr Wu Chiaw Ching will be considered as Independent Director of the Company.

(b) The ordinary resolution 6 set out in item 7 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 6 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 6 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.

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, 23 April 2014 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 2013		
2	Re-election of Mr Eric Ang Choon Beng as director		
3	Re-election of Dr Wu Chiaw Ching as director		
4	Approval of directors' fees FY2014		
5	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
6	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 ________ 2014

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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