

NATURAL COOL® HOLDINGS LIMITED

# A Journey beyond Limitations ...

To take positive action towards the realisation of goals; to be dynamic, confident and vibrant. At Natural Cool, we embraced these values of collaboration, of attitude and aptitude. It is both the individual and the team within the organisation converging to take a concerted action to trust and build with proactive steps and create a new beginning. We call that as a start to exploring endless possibilities. At Natural Cool, we believe in providing the natural formula to achieve just that.

The possibilities are infinite. Our journey continues.



## **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 Partnering

# Our Values

Our Name, Our Brand - We fulfill promises to Shareholders,

customers and employees

Customer Focus - Customer satisfaction is our ultimate duty

and responsibility

People Development - We identify and drive every staff to their

fullest potential

**Teamwork & Unity -** We win and grow through teamwork &

unity Creativity - Our innovation sets us apart from the rest Safety - Above all, we

value life and assets

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## Natural Cool Wins Corporate Award



Natural Cool Holdings Limited bagged the Best Investor Relations Award for newly listed companies in Open Category with Merit.



An Outstanding Achievement for Natural Cool. Our CEO, Mr Steven Chen Choon Khee receiving the prestigious award.

Organized by the Business Times in collaboration with the Singapore Stock Exchange and UBS, the Singapore Corporate Awards' main objective is to recognize and honor SGX-listed companies as well as individuals who, through their corporate practices, help raise Singapore's corporate disclosure and corporate governance standards.

The Best Investor Relations Award recognizes companies which embody the spirit of corporate governance and corporate transparency; and hence adopt and implement best practices in Investor Relations.

The winners of this award are considered to be exemplary role models in investor relations practices and often go beyond the mandatory regulatory requirements in quality of disclosure, corporate transparency and fairness.

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## Our Onward March - Natural Cool Growth Story

Established in 1989, Natural Cool Holdings Limited was subsequently listed on Catalist (formerly known as SGX-SESDAQ) on 10 May 2006. The Group is headquartered in Singapore and has a total of 12 subsidiaries and a representative office: 8 in Singapore, and one each in India, Cambodia, Malaysia, the People's Republic of China and a representative office in Vietnam. Through a series of astute accretive acquisitions we are in the process of evolving as a "one stop integrated building solution provider."

Our latest state of the art 300,000 square feet corporate headquarters at Tai Seng Avenue / Street consists of 7 levels and is built to achieve a lifestyle concept theme at a cost of \$25 million.



We have already carved a name as Singapore's leading air-conditioning and switchgear specialist and the first to integrate both the switchgear and air-conditioning business segments in the power management and temperature-control of both commercial and residential properties. The synergy from these integrated operations allows us to provide a comprehensive product range and integrated solutions for our customers.

In view of our future expansion, the Group undergone a reorganization exercise in 2H2007 to streamline our operations into 3 Strategic Business Divisions, namely Aircon, Switchgear, Building Materials.

#### THE AIRCON DIVISION

The Aircon division serves 3 markets:

1 Retail Market;

2 Commercial Market; and

3 Trading Market

#### **Retail Market**

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

We also provide air-conditioning system maintenance, repair and replacement services to residential households in public and private housing, landed properties, and small retail outlets and restaurants. We serve our Retail Servicing customers pursuant to existing contracts or on an ad-hoc basis. Contract servicing entails the provision of packaged maintenance services for a certain number of times conducted on a regular basis within a period of time, typically for a year. Depending on the usage frequency and pattern, and customers' preference, we have contract servicing packages catered for three to six times a year based on equal periodic schedule or as and when customers call during the contracted 12-month period. Ad-hoc servicing refers to the provision of our maintenance, repair or replacement services for single isolated transactions without fixed contracts as and when the customers call. We advise our customers on the type of servicing arrangement that is suitable for them, based on information such as the usage frequency and pattern and budget.

## Our Onward March - Natural Cool Growth Story

#### **Commercial Market**

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

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

With a strategy to continue our expansion into the PRC market, we have entered into a Memorandum of Understanding ("MOU") with Hart Technologies Pte Ltd in August 2007 to record the main heads of understanding for the acquisition of not less than 51% but not more than 80% of the entire share capital, in Beijing Henji Construction Engineering Co., Ltd (北京恒基建筑工程有限公司). The acquisition of Beijing Henji Construction Engineering Co., Ltd allows us to enlarge our operations and to tap into the lucrative Beijing market. Beijing Henji has been engaged in the supply and installation of mechanical and electrical services, especially in ducting systems for building constructions for over 12 years.

As a leading aircon solution provider in Singapore, our wholly owned subsidiary, Naco Environmental and Engineering Pte Ltd ("Naco") was our contribution to environmental conservation. Set up in September 2006, Naco's principal activities include the supply of reconditioned air-conditioners that we collect in Singapore to dealers as used air-conditioners in Malaysia as well as the Third World countries. With the state-of-the-art air-conditioning duct manufacturing line that Naco acquired in late 2006, the entity now possesses the ability to manufacture customized air-conditioning mechanical ventilation (ACMV) systems for our installation projects. We also possesses the ability to dismantle the air-conditioning units and turn them into raw materials, such as stainless steel and copper. The resultant raw materials are sold as scrap metal to local scrap dealers.

#### **Trading Market**

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

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

Customers of Trading include M&E contractors, other air-conditioning retailers and contractors, import/ export traders, and residential owners who make direct purchases.

#### THE SWITCHGEAR DIVISION

Our Switchgear division specializes in tailoring and designing customised switchgears to meet our customer's specifications. These switchgears are manufactured and sold, through M&E contractors to our end-customers, such as the HDB, public property developments including schools and hospitals, as well as private property developments including factories, offices, and condominium and other residential properties. Our

## Our Onward March - Natural Cool Growth Story

switchgears can be utilised for both mechanical and electrical purposes. Mechanical switchgears are utilised for mechanical devices and applications such as water pumps and ACMV. Electrical switchgears are utilised to channel electricity to different paths of electrical loads and for switching and circuit protection.

