NATURAL COOL®
HOLDINGS LIMITED

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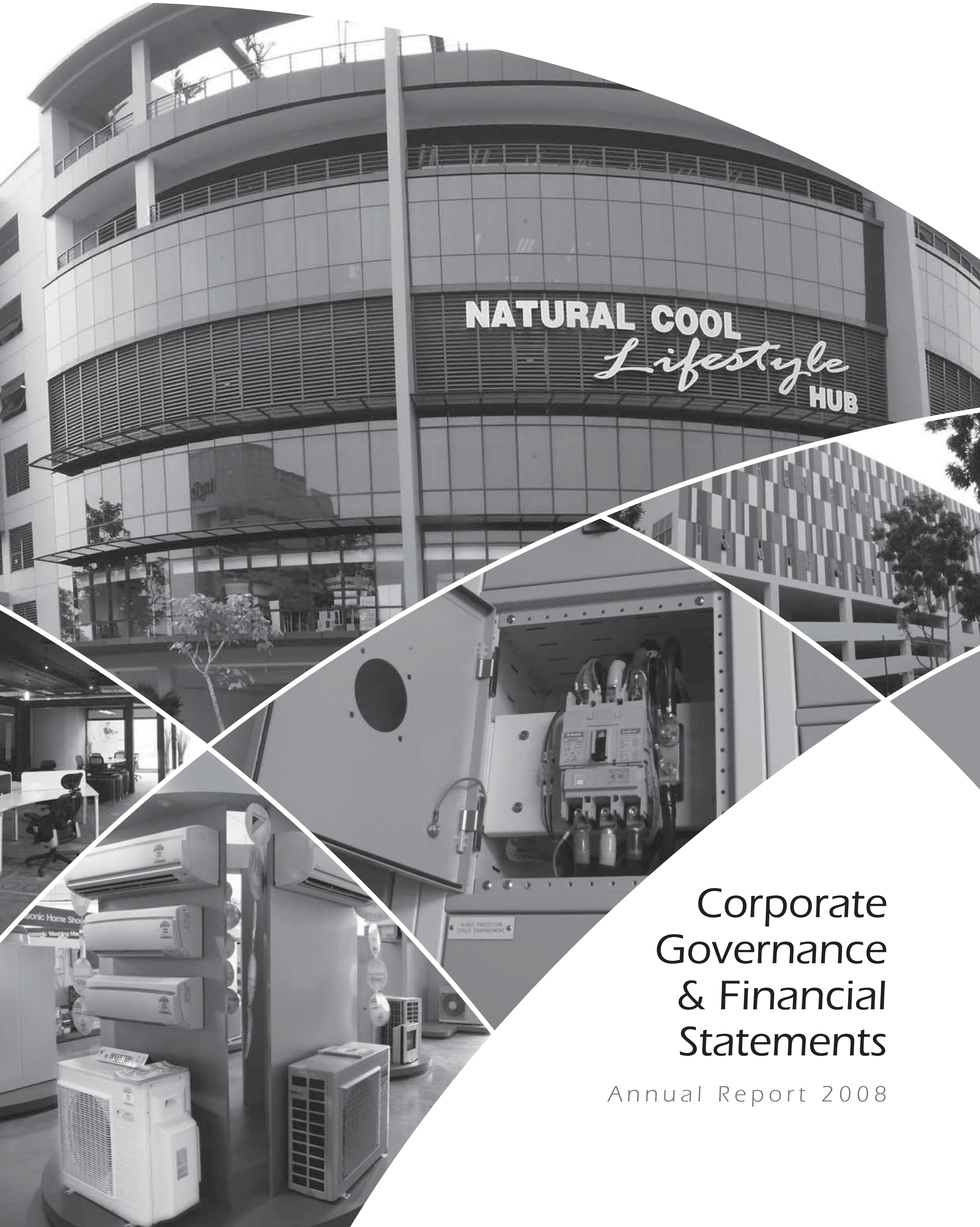

Corporate Governance & Financial Statements

Annual Report 2008

Financial Contents

Corporate **Governance Report**

The Board of Directors and Management of the Company continue to recognise the importance of corporate governance and maintain a high standard of accountability to its shareholders by complying with the recommendations made by the Code of Corporate Governance 2005 issued by the Ministry of Finance on 14 July 2005 (the "Code"). For the year ended 31 December 2008, the Company has generally adhered to the principles and guidelines as set out in the Code.

(A) BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

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

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

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

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

For the financial year ended 31 December 2008, the Board met on two occasions. The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings is disclosed on page 11 of this Annual Report.

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

The Group has put in place financial authorisation and approval limits for, amongst others, operating and capital expenditures, investments and divestments, material acquisitions and disposal of assets, material interested person transactions, bank facilities and cheque signatory arrangements.

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

Corporate **Governance Report**

BOARD COMPOSITION AND GUIDANCE

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

The Board presently comprises:

1. Dr Wu Chiaw Ching – Non-Executive Chairman & Independent Director
2. Mr Steven Chen Choon Khee – Chief Executive Officer ("CEO")
3. Mr Joseph Ang Choon Cheng – Chief Operating Officer ("COO")
4. Mr Eric Ang Choon Beng – Executive Director
5. Mr Tsng Joo Peng – Executive Director
6. Mr Lim Siang Kai – Independent Director
7. Mr William Da Silva – Independent Director

(Mr Wong Ming Kwong retired as a Director and did not seek for re-election at the Company's Annual General Meeting held on 22 April 2008.)

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Board applies the principle of clear division of responsibilities at the top of the Company – the workings of the Board and the executive responsibility of the Company's business are separated to ensure a balance of power and authority.

The roles of the Chairman and CEO in the Company are separate. The Chairman is a Non-Executive and Independent Director whilst the CEO is an Executive Director.

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

In consultation with the CEO and with input from management, the Chairman approves meeting schedules of the Board, the agenda for Board meetings and is advised of the Board Committee meetings. Board papers are sent to Directors at least three days in advance in order for Directors to be adequately prepared for the meeting. Management staff who have prepared the papers or who can provide additional insight into the matters to be discussed, are invited to carry out presentations or attend the board meeting at the relevant time.

BOARD MEMBERSHIP

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

Nominating Committee

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

The responsibilities of the NC are to determine the criteria for the appointment of new Directors; to set up a process for the selection of such appointment and to review nominations for the appointment of Directors to the Board and also to decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval. For the financial year ended 31 December 2008, the NC met on one occasion.

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

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

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

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

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

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

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

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

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

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

BOARD PERFORMANCE

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

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

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

A review of the Board's performance is undertaken collectively by the Board annually and informally on a continuous basis by the NC with input from the other Board members and CEO. The Board views the current process to assess the Board's performance as a whole is adequate to measure the performance of the effectiveness of the Board. Where relevant, the NC would recommend to the Board the process to assess the contribution by individual directors. Renewals or replacement of Board members, when it occurs, do not necessarily reflect their contributions to date, but may be driven by the need to position and shape the Board in line with the medium term needs of the Company and its business.

ACCESS TO INFORMATION

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

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

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

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on excutive 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 (Independent Director). The Chairman of the RC is Mr William Da Silva. While none of the members specialise in the area of executive compensation, the RC, where necessary, may have access to independent professional expert advice.

The RC is responsible for recommending to the Board, a framework of remuneration for the Board and key executives. The RC reviews and recommends remuneration policies and packages that attract, retain and motivate Directors and senior management to run the Company successfully. The review of remuneration packages takes into consideration the longer term interests of the Group and ensures that the interests of the Directors and senior management are aligned with those of the shareholders. The review covers all aspects of remuneration, including, but not limited to, Directors' salaries, fees, allowances, bonuses, options, profit sharing and benefits-in-kind. For the financial year ended 31 December 2008, the RC met on one occasion.

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

LEVEL AND MIX OF REMUNERATION

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

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

Service Agreements

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

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

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

DISCLOSURE ON REMUNERATION

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

A breakdown, showing the level and mix of each Director's remuneration for the year ended 31 December 2008 is as follows:-

Remuneration Band and Name of Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Dr Wu Chiaw Ching	–	100%	–	–	100%
Lim Siang Kai	–	100%	–	–	100%
William Da Silva	–	100%	–	–	100%
S$250,000 to S$499,999					
Steven Chen Choon Khee	*99%*	–	–	1%	100%
Eric Ang Choon Beng	*99%*	–	–	1%	100%
Joseph Ang Choon Cheng	*99%*	–	–	1%	100%
Tsng Joo Peng	*99%*	–	–	1%	100%
S$500,000 to S$749,999					
Nil					

The summary of top 4 key executives' remuneration for the year ended 31 December 2008 is as follows:-

Remuneration Band and Name of Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Yun Chee Keen	99%	–	–	1%	100%
Tan Aik Kwong	91%	–	8%	1%	100%
Neo Han Cheng	93%	–	7%	*	100%
Yeo Siew Leng	86%	–	13%	1%	100%
$250,000 to $499,999					
Nil					
$500,000 to $749,999					
Nil					

* Less than 1%

The profiles of our key executives are found on page 12 of this Annual Report.

The Company does not have any employee who is an immediate family member of a Director or the CEO and whose remuneration exceeds S$150,000 for the year ended 31 December 2008.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

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

AUDIT

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

Audit Committee

The AC comprises three members, namely, Mr Lim Siang Kai (Independent Director), Mr William Da Silva (Independent Director) and Dr Wu Chiaw Ching (Independent Director). The Chairman of the AC is Mr Lim Siang Kai. The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company. For the financial year ended 31 December 2008, the AC met on two occasions.