Our subsidiary, VNS Manufacturing Pte Ltd has now gained a higher competitive edge. The switchgear division that specializes in the design, manufacture and sale of switchgear products has been awarded an exclusive distributorship by India based Larsen and Toubro Limited for the exclusive marketing of L&T electrical products in Singapore. This will help strengthen the platform for a better business relationship with L&T which is a technology driven organization and enjoys a premium brand image.

#### THE BUILDING MATERIALS DIVISION

We have trading of steel and angle bars as well as office and residential furniture manufacturing under our Building Materials division.

Our 51%-owned subsidiary, NC Steel Pte Ltd, which specializes in the trading of steel and angle bars commenced operations in December 2006. NC Steel Pte Ltd was a joint-venture between our investment arm, Natural Cool Investments Pte Ltd, and Mr Wu Ding Rong, the major shareholder for Jiangyin Jingcheng Iron Co., Ltd. Under the terms and conditions of the joint-venture agreement, NC Steel Pte Ltd is appointed the exclusive distributor for Jiangyin Jingcheng Iron Co., Ltd's products in Singapore and Asia Pacific.

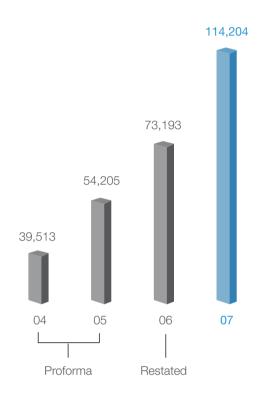
In July 2007, we took a 51% stake in J2 Pte Ltd which specializes system office furniture for offices as well as prefabricating of fixtures, such as wardrobes and kitchen cabinets for condominium.

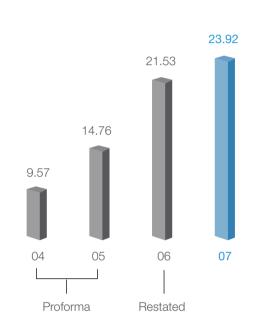


# Financial Highlights

#### Group Revenue (S\$'000)

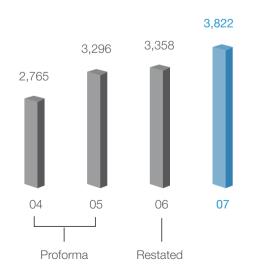
#### Net asset value per share (S\$' Cents)

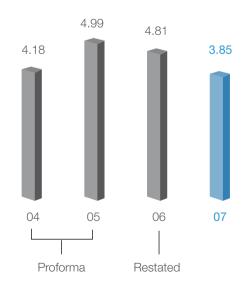


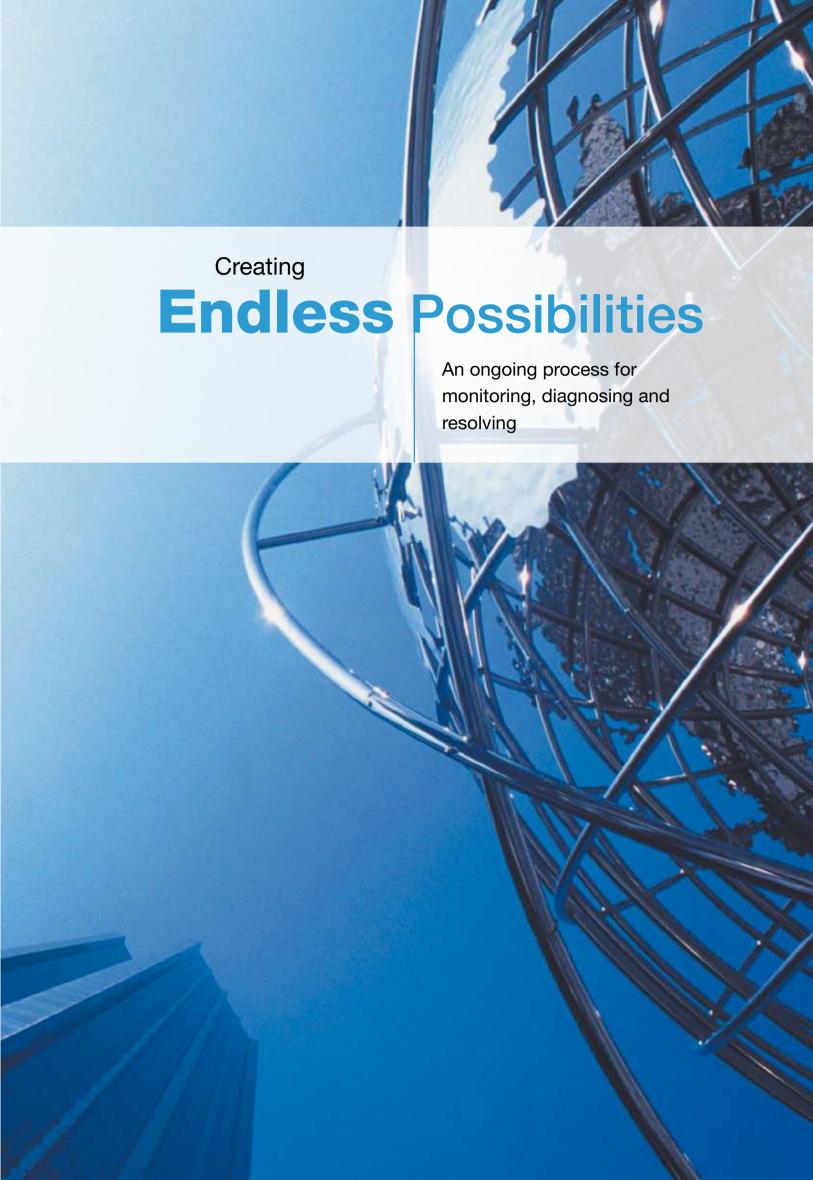


# Profit Attributable to Equity Holders of the Company (\$\$'000)

### Earnings Per Share (S\$' Cents)







## Chairman and CEO's Statement



We delivered a strong set of results for the year under review, registering doubledigit growth across all business segments. Group revenue increased 56% to S\$114.2 million, while profit after tax rose 12.2% to S\$3.8 million.<sup>33</sup>

**Dr Wu Chiaw Ching**Chairman and Independent Director

#### Dear Shareholders,

On behalf of the Board of Directors, we are delighted to present to you our annual report for the financial year ended December 31, 2007.

By leveraging on our wealth of experience, strong technical expertise, wide network of business contacts and sound management fundamentals, we delivered a strong set of results for the year under review, registering double-digit growth across all business segments. Group revenue increased 56% to \$\$114.2 million, while profit after tax rose 12.2% to \$\$3.8 million.

Going forward, we will remain on track with our growth strategies in the domestic and regional market to deliver improved shareholder value for our shareholders.

#### THE NATURAL FORMULA ...

#### Regional Highlights:

2007 has been an exciting year for us as we continued to develop our business at home while extending our geographical reach into the region.

Our Singapore operations remained as a major revenue generator, contributing 94% of total Group revenue in FY2007. We continued our expansion in the core domestic market with

the acquisition of J2 Pte Ltd, a company mainly dealing with office furniture under the D'Bueno brand, which contributed to the 665.6% increase in revenue from the Building Materials Segment.

In May 2007, we held the ground-breaking ceremony for our new corporate headquarters at Tai Seng Avenue. Our new headquarters at Tai Seng Avenue will be the first lifestyle hub in Singapore, allowing us to unify the Group's air-conditioning and switchgear businesses under one roof, thereby enabling us to fully harness the synergies in our operations. Ready for occupation in 3Q2008, the new building will feature a permanent HDB 5-room flat showroom display that is fully-equipped with our products. Indeed, with the new headquarters, our switchgear production capacity will be increased to cater to the construction boom. We are confident that it will strengthen our branding and market presence in Singapore while providing a springboard for our expansion into the region.

In line with our efforts to adopt an asset-light strategy, we entered into a sale and leaseback agreement for our current headquarters in Defu Lane to Cambridge Industrial Trust Management Limited. The sale will allow us to unlock the value of the property and enable us to redeploy the resources to reduce the Group's bank borrowing thereby strengthening our balance sheet and reducing interest expense. The proceeds will also be used for working capital to generate future growth.

## Chairman and CEO's Statement

We look forward to continuing our efforts and strategies to reinforce our position in Singapore and to clinch our position as leading integrated climate management and switchgear specialist.



Steven Chen Choon Khee Chief Executive Officer

Keeping in step with the opportunities in the region, we worked at numerous efforts to continue leveraging on our experience, technical expertise, strong management fundamentals and network of industry contacts to increase our niche area in the emerging economies of India and China, as well as Cambodia and Vietnam. While we registered a marginal decrease in revenue from the PRC, we are pleased to note that revenue from Cambodia rose 229.3% to S\$1.4 million during the year under review.

In August 10, 2007, we entered into a Memorandum of Understanding with Hart Technologies Pte Ltd for the acquisition of Beijing Henji Construction Engineering Co. Ltd, a company engaged in the business of supply an installation of mechanical and electrical services, primarily in Beijing. This acquisition will give us the platform to enlarge our operations and to tap into the lucrative Beijing market.

#### Outlook

Entering into 2008, with a strong forecasted demand in the domestic market for switchgears and air-conditioners coupled by positive prospects for growth in the region makes the coming year and the period beyond promising for the Group. The forecasted domestic demand is supported by continued resurgence in the construction sector and the bullish demand for private and residential property market while the upswing in the property and construction sectors in India and the PRC spell strong growth opportunities. We are also optimistic of making inroads in Vietnam and Cambodia.

We look forward to continuing our efforts and strategies to reinforce our position in Singapore and to clinch our position as leading integrated climate management and switchgear specialist.

#### **Appreciation**

We would like to thank our Board members for their invaluable contributions. We would also like to extend our appreciation to our stakeholders, customers, bankers and business associates for their continued confidence in us. A big thank you to the management and staff for their hard work and dedication to Natural Cool.

We look forward to another excellent year for Natural Cool to reward and reflect all your contributions!

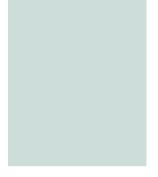
Yours Sincerely, **Dr Wu Chiaw Ching**Chairman and Independent Director

Steven Chen Choon Khee
Chief Executive Officer

## 主席与首席执行官致辞







#### 尊敬的各位股东:

我们谨代表董事会,高兴地向各位提呈截至2007年12月31日 之财政年度的年度报告。

回顾上一个财政年度,我们所拥有的丰富经验、强大的专业技术、广泛的商业网络及健全的基础要素,使我们取得了一系列骄人业绩,所有业务部门均取得双位数增长。集团收益猛增56%,达到1亿1420万新元,税后利润则增长12.2%,报380万新元。

展望未来,我们将继续执行既定增长策略,不断扩大本地及 区域市场业务规模,以便为股东创造持续的更高的价值。

#### 区域焦点

2007年是令人兴奋的一年,我们在不断发展国内业务的同时,还把触角伸向国外,大举进军区域市场。

2007财年,我们在新加坡的业务依然是本集团收入的主要来源,占集团总收入的94%。我们继续扩张本地的核心业务,收购了J2私人有限公司。后者是一家以经营D'Bueno品牌办公室家具为主要业务的公司,建筑材料部门665.6%的收入增长率,该公司功不可没。