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

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

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

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

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

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

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

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

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

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

In addition, the AC had on a yearly basis, for a period of two years after the Company's listing on 10 May 2006 on the SGX-ST, fulfilled its undertakings to the SGX-ST as follows:

(a) commission WLA Regnum Risk Services Pte Ltd to review the adequacy of the Group's system of internal controls;

(b) ensure that all internal control weaknesses are satisfactorily and properly rectified; and

(c) update SGX-ST on any findings of WLA Regnum Risk Services Pte Ltd and any follow-up action taken by the AC.

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

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

The AC has 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 non-audit services will not prejudice the independence of the external auditors. The AC is satisfied with the external auditors' confirmation of their independence.

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

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

INTERNAL CONTROLS & INTERNAL AUDIT

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

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

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

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

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

(D) COMMUNICATION WITH SHAREHOLDERS

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

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

The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the Listing Rules of the SGX-ST and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group. Information will first be disseminated through SGXNET and where relevant, followed by a news release. The Company will also make announcements from time to time to update investors and shareholders on developments that are of interest to them.

The Company will maintain open communications with investors and shareholders and will strive to attend to their queries directly, whether verbal or written. The Company welcomes active participation from shareholders at its AGMs. To facilitate voting by shareholders, the Company's articles of association allows shareholders to appoint not more than two proxies to attend and vote at the AGMs.

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

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

(E) DEALING IN SECURITIES

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

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

(F) INTERESTED PERSON TRANSACTIONS AND MATERIAL CONTRACTS

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 Listing Manual for the financial year ended 31 December 2008. Disclosure of significant related parties transactions is found on page 67 in this Annual Report.

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the CEO, each 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.

(G) USE OF PROCEEDS FROM IPO AND WARRANTS ISSUE

The Company made an undertaking to The Singapore Exchange Securities Trading Limited on 2 May 2008 to make periodic announcements on the use of the proceeds from the Warrant Issue as well as a status report on the use of proceeds from the Company's IPO and the Warrants Issue in our half year and full year results.

The Company completed its IPO in 2006. There is a balance of S$2.1 million for the IPO proceeds which had been earmarked for expansion plans. The Company is still in the process of executing such expansion plans. While waiting for the deployment of the proceeds, the Company has utilised the proceeds as working capital.

During the year ended 31 December 2008, the Company raised approximately S$1.6 million after deducting the Warrants Issue expenses from its Warrants Issue exercise. The Warrants Issue proceeds had been earmarked for the expansion of the air-conditioner and switchgear business in Singapore, the People's Republic of China, India, Cambodia and/or Malaysia as well as for working capital purposes. There is a balance of S$1.1 million for the Warrants Issue proceeds which had been earmarked for expansion plans. The Company is still in the process of executing such expansion plans. While waiting for the deployment of the proceeds, the Company has utilised the proceeds as working capital.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

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

* By Invitation

Directors' **Report**

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2008.

Directors

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

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

Directors' interests

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

Name of director and corporation in which interests are held	**Holdings at beginning of the year**	**Holdings at end of the year**
The Company		
Ordinary shares		
Steven Chen Choon Khee		
- interest held	5,381,859	5,965,025
- deemed interest	9,600,000	9,600,000
Joseph Ang Choon Cheng		
- interest held	4,724,926	2,608,092
- deemed interest	9,050,001	11,750,001
Eric Ang Choon Beng		
- interest held	3,156,040	12,540
- deemed interest	5,450,000	8,510,000
Tsng Joo Peng		
- interest held	5,681,919	4,265,585
- deemed interest	9,300,000	11,300,000

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Warrants to subscribe for ordinary shares		
Steven Chen Choon Khee		
- interest held	–	3,494,557
- deemed interest	–	1,200,000
Joseph Ang Choon Cheng		
- interest held	–	3,312,477
- deemed interest	–	600,000
Eric Ang Choon Beng		
- interest held	–	1,291,812
- deemed interest	–	990,000
Tsng Joo Peng		
- interest held	–	404,575
- deemed interest	–	2,790,000

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2009.

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 28 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

During the financial year, there were:-

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

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

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

Warrants

On 2 July 2008, the Company issued 31,728,024 warrants at $0.06 per warrant on the basis of three warrants for every ten existing ordinary shares held. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of $0.10 per share on or before 1 July 2011. The new ordinary share will rank pari passu in all respects with the then existing ordinary shares, save for any dividends, rights, allotment or other distributions, the record date for which is on or before the relevant exercise date of warrants.

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

Date of issue	Exercise price	Warrants outstanding at 1/1/2008	Warrants issued	Warrants exercised	Warrants expired	Warrants outstanding at 31/12/2008	Date of expiration
2/7/2008	$0.10	–	31,728,024	5,750,530	–	25,977,494	1/7/2011

Audit Committee

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

- Lim Siang Kai (Chairman), 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 and the Code of Corporate Governance.

The Audit Committee has held 2 meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:-

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

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

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

Auditors

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

On behalf of the Board of Directors

Steven Chen Choon Khee
Director

Joseph Ang Choon Cheng
Director

31 March 2009

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 19 to 71 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 2008 and the results, changes in equity of the Group and the Company and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Steven Chen Choon Khee
Director

Joseph Ang Choon Cheng
Director

31 March 2009

Independent **Auditors' Report**

Members of Natural Cool Holdings Limited

We have audited the financial statements of Natural Cool Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and of the Company as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement of the Group, and the income statement and statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 19 to 71.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

(a) 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;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

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 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 and fair presentation of the financial statements 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.

Independent **Auditors' Report**

Members of Natural Cool Holdings Limited

Opinion

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet, income statement and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results and changes in equity of the Group and of the Company, and cash flows of the Group for the year ended on that date; and

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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
31 March 2009

Balance Sheets

As at 31 December 2008

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Non-current assets					
Property, plant and equipment	3	17,037,808	21,652,763	–	–
Intangible assets	4	1,171,826	2,080,400	–	–
Investment properties	5	14,424,789	1,239,842	–	–
Subsidiaries	6	–	–	11,426,679	11,426,678
		32,634,423	24,973,005	11,426,679	11,426,678
Current assets					
Inventories	7	18,865,296	16,104,131	–	–
Trade and other receivables	9	43,026,673	30,108,047	10,962,930	8,118,802
Cash and cash equivalents	10	4,840,364	5,323,168	101,575	163,999
		66,732,333	51,535,346	11,064,505	8,282,801
Non-current asset held for sale	11	30,890,511	–	–	–
		97,622,844	51,535,346	11,064,505	8,282,801
Total assets		130,257,267	76,508,351	22,491,184	19,709,479
Equity attributable to equity holders of the Company					
Share capital	12	19,849,519	18,980,570	19,849,519	18,980,570
Reserves	13	(2,155,230)	(3,410,816)	1,327,796	–
Accumulated profits		10,519,904	8,152,716	358,120	204,406
		28,214,193	23,722,470	21,535,435	19,184,976
Minority interest		896,688	699,878	–	–
Total equity		29,110,881	24,422,348	21,535,435	19,184,976
Non-current liabilities					
Financial liabilities	14	14,723,744	4,178,289	–	–
Deferred tax liabilities	15	1,145,847	395,683	–	–
		15,869,591	4,573,972	–	–
Current liabilities					
Trade and other payables	16	57,132,027	41,656,372	900,283	402,146
Financial liabilities	14	27,020,592	4,917,385	–	–
Current tax payable		974,176	700,274	55,466	34,357
Provisions	17	150,000	238,000	–	88,000
		85,276,795	47,512,031	955,749	524,503
Total liabilities		101,146,386	52,086,003	955,749	524,503
Total equity and liabilities		130,257,267	76,508,351	22,491,184	19,709,479

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

Income Statements

Year ended 31 December 2008

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Revenue	18	123,115,900	114,203,888	–	–
Cost of sales		(96,010,690)	(92,530,794)	–	–
Gross profit		27,105,210	21,673,094	–	–
Other income		2,885,816	2,160,022	3,823,517	3,736,188
Distribution expenses		(5,887,454)	(4,632,034)	(332,617)	(212,294)
Administrative expenses		(15,099,540)	(12,803,782)	(3,296,823)	(3,330,666)
Other expenses		(3,238,133)	(520,994)	(27)	–
Results from operating activities		5,765,899	5,876,306	194,050	193,228
Finance costs	19	(2,025,361)	(1,556,758)	–	–
Profit before income tax		3,740,538	4,319,548	194,050	193,228
Income tax expenses	20	(1,419,754)	(500,015)	(40,336)	(40,017)
Profit for the year	21	2,320,784	3,819,533	153,714	153,211
Attributable to:					
Equity holders of the Company		2,367,188	3,822,130	153,714	153,211
Minority interest		(46,404)	(2,597)	–	–
Profit for the year		2,320,784	3,819,533	153,714	153,211
Earnings per share (cents)	22				
Basic		2.16	3.76*		
Diluted		1.96	3.38*		

* Earnings per share for FY 2007 have been restated for the warrant issue as described in Note 22 to the financial statements.

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

Consolidated **Statement of Changes in Equity**

Year ended 31 December 2008

Group	Share capital $	Capital reserve $	Foreign currency translation reserve $	Warrants reserve $	Accumulated profits $	Total attributable to equity holders of the Company $	Minority interest $	Total equity $
At 1 January 2007	14,092,927	(3,377,530)	(17,214)	–	4,330,586	15,028,769	284,864	15,313,633
Issue of shares	5,280,000	–	–	–	–	5,280,000	–	5,280,000
Share issue expenses	(392,357)	–	–	–	–	(392,357)	–	(392,357)
Issue of shares by a subsidiary	–	–	–	–	–	–	432,335	432,335
Translation differences relating to financial statements of foreign subsidiaries	–	–	(16,072)	–	–	(16,072)	(14,724)	(30,796)
Net profit for the year	–	–	–	–	3,822,130	3,822,130	(2,597)	3,819,533
Total recognised income and expense for the year	–	–	(16,072)	–	3,822,130	3,806,058	(17,321)	3,788,737
At 31 December 2007	18,980,570	(3,377,530)	(33,286)	–	8,152,716	23,722,470	699,878	24,422,348
Issue of warrants	–	–	–	1,903,681	–	1,903,681	–	1,903,681
Warrant issue expenses	–	–	–	(281,989)	–	(281,989)	–	(281,989)
Exercise of warrants	868,949	–	–	(293,896)	–	575,053	–	575,053
Issue of shares by a subsidiary	–	–	–	–	–	–	99,980	99,980
Acquisition of subsidiary	–	–	–	–	–	–	210,581	210,581
Translation differences relating to financial statements of foreign subsidiaries	–	–	(72,210)	–	–	(72,210)	(67,347)	(139,557)
Net profit for the year	–	–	–	–	2,367,188	2,367,188	(46,404)	2,320,784
Total recognised income and expense for the year	–	–	(72,210)	–	2,367,188	2,294,978	(113,751)	2,181,227
At 31 December 2008	19,849,519	(3,377,530)	(105,496)	1,327,796	10,519,904	28,214,193	896,688	29,110,881

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

Statement of Changes in Equity

Year ended 31 December 2008

	Share capital	Warrants reserve	Accumulated profits	Total
	$	$	$	$
Company				
At 1 January 2007	14,092,927	–	51,195	14,144,122
Issue of shares	5,280,000	–	–	5,280,000
Share issue expenses	(392,357)	–	–	(392,357)
Total recognised income – net profit for the year	–	–	153,211	153,211
At 31 December 2007	18,980,570	–	204,406	19,184,976
Issue of warrants	–	1,903,681	–	1,903,681
Warrant issue expenses	–	(281,989)	–	(281,989)
Exercise of warrants	868,949	(293,896)	–	575,053
Total recognised income – net profit for the year	–	–	153,714	153,714
At 31 December 2008	19,849,519	1,327,796	358,120	21,535,435

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

Consolidated **Cash Flow Statement**

Year ended 31 December 2008

	Note	2008 $	2007 $
Operating activities			
Profit before income tax		3,740,538	4,319,548
Adjustments for:			
Amortisation of intangible assets		119,216	85,840
Amount receivable from profit guarantee		(2,062,058)	–
Bad debts written off		41,738	704
Depreciation of investment properties		251,475	24,370
Depreciation of property, plant and equipment		1,705,402	1,680,491
Gain on disposal of property, plant and equipment		(8,334)	(1,561,525)
Impairment loss on goodwill		1,442,190	–
Interest expenses		2,025,361	1,556,758
Interest income		(61,596)	(37,977)
Plant and equipment written off		207,360	20,675
		7,401,292	6,088,884
Changes in working capital:			
Inventories		(2,156,037)	(3,406,966)
Provisions		(88,000)	–
Trade and other receivables		(5,803,379)	(2,138,526)
Trade and other payables		2,430,009	5,655,905
Cash generated from operations		1,783,885	6,199,297
Income taxes paid		(399,791)	(868,016)
Cash flows from operating activities		1,384,094	5,331,281
Investing activities			
Acquisition of subsidiaries, net of cash acquired	24	24,432	(847,396)
Interest received		61,596	37,977
Proceeds from disposal of property, plant and equipment		1,440,877	7,676,012
Purchase of computer software		(104,820)	(142,208)
Purchase of industrial operating right		(544,096)	(82,231)
Purchase of investment properties		(11,888,098)	–
Purchase of property, plant and equipment		(20,887,917)	(8,877,872)
Cash flows from investing activities		(31,898,026)	(2,235,718)

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

Consolidated **Cash Flow Statement**

Year ended 31 December 2008

	Note	2008 $	2007 $
Financing activities			
Fixed deposit pledged		(11,645)	(502,541)
Interest paid		(2,025,361)	(1,556,758)
Proceeds from issue of shares of the Company		575,053	4,887,643
Proceeds from issue of shares from the exercise of warrants of the Company		1,621,692	–
Proceeds from issue of shares to minority shareholders of a subsidiary		99,980	432,335
Proceeds from bank borrowings		31,364,315	1,580,707
Repayment of bank borrowings		(702,211)	(6,451,657)
Repayment of finance lease liabilities		(941,744)	(821,910)
Cash flows from financing activities		29,980,079	(2,432,181)
Net (decrease)/increase in cash and cash equivalents		(533,853)	663,382
Effect of changes in foreign exchange rate		17,384	(59,565)
Cash and cash equivalents at beginning of year		194,951	(408,866)
Cash and cash equivalents at end of year	10	(321,518)	194,951

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2009.

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

- Building materials: trading of ferrous and non-ferrous materials, general contractors and construction, and manufacturing of office system furniture and fitment.

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of policies and 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3 – measurement of depreciation of property, plant and equipment
- Note 4 – assumptions of recoverable amounts relating to goodwill impairment
- Note 5 – measurement of recoverable amounts of investment properties

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

- Note 9 – measurement of recoverable amount of trade and other receivables
- Note 11 – measurement of recoverable amount of non-current asset held for sale
- Note 18 – revenue and profit recognition on uncompleted projects

The accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2.2 Consolidation

Business combinations

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for using the "pooling of interest" method. Under this method, the transfer is 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's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of capital reserve. Any difference between the cash paid for the acquisition and net assets acquired is recognised directly in equity.

Other business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. 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 where necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

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

Accounting for subsidiaries by the Company

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

2 Summary of significant accounting policies (cont'd)

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. The functional currencies of the Group entities are Singapore dollar, US dollar, Malaysia Ringgit, Chinese Renminbi and Indian Rupee. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. 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 on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2006, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. 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.

2 Summary of significant accounting policies (cont'd)

2.4 Property, plant and equipment (cont'd)

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Freehold land and property under construction are not depreciated. Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis over their estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Freehold buildings	50 years
Computers	3 years
Furniture and fittings	5 years
Office equipment	5 years
Motor vehicles	5-10 years
Tools	5 years
Machineries	5-10 years
Renovation	5 years

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

2.5 Intangible assets

Goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in Note 2.9. Negative goodwill is recognised immediately in the income statement.

Acquisition of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

2 Summary of significant accounting policies (cont'd)

2.5 Intangible assets (cont'd)

Computer software

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

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

Amortisation is calculated on the straight-line method so as to write off the costs of the computer software over their estimated useful lives of three years.

The useful life and amortisation method are reviewed at each balance sheet date to ensure that the period of amortisation and amortisation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the computer software.

Industrial operating right

Industrial operating right represent costs incurred by the Group to obtain Association of Short Circuit Testing Authority (ASTA) certifications for developed capabilities to design, construct and develop low-voltage switchboards to meet international standards. As the ASTA certifications do not have any expiry date, the Group does not amortise these costs, instead impairment is tested annually or more frequently if events or changes in circumstances indicate that the industrial operating right might be impaired.

These are stated at costs after deducting a government grant received in relation to these development costs less impairment in value, if any.

2.6 Investment properties

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

Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful life of the investment property. The estimated useful lives of the Group's properties are 13 to 55 years. No depreciation is provided on freehold land. Depreciation methods, useful lives and residual values are reviewed, adjusted as appropriate, at each reporting date.

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

2 Summary of significant accounting policies (cont'd)

2.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

Impairment loss in respect of financial assets measured at amortised cost are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

2 Summary of significant accounting policies (cont'd)

2.7 Financial instruments (cont'd)

Intra-group financial guarantees

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

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the income statement.

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.

2.8 Leases

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at 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. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease 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.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2 Summary of significant accounting policies (cont'd)

2.8 Leases (cont'd)

The inception of the warehouse and factory leases of the Group took place many years ago. They are combined leases of land and buildings. It is not possible to obtain a reliable estimate of the split of the fair values of the lease interest between land and buildings at inception. Therefore, in determining lease classification, the Group evaluated whether both parts are clearly operating leases or finance leases. Because the rent paid to the landlord for the buildings is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building, it is judged that substantially all the risks and rewards of the building are with the landlord. Based on this qualitative factor, it is concluded that the leases are operating leases.

When entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in investment properties and are stated at cost less accumulated depreciation and impairment losses. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.9 Impairment – non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit 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 cash-generating unit.

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.

2 Summary of significant accounting policies (cont'd)

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a "first-in, first-out" basis and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Construction work-in-progress

Construction work-in-progress represents 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 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 work-in-progress is presented as part of inventories in the balance sheet. If payments received from customers exceed the income recognised, the difference is presented as part of trade and other payables in the balance sheet.