2007年5月,我们为建在大成道的新公司总部,举行破土动工仪式。该新总部将成为新加坡的首个生活时尚枢纽,我们可以借此将本集团的空调及配电箱设备业务统一集中于一处,从而使我们得以充分利用经营中的协同作用。该新大楼定于2008年第3季投入使用,届时将永久设立一个五房式政府组屋陈列室,全方位展示本集团的产品。有了这个新总部,本集团开关设备的产生能力将提高,以满足建筑业繁荣的需要。我们确信,它将有助于强化我们在新加坡的品牌效应及市场份额,同时为我们进军区域市场铺平道路。

为配合采取"轻资产"(asset-light)策略,我们为设于 德福巷的公司现总部订立一出售和返租协议,将其出租给剑 桥工业信托管理有限公司。该出售将有助于我们释放该产业 的价值,使我们得以重新部署资源,以减少本集团的银行借 贷,从而增强我们的净资产,降低利息费用。此外,从出售 所获得的收益,还将用作营运资本,以促使集团取得更大的 增长。

为抓住区域发展所提供的有利商机,我们付出巨大努力,充分利用我们的经验、专业技术、管理实力及业界网络,在印度和中国等新兴经济体以及柬埔寨和越南等国家,扩大我们享有独特优势的业务领域。本财政年度期间,虽然来自中国的收入略有下降,但我们高兴地注意到,来自柬埔寨的收入却猛增了229.3%,达到140万新元。

## 主席与首席执行官致辞





2007年8月10日,我们为收购北京恒基建筑工程有限公司同新加坡哈特科技私人有限公司签订一谅解备忘录。北京恒基是一家从事提供机电设备安装业务的专业公司,业务主要集中在北京地区。该收购将为我们扩大经营规模,打入有利可图的北京市场,提供一个不可多得的平台。

#### 前景展望

迈入2008年,由于国内市场对配电箱设备和空调器的需求预计保持强劲,加上区域增长前景乐观,未来一年乃至其后相当一段时间,本集团仍享有巨大的发展空间。建筑业的持续复苏以及市场对私人及住宅产业的强劲需求,预计将有利支持内需;而印度和中国的产业和建筑业的蓬勃发展,将会带来一系列强劲增长的机会。我们对进军越南和柬埔寨市场,亦保持乐观。

我们将继续执行既定的发展策略,加强在新加坡的市场地位,将本集团打造成综合气候管理及配电箱设备领域首屈一指的专业企业。

#### 鸣谢

我们在此谨感谢董事会成员对本集团做出的宝贵贡献。此外,我们还要感谢我们的股东、客户、银行及业务伙伴一直以来对我们的信心和信任。最后,不能忘记对我们的管理层和员工的辛勤耕耘和无私奉献,说一声多谢。

我们期待恩系的又一个卓越之年,将成为所有人贡献自己一份力量的最好回报与最佳注脚。

吴乔青博士 *主席兼独立董事* 

> 曾俊旗 *首席执行官*

## Board of **Directors**







Mr Steven Chen Choon Khee



Mr Eric Ang Choon Beng



Mr Joseph Ang Choon Cheng

# Dr Wu Chiaw Ching Chairman and Independent Director

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

#### Mr STEVEN Chen Choon Khee

#### Chief Executive Officer

Mr Chen has been a Director of Natural Cool Airconditioning & Engineering since 1993 and was appointed to the Board of Natural Cool Holdings Limited on July 19, 2005. He is responsible for the overall operations, management, strategic planning and business development of the Group. Mr Chen was previously a Director of NC Airconditioning Pte Ltd where he was responsible for the development of the retail arm of the airconditioning business. With extensive industry experience and a wide network of business contacts, Mr Chen's contribution has been vital to the success and development of the Group. In October 2004, he was awarded the Entrepreneur of the Year by the Rotary Club of Singapore and Association of Small and Medium Enterprises.

#### Mr ERIC Ang Choon Beng

#### Executive Director

Mr Ang is responsible for the overall management and coordination business operations for S-Team Switchgear. He has been a Director of S-Team since 2002 and was appointed to our Board on August 1, 2005. Prior to joining our Group, Mr Ang was Assistant Vice-President in SMB Electric Pte Ltd, where he was responsible for the supervision of business operations. His industry experience dates back to 1984 where he began work at Soundtex Swithgear Pte Ltd as an apprentice before eventually winning promotion to Factory Manager.

#### Mr JOSEPH Ang Choon Cheng

#### **Executive Director**

Appointed on 30 June 2007, Mr Ang is primarily responsible for the overall operations of the Group's Switchgear Division which is fast becoming a vital part of the Group's operations. Prior to his appointment as Executive Director, Mr Ang serves as Managing Director (Head) of Natural Cool Airconditioning & Engineering, overseeing the overall operations of the company, including the expansion of its business units. He was the managing director of Natural Cool Airconditioning & Engineering since 1 January 2005. Prior to joining our Group, Mr Ang was a director of S-Team Engineering and Construction Pte Ltd from 2002 to January 2005, a company he established and incorporated. From 2001 to 2002, Mr Ang was vice-president of SMB Electric Pte Ltd, as well as a director of Soundtex Switchgear Pte Ltd. He was responsible for overseeing all business units and day-to-day operations, implementing a budgetary control system and approving the operating procedures of each department. Mr Ang joined Sountex Switchgear Pte Ltd as an apprentice in 1986, and was subsequently promoted to general manager and eventually to the position of director.