2.11 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

2.12 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision 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.

2 Summary of significant accounting policies (cont'd)

2.13 Provisions

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

2.14 Revenue recognition

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, 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.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sale of electronic products, 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.

Rental income

Rental income receivable under operating leases is recognised in the income statement 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 to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. 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.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

2 Summary of significant accounting policies (cont'd)

2.15 Finance income and expenses

Finance income comprises interest income on funds invested, dividend income and net foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

2.16 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income 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 using the balance sheet method, providing for 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 the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences 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.

2.17 Warrants

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

3 Property, plant and equipment

Group	Note	Freehold land	Freehold buildings	Leasehold properties	Computers	Furniture, fittings and office equipment	Motor vehicles	Tools and machineries	Renovation	Building under construction	Total
		$	$	$	$	$	$	$	$	$	$
Cost											
At 1 January 2007		2,967,794	1,091,795	3,347,945	547,268	521,487	3,094,505	3,807,643	895,520	–	16,273,957
Assets acquired in business combination	24	–	–	2,800,000	10,134	7,856	49,600	617,768	–	–	3,485,358
Additions		–	–	1,680,180	158,876	121,584	374,725	424,486	733,577	9,303,226	12,796,654
Disposals/ write-offs		–	–	(6,127,150)	(787)	(113,696)	(29,390)	(5,315)	(719,459)	–	(6,995,797)
Translation differences on consolidation		–	–	–	(453)	(10,521)	4,279	34,799	442	–	28,546
At 31 December 2007		2,967,794	1,091,795	1,700,975	715,038	526,710	3,493,719	4,879,381	910,080	9,303,226	25,588,718
Assets acquired in business combination		–	–	–	–	23,907	54,124	116,794	7,228	–	202,053
Additions		952,366	1,900,050	–	242,079	887,736	184,593	2,185,779	1,202,217	22,329,238	29,884,058
Disposals/ write-offs		–	–	–	(11,621)	(19,852)	(57,008)	(195,110)	(396,742)	–	(680,333)
Reclassification to investment properties	5	–	–	(1,700,975)	–	–	–	–	–	–	(1,700,975)
Reclassification to non-current asset held for sale	11	–	–	–	–	–	–	–	–	(30,890,511)	(30,890,511)
Translation differences on consolidation		–	188	–	(1,568)	(5,691)	(17,684)	(167,088)	(1,652)	–	(193,495)
At 31 December 2008		3,920,160	2,992,033	–	943,928	1,412,810	3,657,744	6,819,756	1,721,131	741,953	22,209,515
Accumulated depreciation and impairment losses											
At 1 January 2007		–	146,328	312,449	281,031	149,145	1,649,144	286,696	291,631	–	3,116,424
Depreciation charge for the year		–	21,836	239,266	149,197	98,156	365,947	587,710	218,379	–	1,680,491
Disposals/ write-offs		–	–	(399,064)	(241)	(94,140)	(14,205)	(1,914)	(351,071)	–	(860,635)
Translation differences on consolidation		–	–	–	(218)	(2,372)	137	2,097	31	–	(325)
At 31 December 2007		–	168,164	152,651	429,769	150,789	2,001,023	874,589	158,970	–	3,935,955
Depreciation charge for the year		–	31,336	–	176,229	152,028	366,987	756,492	222,330	–	1,705,402
Disposals/ write-offs		–	–	–	(4,318)	(5,966)	(37,958)	(48,823)	(183,418)	–	(280,483)
Reclassification to investment properties	5	–	–	(152,651)	–	–	–	–	–	–	(152,651)
Translation differences on consolidation		–	188	–	(1,110)	(1,413)	(2,417)	(31,131)	(633)	–	(36,516)
At 31 December 2008		–	199,688	–	600,570	295,438	2,327,635	1,551,127	197,249	–	5,171,707
Carrying amount											
At 1 January 2007		2,967,794	945,467	3,035,496	266,237	372,342	1,445,361	3,520,947	603,889	–	13,157,533
At 31 December 2007		2,967,794	923,631	1,548,324	285,269	375,921	1,492,696	4,004,792	751,110	9,303,226	21,652,763
At 31 December 2008		3,920,160	2,792,345	–	343,358	1,117,372	1,330,109	5,268,629	1,523,882	741,953	17,037,808

3 Property, plant and equipment (cont'd)

During the year, the Group reclassified its leasehold property located at 20 Kranji Road to investment property as there was a change in use from owner-occupied to rental purposes.

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

	2008 $	2007 $
Freehold land and buildings	6,712,505	3,891,425
Leasehold properties	–	1,548,324
Machineries	183,651	501,128
	6,896,156	5,940,877

During the financial year, the Group acquired property, plant and equipment under finance lease amounted to $1,553,300 (2007: $402,824).

As at the balance sheet date, net book values of property, plant and equipment which were held under finance leases were as follows:

	2008 $	2007 $
Motor vehicles	1,201,161	1,011,242
Machineries	2,154,337	976,335
Computers	27,233	73,896
	3,382,731	2,061,473

Finance leased assets are pledged as security for the related finance lease liabilities.

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

Location	Gross floor area (approximate sq.m.)	Tenure	Use
202 Tagore Lane Singapore 787591	436.40	Freehold	Industrial
16 Jalan Mega 1/8 Taman Perindustrian Nusa Cemerlang 80800 Gelang Patah, Johor Bahru Malaysia	6,068.4	Freehold	Industrial

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

4 Intangible assets

	Note	Goodwill on consolidation	Computer software	Industrial operating right	Total
		$	$	$	$
Group					
Cost					
At 1 January 2007		6,495	198,611	258,114	463,220
Assets acquired in business combination	24	1,442,190	–	–	1,442,190
Additions		–	262,208	82,231	344,439
Translation differences on consolidation		–	(343)	–	(343)
At 31 December 2007		1,448,685	460,476	340,345	2,249,506
Additions		–	108,670	544,096	652,766
Translation differences on consolidation		–	342	–	342
At 31 December 2008		1,448,685	569,488	884,441	2,902,614
Accumulated amortisation and impairment losses					
At 1 January 2007		–	83,379	–	83,379
Amortisation charge for the year		–	85,840	–	85,840
Translation differences on consolidation		–	(113)	–	(113)
At 31 December 2007		–	169,106	–	169,106
Amortisation charge for the year		–	119,216	–	119,216
Impairment charge		1,442,190	–	–	1,442,190
Translation differences on consolidation		–	276	–	276
At 31 December 2008		1,442,190	288,598	–	1,730,788
Carrying amount					
At 1 January 2007		6,495	115,232	258,114	379,841
At 31 December 2007		1,448,685	291,370	340,345	2,080,400
At 31 December 2008		6,495	280,890	884,441	1,171,826

During the year, the Group acquired computer software with an aggregate cost of $108,670 (2007: $262,208), of which $Nil (2007: $120,000) was acquired under finance leases. The net book value of these computer software at 31 December 2008 was $90,000 (2007: $131,771).

Impairment loss for goodwill recognised

Goodwill on consolidation relates mainly to the operations of J2 Pte Ltd ("J2") which is a separate cash generating unit ("CGU"). Management assessed the recoverable amount of the CGU based on its value in use. J2 was loss making in 2008 and is not expected to generate any significant positive cash flows in the foreseeable future and accordingly, the net present value of the CGU is deemed to be $Nil. Hence, the attributable goodwill of $1.4 million has been written off and the impairment was recognised in the income statement during the year. No terminal value has been considered.

4 Intangible assets

Industrial operating right

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

The recoverable amount of the industrial operating right is determined from value in use calculations. The key assumptions for the value in use calculations cover discount rates, growth rates, sales volume, sales price, expected changes to selling prices and direct costs during the periods. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Directors of the Group estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors of the Group for FY 2009 and extrapolates it over the next 4 years at no growth.

Key assumptions used for the value-in-use calculation are as follows:

- The anticipated annual revenue growth included in cash flow projections was 40% for FY 2009 from FY 2008. The order book as at the end of February 2009 was $28 million;
- Budgeted gross margin of 22%;
- Pre-tax discount rate of 7% has been applied to pre-tax cash flow projections; and
- No terminal value has been considered.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data). The validity of management's key assumptions is dependent on the realisation of revenue and cash flows projections in the uncertain economic outlook.

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.

5 Investment properties

	Note	Leasehold properties $
Group		
Cost		
At 1 January 2007 and 31 December 2007		1,284,521
Additions		11,888,098
Reclassification from property, plant and equipment	3	1,700,975
At 31 December 2008		14,873,594

5 Investment properties (cont'd)

	Note	Leasehold properties $
Accumulated depreciation and impairment losses		
At 1 January 2007		20,309
Depreciation charge for the year		24,370
At 31 December 2007		44,679
Depreciation charge for the year		251,475
Reclassification from property, plant and equipment	3	152,651
At 31 December 2008		448,805
Carrying amount		
At 1 January 2007		1,264,212
At 31 December 2007		1,239,842
At 31 December 2008		14,424,789

As at 31 December 2008, the fair value of the Group's investment properties was $15,605,000 (2007: $1,196,000). The fair values determined by independent professional valuers on 23 December 2008 and 1 February 2009, were 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 arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The investment properties of the Group are pledged to financial institutes as loan securities (see Note 14).

The Group's investment properties are leased to external customers. The leases contain an initial non-cancellable period of 3 months to 3 years. Subsequent renewals are negotiated with the lessees. Rental income recognised in the income statement amounted to $1,197,665 (2007: $391,377).

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

Location	Gross floor area (approximate sq.m.)	Tenure	Use
No. 10 Admiralty Street #03-04 North Link Building Singapore 757695	482.00	60 years lease commencing 9 October 1999	Rental
No. 10 Admiralty Street #03-26 North Link Building Singapore 757695	482.00	60 years lease commencing 8 October 1999	Rental
20 Kranji Road Singapore 739462	7,029.30	30 years lease commencing 16 August 1989	Rental
20 Benoi Crescent Singapore 629983	16,388.10	30 + 30 years commencing 1 November 1989	Rental

6 Subsidiaries

	Company 2008 $	Company 2007 $
Equity investments, at cost	11,426,679	11,426,678

Details of subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective equity held by the Group 2008 %	Effective equity held by the Group 2007 %
Held by the Company			
Natural Cool Airconditioning & Engineering Pte Ltd ("NCAE")	Singapore	100	100
S-Team Switchgear Private Limited ("S-Team")	Singapore	100	100
Natural Cool Investments Pte. Ltd. ("NCI")	Singapore	100	100
Naco Concept Pte. Ltd. (formerly known as Naco Environmental & Engineering Pte. Ltd.)	Singapore	100	100
STE Group Pte. Ltd.*	Singapore	100	–
Held by NCAE			
NC (Shanghai) M & E Co., Ltd.	People's Republic of China	100	100
NC (CAMBODIA) Co. Ltd.	Kingdom of Cambodia	100	100
NC (Singapore) Pte. Ltd.	Singapore	100	100
Held by S-Team			
VNS Manufacturing Pte Ltd	Singapore	51	51
VNS Switchgear (India) Private Limited	India	51	51
S-Team Switchgear (Malaysia) Sdn. Bhd.*	Malaysia	100	–
S-Team Industrial (Malaysia) Sdn. Bhd.*	Malaysia	51	–
Held by NCI			
NC Steel Pte. Ltd.	Singapore	51	51
J2 Pte. Ltd. ("J2")	Singapore	51	51
Lifa Engineering Pte Ltd	Singapore	51	–
Natural Cool Development Sdn. Bhd.*	Malaysia	100	–
Held by J2			
J2 Manufacturing Sdn. Bhd.	Malaysia	51	51

* Not required to be audited

KPMG LLP, Singapore is the auditor of all Singapore incorporated and significant subsidiaries. For this purpose, a subsidiary is considered significant as defined under Singapore Exchange Limited 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.

7 Inventories

	Note	Group 2008 $	Group 2007 $
Raw materials		7,100,676	5,423,694
Work-in-progress		511,889	525,254
Finished goods		6,889,200	5,188,747
Construction work-in-progress	8	4,363,531	4,966,436
		18,865,296	16,104,131

The cost of inventories recognised as an expense and included in the cost of sales of the Group amounted to $73,520,222 (2007: $78,278,279).

As at balance sheet date, inventories of subsidiaries amounting to $1,878,755 (2007: $1,304,012) are pledged under fixed and floating charge to secure banking facilities.

8 Construction work-in-progress

	Note	Group 2008 $	Group 2007 $
Contract costs incurred		24,892,275	13,871,587
Attributable profits		1,573,487	2,864,620
Allowance for foreseeable losses		(20,809)	(8,059)
		26,444,953	16,728,148
Progress billings		(22,004,395)	(11,091,632)
		4,440,558	5,636,516
Comprising			
Work-in-progress	7	4,363,531	4,966,436
Retention sum included in accrued revenue	9	136,970	701,763
Excess of progress billings over work-in-progress	16	(59,943)	(31,683)
		4,440,558	5,636,516

9 Trade and other receivables

		Group		Company	
		2008	2007	2008	2007
		$	$	$	$
Trade receivables					
- third parties		29,337,829	24,011,803	7,490	–
- retention sum		1,514,250	10,915	–	–
Amounts due from related companies					
- trade		3,278,663	2,426,865	–	–
- non-trade		640,629	234,047	–	–
Amounts due from subsidiaries					
- trade		–	–	2,373,092	1,090,094
- non-trade		–	–	8,357,737	7,006,024
		34,771,371	26,683,630	10,738,319	8,096,118
Impairment losses		(2,578,545)	(949,724)	–	–
Net receivables		32,192,826	25,733,906	10,738,319	8,096,118
Discounts receivable		1,839,432	1,336,673	–	–
Accrued revenue		4,824,984	1,961,060	–	–
Deposits		1,230,649	273,558	116,513	–
Prepayments		263,444	205,618	108,085	22,671
Advances to suppliers		261,017	302,980	–	–
Receivable from profit guarantee	(i)	2,062,058	–	–	–
Other receivables		434,670	354,041	13	13
Impairment losses		(82,407)	(59,789)	–	–
		352,263	294,252	13	13
		43,026,673	30,108,047	10,962,930	8,118,802

(i) Under the profit guarantee arrangement with the vendors of J2, the Group is entitled to claim compensation from the vendors if J2's profit before tax ("PBT") for the year ended 31 December 2008 ("FY 2008") falls below $800,000. As a result of J2 incurring loss in FY 2008, the vendors have agreed to a full and final settlement of $2,062,058. The Group has recognised the $2,062,058 as compensation income in the income statement (see Note 21), with a corresponding amount recorded in the balance sheet.

Accrued revenue for the Group includes retention sums relating to construction work-in-progress of $136,970 (2007: $701,763) (see Note 8).

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

As at balance sheet date, trade receivables of subsidiaries amounting to $4,947,580 (2007: $3,275,128) are pledged under fixed and floating charge to secure banking facilities.

9 Trade and other receivables (cont'd)

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

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

	2008 $	2007 $
Group		
Commercial	17,091,336	20,887,844
Retail	3,040,293	1,329,200
Trading	12,061,197	3,516,862
	32,192,826	25,733,906
Company		
Commercial	10,738,319	8,096,118

Impairment losses

The ageing of receivables at the reporting date is:

	Gross 2008 $	Impairment losses 2008 $	Gross 2007 $	Impairment losses 2007 $
Group				
Not past due	13,525,134	802	9,821,130	–
Past due 0 – 30 days	7,000,965	536	5,346,306	514
Past due 31 – 120 days	6,485,717	651,016	8,220,869	26,840
Past due 121 – 365 days	3,612,199	92,620	2,361,435	409,425
More than one year	4,147,356	1,833,571	933,890	512,945
	34,771,371	2,578,545	26,683,630	949,724
Company				
Not past due	8,357,737	–	7,772,157	–
Past due 0 – 30 days	935,440	–	–	–
Past due 31 – 120 days	8,569	–	247,193	–
Past due 121 – 365 days	607,569	–	76,768	–
More than one year	829,004	–	–	–
	10,738,319	–	8,096,118	–

9 Trade and other receivables (cont'd)

The change in impairment loss in respect of trade receivables during the year is as follows:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
At 1 January	949,724	259,765	–	–
Impairment loss recognised	1,375,626	415,346	–	–
Impairment loss utilised	–	(8,593)	–	–
Impairment loss written-back	(1,090)	(475)	–	–
Acquisition of subsidiary	254,285	283,681	–	–
At 31 December	2,578,545	949,724	–	–

The change in impairment loss in respect of other receivables during the year is as follows:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
At 1 January	59,789	–	–	–
Impairment loss recognised	22,618	–	–	–
Acquisition of subsidiary	–	59,789	–	–
At 31 December	82,407	59,789	–	–

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determines the amount of impairment losses as a result of the inability of the customers to make required payments. The Group determines the estimates based on the aging of the trade receivables balance, credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

Based on historical default rates, the Group believes that no significant impairment allowance is necessary in respect of trade receivables expect for the specific allowances on certain customers of the Company and of the Group not past due or past due up to 30 days. These receivables are mainly arising by customers that have a good record with the Group.

10 Cash and cash equivalents

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Cash at bank and in hand		3,326,178	3,627,147	101,575	163,999
Fixed deposits		1,514,186	1,696,021	–	–
Cash and cash equivalents		4,840,364	5,323,168	101,575	163,999
Deposit pledged		(1,514,186)	(1,502,541)		
Bank overdrafts					
- Unsecured	14	(1,896,108)	(1,996,458)		
- Secured	14	(1,751,588)	(1,629,218)		
		(5,161,882)	(5,128,217)		
Cash and cash equivalents in cash flow statement		(321,518)	194,951		

The weighted average effective interest rates per annum relating to cash and cash equivalents, excluding bank overdrafts, at the balance sheet date for the Group is 0.45% (2007: 1.35%). Interest rates reprice at interval of 7 days (2007: 7 days).

Bank overdrafts amounting to $170,798 (2007: $105,372) are secured by joint and several personal guarantees by a director of the Company and directors of a subsidiary.

Deposit pledged represents bank balances of a subsidiary pledged as security to obtain credit facilities.

11 Non-current asset held for sale

	Note	Group 2008 $	Group 2007 $
Property, plant and equipment	3	30,890,511	–

On 11 July 2008, the Company's wholly-owned subsidiary, Natural Cool Investments Pte. Ltd. ("NCI") entered into an Option Agreement with Cambridge Industrial Trust ("CIT") for a sale and leaseback of the Group's corporate building on Tai Seng Avenue ("the Property") at a purchase price of $55,200,000. CIT has up to 30 June 2009 to exercise the option.