#### Mr Tsng Joo Peng

#### Executive Director

Mr Tsng was appointed to our Board on August 1, 2005. He is responsible for the supervision of our Group's engineering development efforts. Mr Tsng has been a Director of Natural Cool Airconditioning & Engineering since 1993. Prior to joining

## Board of **Directors**



Mr Tsng Joo Peng

Mr Wong Ming Kwong

Mr Lim Siang Kai

Mr William Da Silva

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 Wong Ming Kwong

#### Non-Executive Director

Mr Wong was appointed to the Board as Non-executive Director on March 7, 2006. Since 1999, Mr Wong has been President of Key Elements Consulting Group, which provides consultancy services for companies, in particular, small and medium enterprises in Singapore. From 1996 to 1998, Mr Wong was a Marketing Director of APV Asia Pte Ltd, before being promoted to the position of marketing director (Greater China Division). From 1993 to 1995, Mr Wong was employed as a Sales and Marketing Manager in Singapore National Printers Pte Ltd (now known as SNP Corporation Ltd). From 1992 to 1993, Mr Wong was with Inchcape Sendirian Berhad as a Business Development Manager where he was responsible for the development of new business strategies and objectives. Mr Wong holds a Bachelor of Arts (Honours)(Second Upper) in Chinese Studies and Bachelor of Arts in Economics and Statistics from the National University of Singapore. In addition, he holds a Graduate Diploma in Marketing from the Marketing Institute of Singapore. Mr Wong is also the Vice President of the Association of Small and Medium Enterprises, as well as chairman of the Enterprise Development Centre.

#### Mr Lim Siang Kai

#### Independent Director

Currently the Chairman and Independent Director of ISDN Holdings Limited and China Print Power Group Limited, and an Independent Director of Texchem-Pack Holdings (S) Ltd, Foreland Fabrictech Holdings Limited, China Angel Food Limited and Joyas International Holdings Limited, all of which are public companies listed in Singapore. Mr Lim

was appointed to our Board as an Independent Director on March 7, 2006. Mr Lim is also the Executive Director of China Financial Leasing Group (formerly known as Golden 21 Investment Holdings Ltd), a company listed in Hong Kong. Mr Lim has over 20 years of experience in securities, private and investment banking and fund management. Some of Mr Lim's past appointments include Assistant Director of corporate banking at NZI Merchant Bank (Singapore) Limited, President of Kingvic Securities Investment Consulting Enterprise, Chief Representative at Dexia Banque Internationale A Luxembourg (BIL) in Hong Kong and General Manager of UOB's Xiamen Branch overseeing its China Banking operations. Mr Lim has also provided financial consultancy services to the Singapore Branch of Societe Generale. Mr Lim has a Bachelor of Arts degree and a Bachelor of Social Sciences (Honours) degree from the National University of Singapore obtained in 1980 & 1981 respectively. He also has a Master of Arts in Economics degree from University of Canterbury, New Zealand, that he obtained in 1984.

#### Mr William Da Silva

#### Independent Director

Mr William Da Silva was appointed to the Board on March 7, 2006. He is an advocate and solicitor of the Supreme Court of Singapore with 18 years of experience and a member of the Singapore Institute of Directors. Mr Da Silva is actively involved with the Ministry of Manpower, where he serves on the Tripartite Committee for Employment of Older Workers and participated in the Committee for Operational Safety and Health. In addition, he is the former President of the Rotary Club of Singapore North. He is also serving as the Executive Council of the Association of Small and Medium Enterprises. Mr Da Silva holds a Bachelor of Laws from the National University of Singapore.

## Key Management







Mr Tsng Joo Wee



Mr Tan Aik Kwong



Mr Neo Han Cheng



Mr Yeo Siew Leng

#### Mr Yun Chee Keen

#### Chief Financial Officer

Mr Yun oversees the various functions of accounting, financial reporting, cost management accounting, foreign exchange management, credit control, management information system, tax, cash flow planning and financial systems of our Group. He joined our Group in July 2005 and was formerly Group Financial Controller of Nico Steel Holdings Limited from 2000 to 2005. Prior to that, Mr Yun worked as an Audit Supervisor in KPMG, Singapore. He graduated from the Nanyang Technological University with a Bachelor of Accountancy (Merit) in 1996. He is also a member of the Institute of Certified Public Accountants of Singapore.

#### Mr Tsng Joo Wee

#### Executive Director, NC Steel

Mr Tsng was appointed on 28 May 2007 and is primarily responsible for the overall management, business planning, daily operations of NC Steel. Mr Tsng joined our Group in 1994 and was appointed managing director of Natural Cool Airconditioning & Engineering on 18 October 2005 where he was primarily responsible for the overall management, business planning, daily operations as well as financial and accounting management of Natural Cool. Prior to joining our Group, Mr Tsng worked as an audit assistant with Ernst & Young. Mr Tsng graduated from Nanyang Technological University with a Bachelor of Accountancy (Honours) in 1994.

#### Mr Tan Aik Kwong

#### Executive Director and General Manager, S-Team Switchgear

Appointed in 2002, Mr Tan is primarily responsible for the day-to-day operations of S-Team. Prior to joining our Group, from 2001 to 2002, Mr Tan was the Production Manager of SMB Electric Pte Ltd. From 1984 to 2001, Mr Tan worked in Soundtex Switchgear Pte Ltd as an apprentice, and was subsequently promoted to the position of Production Manager. He is primarily responsible for overseeing the production staff and managing the manufacturing, maintenance, and warehousing activities of our Company.