Upon exercise of the put/call option, NCI and CIT will enter into a Sale and Purchase Agreement and Lease Agreement, respectively. The completion of the sale and leaseback of the Property shall take place on the same day. Upon completion, NCI will leaseback the Property from CIT for 10 years at an annual rent of $4,400,000, subject to rental escalation of 5% from the 3rd, 5th, 7th and 9th years, respectively.

12 Share capital

	Group and Company			
	2008		2007	
	No. of shares	$	No. of shares	$
Fully paid ordinary shares, with no par value				
At 1 January	105,760,080	18,980,570	88,160,080	14,092,927
Issue of placement shares (net of expenses)	–	–	17,600,000	4,887,643
Issue of shares on the exercise of warrants (net of expenses)	5,750,530	868,949	–	–
At 31 December	111,510,610	19,849,519	105,760,080	18,980,570

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.

On 2 July 2008, the Company issued 31,728,024 warrants at $0.06 per warrant on the basis of three warrants for every ten existing ordinary shares held. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of $0.10 per share on or before 1 July 2011. The new ordinary share will rank pari passu in all respects with the then existing ordinary shares, save for any dividends, rights, allotment or other distributions, the record date for which is on or before the relevant exercise date of warrants.

The 31,728,024 warrants were listed and quoted on the Catalist on 4 July 2008.

During the year, 5,750,530 (2007: Nil) warrants were exercised and the number of outstanding warrants as at 31 December 2008 was 25,977,494 (2007: Nil).

Capital management

The Board's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. For this purpose, capital is defined to include share capital and reserves of the Group. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total average shareholders' equity excluding minority interest. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

Under the financial covenants of the Group's credit facilities, the Group is required to maintain certain minimum level of net worth as defined in the respective credit facility agreements. Other than this, the Company and its subsidiaries are not subject to externally imposed capital requirements.

13 Reserves

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Capital reserve	(3,377,530)	(3,377,530)	–	–
Foreign currency translation reserve	(105,496)	(33,286)	–	–
Warrants reserve	1,327,796	–	1,327,796	–
	(2,155,230)	(3,410,816)	1,327,796	–

In February 2006, the Company acquired the entire equity interest of Natural Cool Airconditioning & Engineering Pte Ltd ("NCAE") by way of the Company issuing shares to the shareholders of NCAE. As this is a transaction with parties under common control, it has been accounted for using the "pooling of interest" method. The difference between the value of ordinary shares issued by the Company of $6,698,928 compared to share capital of NCAE of $3,321,398 has been recorded in the capital reserve account.

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

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

14 Financial liabilities

	Note	Group 2008 $	Group 2007 $
Non-current liabilities			
Secured			
Commercial property loan I		343,674	371,964
Commercial property loan II		276,391	296,460
Commercial property loan III		938,320	1,049,397
Commercial property loan IV		7,543,273	–
Commercial property loan V		1,936,268	–
Commercial property loan VI		113,748	–
Term loan I		1,013,921	1,139,261
Term loan II		–	261,402
Finance lease liabilities		2,558,149	1,059,805
		14,723,744	4,178,289

14 Financial liabilities (cont'd)

	Note	Group 2008 $	Group 2007 $
Current liabilities			
Unsecured			
Bank overdrafts	10	1,896,108	1,996,458
Short-term loans		150,000	150,000
		2,046,108	2,146,458
Secured			
Bank overdrafts	10	1,751,588	1,629,218
Short-term loan		1,153,652	–
Construction loan		19,897,332	–
Commercial property loan I		26,401	24,994
Commercial property loan II		19,539	17,036
Commercial property loan III		168,778	218,922
Commercial property loan IV		431,096	–
Commercial property loan V		178,692	–
Commercial property loan VI		25,850	–
Term loan I		120,540	113,750
Term loan II		97,228	129,410
Finance lease liabilities		1,103,788	637,597
		24,974,484	2,770,927
Total current liabilities		27,020,592	4,917,385
Total financial liabilities		41,744,336	9,095,674

The bank loans are secured on property, plant and equipment, investment properties and non-current asset held for sale with a carrying amount of $6,896,156, $14,424,789 and $30,890,511 respectively (2007: $5,940,877, $1,239,842 and $Nil, respectively).

At 31 December 2008, the Group has obligations under finance leases that are repayable as follows:

	2008			2007		
	Principal $	Interest $	Payments $	Principal $	Interest $	Payments $
Group						
Within 1 year	1,103,788	214,221	1,318,009	637,597	102,159	739,756
After 1 year but within 5 years	2,547,525	253,417	2,800,942	1,034,069	93,955	1,128,024
After 5 years	10,624	256	10,880	25,736	1,464	27,200
	3,661,937	467,894	4,129,831	1,697,402	197,578	1,894,980

14 Financial liabilities (cont'd)

Terms and debt repayment schedule

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

	Nominal interest rate	Year of maturity	2008 Face value	2008 Carrying amount	2007 Face value	2007 Carrying amount
	%		$	$	$	$
Group						
Bank overdrafts	5.00-13.50	2009	3,647,696	3,647,696	3,625,676	3,625,676
RM floating rate loans	1 % below prime rate	2009-2013	2,254,558	2,254,558	–	–
S$ floating rate loans	from 1.00% below prime rate to 2.75% above prime rate	2009-2020	3,841,141	3,841,141	3,381,784	3,381,784
S$ fixed rate loans	3.75-6.00	2009-2023	28,241,776	28,241,776*	–	–
India rupee fixed rate loan	14.05	2009-2013	97,228	97,228*	390,812	390,812
Finance lease liabilities	3.00-13.05	2009-2014	3,661,937	3,661,937	1,697,402	1,697,402
			41,744,336	41,744,336	9,095,674	9,095,674

* As at 31 December 2008, the fair value of these loans is $27,257,985.

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Cash flows: Contractual cash flows	Within 1 year	Within 2 to 5 years	More than 5 years
	$	$	$	$	$
Group					
2008					
Non-derivative financial liabilities					
Variable interest rate loans	6,095,699	(7,247,041)	(2,123,103)	(3,071,019)	(2,052,919)
Fixed interest rate loans	28,339,004	(31,924,759)	(20,985,676)	(3,256,698)	(7,682,385)
Finance lease liabilities	3,661,937	(4,129,831)	(1,318,009)	(2,800,942)	(10,880)
Trade and other payables	57,132,027	(57,132,027)	(57,132,027)	–	–
Bank overdrafts	3,647,696	(3,647,696)	(3,647,696)	–	–
	98,876,363	(104,081,354)	(85,206,511)	(9,128,659)	(9,746,184)

14 Financial liabilities (cont'd)

	Carrying amount	Cash flows: Contractual cash flows	Within 1 year	Within 2 to 5 years	More than 5 years
	$	$	$	$	$
Group					
2007					
Non-derivative financial liabilities					
Variable interest rate loans	3,381,784	(4,182,535)	(637,297)	(1,957,811)	(1,587,427)
Fixed interest rate loans	390,812	(506,585)	(145,317)	(361,268)	–
Finance lease liabilities	1,697,402	(1,894,980)	(739,756)	(1,128,024)	(27,200)
Trade and other payables	41,656,372	(41,656,372)	(41,656,372)	–	–
Bank overdrafts	3,625,676	(3,625,676)	(3,625,676)	–	–
	50,752,046	(51,866,148)	(46,804,418)	(3,447,103)	(1,614,627)

15 Deferred tax liabilities

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

	At 1/1/2007	Recognised in income statement (Note 20)	At 31/12/2007	Acquisition of subsidiary	Reclassification of asset	Recognised in income statement (Note 20)	At 31/12/2008
	$	$	$	$	$	$	$
Group							
Deferred tax liabilities							
Property, plant and equipment	292,595	96	292,691	3,500	7,100	1,006,870	1,310,161
Investment properties	347,431	(206,716)	140,715	–	–	(78,284)	62,431
	640,026	(206,620)	433,406	3,500	7,100	928,586	1,372,592
Deferred tax assets							
Property, plant and equipment	(211,498)	173,775	(37,723)	–	–	37,723	–
Investment properties	–	–	–	–	(7,100)	(219,645)	(226,745)
	(211,498)	173,775	(37,723)	–	(7,100)	(181,922)	(226,745)
	428,528	(32,845)	395,683	3,500	–	746,664	1,145,847

15 Deferred tax liabilities (cont'd)

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Deferred tax liabilities	1,145,847	395,683	–	–

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Unutilised tax losses	4,148,987	2,727,348	–	–
Unabsorbed capital allowances	29,970	–	–	–
Deductible temporary differences	271,333	66,595	–	–
	4,450,290	2,793,943	–	–

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 deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised by the subsidiaries in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

On 22 January 2009, the Minister for Finance announced in his Budget speech that the corporate income tax rate will be reduced from 18% to 17% from the year of assessment 2010. The tax expense for the Company and its Singapore subsidiaries within the Group for the year ended 31 December 2008 has been computed at the rate of 18%, being the corporate income tax rate in effect as at that date.

The Group and the Company are not significantly affected by the reduction in tax rate.