#### Mr Neo Han Cheng

#### Executive Director, Natural Cool Airconditioning & Engineering

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

#### Mr Yeo Siew Lena

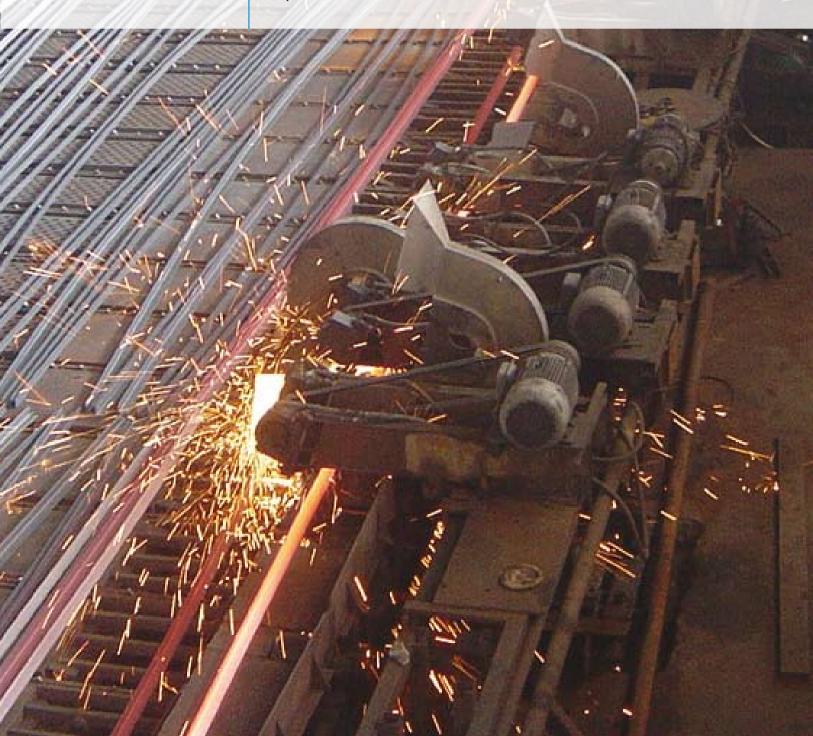
#### Executive Director, VNS Manufacturing

Mr Yeo is primarily responsible for the production and Appointed on 25 January 2006, Mr Yeo is primarily responsible is primarily responsible for the overall management, business planning, daily operations of VNS Manufacturing. Mr Yeo joined our Group in 2002 as factory manager of S-Team where he was responsible for the production and maintenance of S-Team. Prior to joining our Group, from 2001 to 2002, Mr Yeo worked as the assistant production manager in SMB Electric Pte Ltd, where he was responsible for providing assistance to the production manager in advising, training and developing the production team. From 1989 to 2001, Mr Yeo joined Soundtex Switchgear Pte Ltd as a production foreman, where he was subsequently promoted to the position of assistant production manager. In 1984, Mr Yeo worked as an apprentice in Public Electronics Engineering Pte Ltd.



# Increasing Productivity

Basic approaches that have evolved over time – conditions, attitude and expectations



#### **Revenue and Gross Profit**

The year 2007 saw all business divisions in our Group achieving double-digit growth in revenue. Overall, our Group revenue rose by approximately 56.03% from \$\$73.19 million in FY2006 to \$\$114.20 million in FY2007.

#### Breakdown of revenue by business divisions

	FY2007	FY2006 (Restated)	Difference	
	S\$'000	S\$'000	S\$'000	%
Aircon	67,148	48,063	19,085	39.71
Switchgear	36,864	23,826	13,038	54.72
Building Materials	9,984	1,304	8,680	665.64
Others	208	-	208	100.00
	114,204	73,193		

Revenue from our Aircon business segment increased by \$\$19.09 million, or 39.71% to \$\$67.50 million in FY2007. One of our newly incorporated subsidiaries, NC (Singapore) Pte Ltd, as well as our newly set-up Mechanical Ventilation fabrication department in Naco Environmental and Engineering Pte Ltd, contributed to the enlarged scope of our services during FY2007, which in turn translated into an increase in revenue. The conventional services such as retail installation, servicing, as well as trading had all experienced healthy growth during FY2007. Revenue from our Commercial Projects department also grew as more projects with higher values, such as Nanyang Polytechnic, Whitley Complex, and 62 Sungei Kadut, commenced work during the year.

Revenue from our Switchgear business segment increased by approximately S\$13.04 million, or 54.72% to S\$36.86 million in FY2007. Our Switchgear manufacturing unit managed to secure more Housing & Development Board ("HDB") Upgrading Projects during the current year as compared to FY2006. The exclusive distributionship awarded by Larsen & Toubro Limited to our subsidiary, VNS Manufacturing (S) Pte Ltd in October 2006 for the trading of electrical standard products, also contributed to the increase in revenue.

Our Building Materials business revenue also increased by approximately \$\$8.68 million, or 665.64% to \$\$9.98 million in FY2007. This increase was attributable to the commencement of trading activities from our Joint-Venture company, NC Steel Pte Ltd, as well as the revenue contribution from our newly acquired subsidiary, J2 Pte Ltd.

Revenue from Others business segment comprised rental income generated from our property located at Kranji.

Geographically, Singapore remained as our Group's major revenue contributor and accounted for 93.95% or S\$107.3 million (FY2006: 90.53 %, S\$66.26 million) of the total Group's revenue in FY2007. Revenue from our PRC's operations decreased to S\$4.05 million as compared to S\$5.87 million in FY2006. PRC's revenue amounted to 3.55% of total Group's revenue. Revenue generated from Cambodia increased to S\$1.41 million as compared to S\$427,000 in FY2006.







In line with the increase in revenue, our gross profit increased by \$\$6.47 million, or 42.56% to \$\$21.67 million in FY2007. The higher gross profit was mainly attributable to the improvement in revenue generated from all business segments. Notwithstanding the above, our gross profit margin weakened slightly by approximately 1.79 percentage point, from 20.77% in FY2006 to 18.98% in FY2007. This was partly due to the newly formed Building Materials business segment, which has a lower gross profit margin as compared to our Aircon and Switchgear business segments. During FY2007, we also saw a sharp increase in prices of our raw materials, such as copper, steel as well as electrical components, which translated into lower margin for the Group.

Other operating income increased by approximately \$\$212,000, or 10.88% in FY2007 to \$\$2.16 million in FY2007. The increase was mainly attributed to rental income earned by one of our subsidiaries as well as a one-time gain on disposal of property, plant and equipment of approximately \$\$1.56 million recorded by another subsidiary in FY2007.

#### Operating Expenses

Our distribution costs, administrative expenses and other operating expenses collectively increased from S\$12.13 million in FY2006 to S\$17.96 million in FY2007 due to the following factors:

- Increase in transportation charges as a result of an increase in sales;
- The expansion of our Group's business, with the addition of new subsidiaries, has brought about an increase in headcount for our Group from 474 in FY2006 to 666 in FY2007. This has resulted in an increase in our salaries and payroll related expenses for the Group;
- Increase in depreciation which is in line with increase in capital expenditure;
- Increase in professional fees due to compliance cost after listing as well as the potential merger and acquisition exercise; and
- Increase in rental of warehouse due to the expansion of business.

#### Finance cost

Finance costs increased by \$\$767,000 from \$\$790,000 in FY2006 to \$\$1.56 million in FY2007. This was due to an increase in interest expenses on bills payable as a result of an increase in trade facilities utilised to finance our purchases. Interest costs incurred on property loan granted to one of our local subsidiaries during the last quarter of FY2006 also contributed to the increase in finance cost.

Arising from the above, profit before income tax increased by approximately \$\$83,000, or 1.96%, from \$\$4.24 million in FY2006 to \$\$4.32 million in FY2007.



#### **Income Tax**

Income tax expenses for FY2006 and FY2007 were approximately S\$832,000 and S\$500,000 respectively, representing effective tax rates of 19.64% and 11.57% respectively. The effective tax rate for FY2006 is approximately equal to the statutory tax rate of 20.00%. The effective tax rate for FY2007 is lower than the statutory tax rate of 18.00% due to certain income that are not subject to tax and reversal of tax overprovided in prior years.

#### Cash Flows & Liquidity

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

	FY2007	FY2006 (Restated)
	S\$'000	S\$'000
Net cash from operating activities	5,331	(1,093)
Net cash from investing activities	(2,236)	(996)
Net cash from financing activities	(1,930)	2,892
Net increase in cash and cash equivalents	1,165	803
Effect on changes in foreign exchange rate	(59)	(17)
Cash and cash equivalents at beginning of year	591	(195)
Cash and cash equivalents at end of year	1,697	591

The Group's net cash generated from operating activities for the year ended 31 December 2007 improved mainly because of new credit procedures and policies that were put in place during the year to monitor collections from customers and credit exposure for our Group. Trade and other receivables increased by approximately 16.00% as at 31 December 2007 as compared to 31 December 2006, despite a 56.03% increase in annual turnover as a result of prompt collection procedures implemented by the company.

Net cash to investing activities mainly relates to proceeds from the disposal of our plant and equipment utilized in the construction of our corporate HQ building as well as Merger and Acquisition exercise.

Net Cash to financing activities mainly relates to proceeds from the share placement exercise utilized to settle bank borrowings.

#### Indebtedness

	2007	Group 2006 (Restated)*
Amount repayable in one year or less, or on demand	S\$'000	S\$'000
Unsecured Bank overdrafts Bills payable Short-term loans Term loan III	1,997 13,734 150 - 15,881	1,443 5,505 160 707 7,815
Secured Bank overdrafts Bills payable Short term loan Commercial property loan I Commercial property loan II Commercial property loan III Term loan I Term loan II Term loan IV Term loan V Finance lease payables	1,629 5,323 - 25 17 219 114 - 129 - 638 8,094	842 4,718 687 23 18 215 1,365 74 91 18 509 8,560
Amount repayable after one year Secured Commercial property loan I Commercial property loan III Commercial property loan III Term loan I Term loan II Term loan IV Term loan V Finance lease payables	23,975  372 297 1,049 1,139 - 261 - 1,060 4,178 28,153	397 314 1,210 - 1,072 431 62 1,211 4,697 21,072

Certain bills payable and commercial property loans are secured by:

- legal mortgage over the Group's leasehold properties with net book values of \$\$2,788,166 as at 31 December 2007 (FY2006: \$\$2,943,380); and
- corporate guarantee by Natural Cool Holdings Limited.

The bank overdrafts, certain bills payable and term loans are secured by:

- legal mortgage over the Group's freehold properties, leasehold properties and workshop machineries with net book values as at 31 December 2007 of S\$3,891,425 (FY2006: S\$3,913,261), NIL (FY2006: S\$1,356,328) and S\$501,128 (FY2006: S\$495,465);
- fixed deposit pledged amounted to S\$1,500,000 (FY2006: S\$1,000,000);
- fixed and floating charge on inventories and receivable amounted to S\$640,782 and S\$744,638 (FY2006 :NIL, NIL);
- legal joint and several personal guarantees given by a Director of the Company and Directors of a subsidiary in the Group; and
- corporate guarantee by Natural Cool Holdings Limited.

The finance lease payable is secured by motor vehicles and machines under the lease.

## Our Corporate Social Responsibility







#### A Disabled-Friendly Company

Maintaining corporate social responsibility has always been an integral part of our business. At Natural Cool, we recognise the impact of our business operations on the physical and human environment and are focused on establishing a system to achieve positive and sustainable results towards our customers, our staff and the environment. We believe in promoting business activities that bring simultaneous economic, social and environmental benefits and encourage innovative approaches and continuing development and application of best practices.