16 Trade and other payables

		Group		Company	
	Note	2008	2007	2008	2007
		$	$	$	$
Trade payables					
- third parties		18,446,359	14,193,527	454,708	120,603
- subsidiary		–	–	129,357	73,833
- related parties		2,249,665	839,789	–	–
Bills payable		21,814,319	19,057,004	–	–
Excess of progress billings over work-in-progress	8	59,943	31,683	–	–
Deposits received		722,279	608,969	–	–
Deferred revenue		769,373	410,055	–	–
Accrued expenses	(i)	6,722,445	1,845,764	69,050	207,710
Other payables	(ii)	5,997,066	4,468,389	–	–
Amount due to subsidiaries (non-trade)		–	–	247,168	–
Amount due to subsidiaries' directors		195,548	–	–	–
Amounts due from related parties (non-trade)		155,030	201,192	–	–
		57,132,027	41,656,372	900,283	402,146

(i) Includes an accrued payable of $3,312,009 and $3,850 (2007: $429,856 and $Nil) for acquisition of property, plant and equipment and intangible asset.

(ii) Includes payable for acquisition of property, plant and equipment of $4,560,689 (2007: $3,585,695).

Outstanding balances with related parties are unsecured, interest-free and repayable on demand. Related parties refer to entities whose directors/ shareholders are also directors/ shareholders of the Group's subsidiaries.

As at 31 December 2008, bills payable amounting to:

- $122,564 (2007: $151,297) are secured by joint and several personal guarantees by a director of the Company and directors of a subsidiary; and

- $43,640 (2007: $Nil) are secured by joint and several personal guarantees by related parties of a director of a subsidiary.

The weighted average effective interest rate of bills payable of the Group at the end of the financial year is 5.25% to 7.25% (2007: 4.25% to 7.39%).

17 Provisions

	Directors' fees $	Claim $	Total $
Group			
At 1 January 2008	88,000	150,000	238,000
Provisions used	(88,000)	–	(88,000)
At 31 December 2008	–	150,000	150,000

	Directors' fees $
Company	
At 1 January 2008	88,000
Provisions used	(88,000)
At 31 December 2008	–

Provision for claim

This relates to a claim by a former tenant of a subsidiary, seeking compensation for some of their goods and equipment seized by the subsidiary. The provision amount is estimated based on the claim amount.

18 Revenue

	Group 2008 $	Group 2007 $
Sale of goods	89,251,066	95,388,327
Revenue from construction contracts	29,974,867	14,829,675
Revenue from services rendered	3,889,967	3,985,886
	123,115,900	114,203,888

Revenue and profit recognition on uncompleted projects are dependent on estimating the total outcome of the construction contract, as well as work done to date. Actual outcome in terms of total costs or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date. As at 31 December 2008, the management considered that all costs to complete and revenue can be reliably estimated.

19 Finance costs

	Group 2008 $	Group 2007 $
Interest expenses:		
- bank loans	1,791,744	1,325,555
- bank overdrafts	35,038	81,778
- finance leases	164,458	132,625
- others	34,121	16,800
	2,025,361	1,556,758

20 Income tax expenses

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Current tax expenses				
Current year	844,003	776,241	24,800	30,666
Adjustment for prior years	(170,913)	(243,381)	15,536	9,351
	673,090	532,860	40,336	40,017
Deferred tax expenses				
Origination and reversal of temporary differences	491,025	49,764	–	–
Reduction in tax rates	–	(45,502)	–	–
Adjustment for prior years	255,639	(37,107)	–	–
	746,664	(32,845)	–	–
	1,419,754	500,015	40,336	40,017
Reconciliation of effective tax rate				
Profit before income tax	3,740,538	4,319,548	194,050	193,228
Tax calculated using Singapore tax rate at 18%	673,297	777,519	34,929	34,781
Effect of reduction in tax rates	–	(45,502)	–	–
Effect of different tax rates in other countries	(9,936)	294	–	–
Income not subject to tax	(91,521)	(526,791)	(25,723)	(27,517)
Expenses not deductible for tax purposes	506,593	348,462	15,618	23,402
Effect of previously unutilised tax losses	(24,534)	–	–	–
Under/ (over) provision in prior years	84,726	(280,488)	15,536	9,351
Deferred tax assets not recognised	298,141	237,447	–	–
Others	(17,012)	(10,926)	(24)	–
	1,419,754	500,015	40,336	40,017

21 Profit for the year

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

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Amortisation of intangible assets	4	119,216	85,840	–	–
Compensation from profit guarantee	9	(2,062,058)	–	–	–
Bad debts written off		41,738	704	–	–
Directors' fees		102,613	88,000	88,000	88,000
Foreign exchange loss/(gain) – net		82,496	5,040	27	(373)
Gain on disposal of plant and equipment		(8,334)	(1,561,525)	–	–
Impairment loss on trade receivable – net	9	1,374,536	414,871	–	–
Impairment loss on other receivables – net	9	22,618	–	–	–
Impairment loss on goodwill	4	1,442,190	–	–	–
Interest income from banks included in other income		(61,596)	(37,977)	–	(598)
Management fees income		–	–	(3,816,517)	(3,735,217)
Non-audit fees paid to:					
- auditors of the Company		28,200	75,000	2,700	75,000
- other auditors		5,220	19,050	–	3,000
Operating expenses arising from rental of investment properties		317,791	12,075	–	–
Operating lease expenses		2,469,074	784,922	63,570	77,465
Plant and equipment written off		207,360	20,675	–	–
Rental income		(1,197,665)	(391,377)	–	–
Staff costs		21,636,265	16,009,545	2,608,136	2,323,421
Contributions to defined contribution plans, included in staff costs		1,013,401	866,138	114,914	109,655

22 Earnings per share

	Group 2008 $	Group 2007 $
Basic and diluted earnings per share are based on:		
Net profit attributable to ordinary shareholders	2,367,188	3,822,130

22 Earnings per share (cont'd)

	2008	2007 Restated	2007 As previously reported
Weighted average number of ordinary shares during the year	109,422,728	101,701,385	99,160,080

Earnings per share for FY 2007 have been restated for the effect of the warrants issued during the financial year.

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive warrants, with the potential ordinary shares weighted for the period outstanding.

The effect of the exercise of warrants on the weighted average number of ordinary shares in issue is as follows:

	2008	2007 Restated	2007 As previously reported
Group			
Weighted average number of ordinary shares issued used in the calculation of basic earnings per share	109,422,728	101,701,385	99,160,080
Potential ordinary shares issuable under warrants	11,480,113	11,480,113	–
Weighted average number of ordinary shares and potential ordinary shares assuming full conversion	120,902,841	113,181,498	99,160,080

23 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise other investments (other than investment properties) and related revenue, loans and expenses, corporate assets, related income and corporate expenses, and income 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.

Business Segments

The Group comprises the following main business segments:-

Air-conditioning (Aircon): trading of air-conditioners, air-condition components, systems and units, air-condition installation, servicing and re-conditioning.

23 Segment reporting (cont'd)

Switchgear: manufacture and sale of standardised and customised switchgear, electrical components.

Building materials: trading of ferrous and non-ferrous materials, general contractors and construction, and manufacturing of office system furniture and fitment.

Others: investment holding and management.

Geographical Segments

The above business segments are managed mainly in five principal geographical areas: Singapore, China, India, Malaysia and Cambodia.

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

	Aircon	Switchgear	Building materials	Others	Elimination	Group consolidated
	$	$	$	$	$	$
Revenue and expenses						
2008						
Total revenue from external customers	66,494,043	40,529,700	15,264,995	827,162	–	123,115,900
Inter-segment revenue	253,312	160,917	270,228	1,414,929	(2,099,386)	–
Total revenue	66,747,355	40,690,617	15,535,223	2,242,091	(2,099,386)	123,115,900
Segment results	1,972,973	3,908,385	(466,841)	(717,760)	1,069,142	5,765,899
Finance costs						(2,025,361)
Profit before income tax expenses						3,740,538
Income tax expenses						(1,419,754)
Profit for the year						2,320,784
2007						
Total revenue from external customers	67,148,205	36,864,311	9,983,710	207,662	–	114,203,888
Inter-segment revenue	72,293	183,737	21,367	498,499	(775,896)	–
Total revenue	67,220,498	37,048,048	10,005,077	706,161	(775,896)	114,203,888
Segment results	2,875,451	2,859,277	479,509	361,173	(699,104)	5,876,306
Finance costs						(1,556,758)
Profit before income tax expenses						4,319,548
Income tax expenses						(500,015)
Profit for the year						3,819,533

23 Segment reporting (cont'd)

	Aircon	Switchgear	Building materials	Others	Elimination	Group consolidated
	$	$	$	$	$	$
Assets and liabilities						
2008						
Segment assets	40,964,644	35,465,867	11,378,279	58,112,056	(15,663,579)	130,257,267
Segment liabilities	31,378,255	22,396,706	12,365,455	47,359,808	(14,473,861)	99,026,363
Tax liabilities	614,645	815,811	4,101	685,466	–	2,120,023
Total liabilities	31,992,900	23,212,517	12,369,556	48,045,274	(14,473,861)	101,146,386
2007						
Segment assets	34,810,655	26,484,757	7,384,396	16,980,720	(9,152,177)	76,508,351
Segment liabilities	27,089,402	16,752,496	6,027,844	10,271,968	(9,151,664)	50,990,046
Tax liabilities	624,858	399,742	–	71,357	–	1,095,957
Total liabilities	27,714,260	17,152,238	6,027,844	10,343,325	(9,151,664)	52,086,003