We took maiden steps in 2006 in our efforts to promote environmental awareness with the establishment of Naco Environmental and Engineering Pte Ltd to increase our recycling and reconditioning operations. In 2007, In line with our focus on corporate social responsibility, we took a step further with the ENABLE FUND, to promote the concept of an "inclusive" community. Launched by the Ministry of Community Development and Sports, the fund stands for engaging persons with disabilities in employment and allows

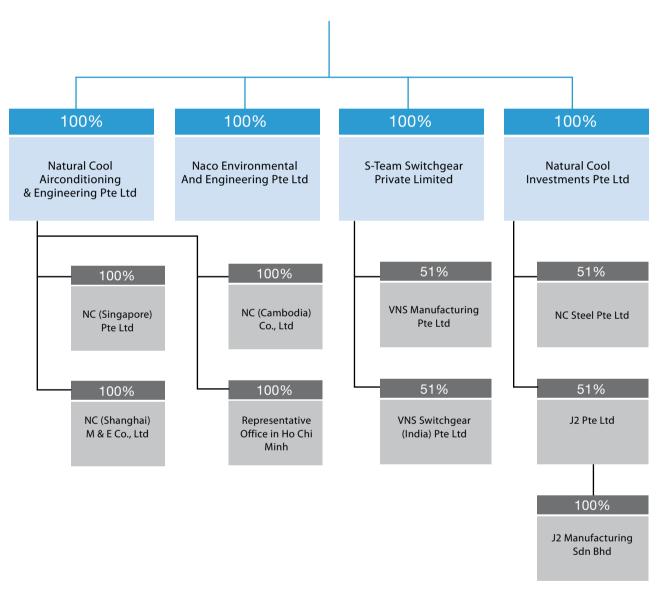
companies to modify workplaces and provide training to new employees with disabilities. Leading our efforts is Natural Cool's subsidiary S-Team Switchgear, which welcome eight disabled employees under its fold.

To facilitate our plans to recruit more People with Disabilities (PWDs), we have also dedicated our efforts to provide a "borderless" and barrier-free working environment when we move into our new premises in 3Q2008. We have taken special care to incorporate a host of disable-friendly features such as special ramps for disabled access, disable-friendly lifts, handicap toilets and special seating in the staff canteen for our employees with disabilities.

Going forward, we will remain committed towards promoting socially responsible business practices as we are conscious that it is a vital essence of good corporate citizenship.

# Group Structure



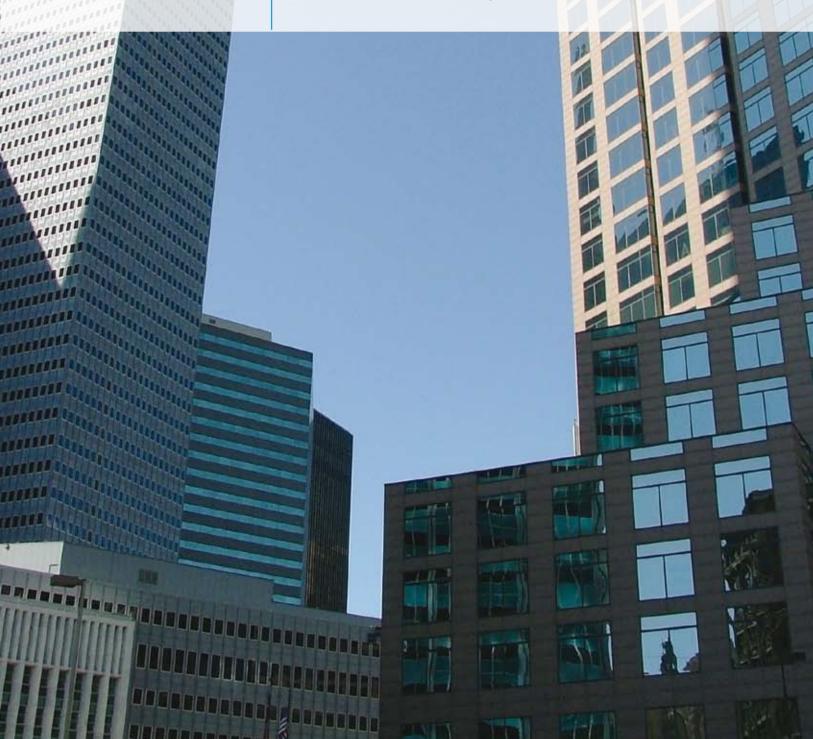


# Our Global Presence





Establishing standards based technology to enhance management, distribution and efficiency



# Corporate Information

#### **Board of Directors:**

Chairman and Independent Director Dr Wu Chiaw Ching

Chief Executive Officer
Mr Steven Chen Choon Khee

Executive Directors

Mr Joseph Ang Choon Cheng

Mr Eric Ang Choon Beng

Mr Tsng Joo Peng

Non-executive Director Mr Wong Ming Kwong

Independent Directors Mr Lim Siang Kai Mr William Da Silva

#### **Audit Committee:**

Chairman Mr Lim Siang Kai

Members Dr Wu Chiaw Ching Mr William Da Silva

#### **Nomination 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

#### **Auditors:**

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

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

#### Company Secretary:

Yun Chee Keen Yeoh Kar Choo Sharon

#### **Registered Office:**

81 Defu Lane 10 Natural Cool Building Singapore 539217

#### Share Registrar:

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

#### **Principal Bankers:**

DBS Bank Ltd United Overseas Bank Limited

#### **Investor Relations Advisor:**

Citigate Dewe Rogerson i.MAGE Investor Relations Contact: Ms Angie Lim (Natural Cool)

Company Registration No: 200509967G