	Aircon	Switchgear	Building materials	Others	Group consolidated
	$	$	$	$	$
Other segment information					
2008					
Capital expenditure	495,160	4,340,203	252,590	37,336,969	42,424,922
Depreciation	754,343	399,874	241,451	561,209	1,956,877
Amortisation of intangible assets	56,400	59,787	1,999	1,030	119,216
Impairment loss on doubtful receivables (net)	1,082,861	226,423	87,870	–	1,397,154
Bad debts written off	41,458	–	280	–	41,738
2007					
Capital expenditure	2,428,057	647,877	138,558	9,926,601	13,141,093
Depreciation	1,069,380	333,699	94,889	206,893	1,704,861
Amortisation of intangible assets	46,619	37,142	2,001	78	85,840
Impairment loss on doubtful receivables (net)	120,261	274,940	19,670	–	414,871
Bad debts written off	–	704	–	–	704

23 Segment reporting (cont'd)

	Singapore $	China $	India $	Cambodia $	Malaysia $	Others $	Total $
Geographical segments							
2008							
Revenue from external customers	121,148,200	24,266	52,740	85,156	890,935	914,603	123,115,900
Segment assets	123,444,047	97,527	1,760,601	469,906	4,485,186	–	130,257,267
Capital expenditure							
Property, plant and equipment	28,223,416	–	429,910	–	1,230,732	–	29,884,058
Investment properties	11,888,098	–	–	–	–	–	11,888,098
Intangible assets	652,766	–	–	–	–	–	652,766
	40,764,280	–	429,910	–	1,230,732	–	42,424,922
2007							
Revenue from external customers	107,296,470	4,048,112	95,896	1,405,910	–	1,357,500	114,203,888
Segment assets	74,088,766	199,074	1,573,903	646,608	–	–	76,508,351
Capital expenditure							
Property, plant and equipment	12,708,903	–	87,751	–	–	–	12,796,654
Intangible assets	344,439	–	–	–	–	–	344,439
	13,053,342	–	87,751	–	–	–	13,141,093

24 Acquisition of subsidiary

On 18 August 2008, the Group entered into a Sale and Purchase Agreement ("SPA") with Mr. Oh Beng Kwang (the "Vendor") to acquire 51% of the issued shares in Lifa Engineering Pte Ltd ("LIFA") for cash consideration of $500,000. LIFA's principal activities relate to those of general contractors (building construction, including major upgrading works) and mixed construction activities.

The total consideration for the acquisition amounting to $500,000 is payable as follows:

- $2 upon execution of the SPA, the Group will pay an amount of $2 being the deposit to the Vendor;
- $249,998 on 30 April 2009 upon fulfilment of pre-tax profit guarantee of at least $500,000 from the date of acquisition to 31 December 2008 ("FY 2008"); and
- $250,000 on completion upon fulfilment of pre-tax profit guarantee of at least $500,000 for the full year ending 31 December 2009.

24 Acquisition of subsidiary (cont'd)

Under the SPA, the Group has the option to terminate the acquisition should the profit guarantee not be met and the Vendor would be required to repay the Group all monies received, at no incremental cost. Alternatively, the vendor shall pay the Group upon demand by the latter, any difference between the guaranteed profit and the actual profit.

The effect of the acquisition is set out below:-

	Note	Carrying amount $	Provisional fair value $
Property, plant and equipment	3	202,053	202,053
Inventories		605,128	605,128
Trade and other receivables		5,094,926	5,094,926
Cash and cash equivalents		24,434	24,434
Trade and other payables		(5,379,781)	(5,379,781)
Finance liabilities		(112,900)	(112,900)
Current tax payable		(601)	(601)
Deferred tax liabilities		(3,500)	(3,500)
		429,759	429,759
Minority interest			(210,582)
Net identifiable assets			219,177
Unrecognised provisional negative goodwill on acquisition			(219,175)
Cash consideration paid, satisfied in cash			2
Cash acquired			(24,434)
Net cash inflow			(24,432)

Management completed the preliminary purchase price allocation exercise and provisional fair values have been assigned to the net identifiable assets of LIFA. The provisional fair values of the net identifiable assets of LIFA will be finalised within 12 months from the date of acquisition.

For FY 2008, LIFA did not meet the guaranteed profit. Accordingly, the contingent consideration of $249,998 was not provided for as at 31 December 2008. As at 31 December 2008, the Group has not demanded for the compensation of the shortfall in profit for FY 2008. The provisional negative goodwill on acquisition was not recognised in FY 2008 as the recognition criteria has not been met notwithstanding the Group's control over the assets acquired and liabilities assumed.

LIFA contributed a net profit of $121,225 to the consolidated net profit for the financial period from 1 August 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, Group revenue would have been $134,440,175 and net profit would have been $1,866,918.

24 Acquisition of subsidiary (cont'd)

Acquisition for the year ended 31 December 2007

On 2 July 2007, the Group acquired 51% of the issued shares in J2 Pte Ltd (J2) for cash consideration of $908,800. J2's principal activities relate to those of wholesaler and repairer of furniture, household fittings and ornaments, as well as in the business of home furnishing and decorating, interior design decoration and furniture removal. J2 contributed a net profit of $511,000 to the consolidated net profit for the financial period from 2 July 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, Group revenue would have been $115,987,000 and net profit would have been $2,916,000.

The effect of acquisition is set out below:

	Note	Carrying amount $	Provisional fair value $
Property, plant and equipment #	3	2,855,358	3,485,358
Inventories		461,117	461,117
Trade and other receivables		1,963,628	1,963,628
Cash and cash equivalents		61,404	61,404
Trade and other payables		(4,307,561)	(4,307,561)
Provision for claim	17	–	(150,000)
Finance liabilities		(2,047,336)	(2,047,336)
Net identifiable liabilities		(1,013,390)	(533,390)
Goodwill on acquisition	4		1,442,190
Cash consideration paid, satisfied in cash*			908,800
Cash acquired			(61,404)
Net cash outflow			847,396

* Includes acquisition costs

Includes leasehold building with fair value amounting to $2,800,000 that was disposed of before 31 December 2007.

The fair value of leasehold building was determined by independent professional valuer based on market value, being the estimated amount for which a property could be exchanged on the date of acquisition. Details of provision for claim are as disclosed in Note 17 to the financial statements.

As at 31 December 2008, final purchase price allocation exercise has been completed and no adjustment was made to the provisional fair values assigned to the net identifiable assets of J2.

25 Financial risk management

Overview

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

25 Financial risk management (cont'd)

The 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 Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. If the customers are independently rated, these ratings are used. Otherwise, the credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and which comprises specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

In relation to financial guarantees issued by the Company on behalf of its subsidiaries, the credit risk, being the principal risk to which the Company is exposed, represents the loss that would be recognised upon a default by the subsidiary. There are no terms and conditions attached to the financial guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group maintains adequate amount of committed credit facilities from financial institutions to ensure availability of funding.

Market risk

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to fixed deposits and bank borrowings. The Group does not use derivative financial instruments to hedge its exposure in the fluctuations of interest rates.

25 Financial risk management (cont'd)

Sensitivity analysis

For variable rate financial assets and liabilities, a change of 100 bp in interest rate at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2008		2007	
	100 bp increase $	100 bp decrease $	100 bp increase $	100 bp decrease $
Group				
Profit or loss				
Variable rate instruments	(267,174)	267,174	(207,413)	207,413

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the Group entities' functional currencies. The currencies giving rise to this risk is primarily Singapore dollar, US dollar, Malaysia Ringgit and Japanese Yen. Exposure to foreign currency risk is monitored on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group and the Company do not have a fixed hedging policy. However, the Group uses forward foreign exchange contracts are used to hedge its foreign currency risk whenever deemed appropriate. During the year, the Group did not use derivatives to hedge its foreign exchange risk.

The Group has investments in foreign operations in the People's Republic of China, Malaysia, India and Kingdom of Cambodia whose net assets are exposed to foreign currency transaction risk.

The Group's exposures to foreign currencies are as follows:

	Singapore dollar $	US dollar $	Malaysia Ringgit $	Japanese Yen $	Others $
2008					
Trade and other receivables	6,999	11,020	–	–	–
Cash and cash equivalents	8,899	31,739	–	–	1,013
Trade and other payables	(12,960)	(1,605,296)	(42,318)	(606,543)	–
	2,938	(1,562,537)	(42,318)	(606,543)	1,013
2007					
Trade and other receivables	16,240	606,760	–	–	2,916
Cash and cash equivalents	15,460	18,575	–	–	–
Trade and other payables	(166,655)	(305,071)	(32,891)	–	–
	(134,955)	320,264	(32,891)	–	2,916

During the year, the Company does not have any foreign currency transactions.

25 Financial risk management (cont'd)

Sensitivity analysis

A 10% strengthening of Singapore dollar against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group	
	2008	**2007**
	$	**$**
Profit or loss		
Singapore dollar	294	(13,495)
US dollar	(156,254)	32,026
Malaysia Ringgit	(4,232)	(3,289)
Japanese Yen	(60,654)	-
Others	101	292
	(220,745)	15,534

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

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair value of financial statements of the Group.

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. Fair value of fixed-interest rate loan is disclosed in Note 14 to the financial statements.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

26 Commitments

As at 31 December 2008, a subsidiary of the Group has outstanding capital commitment to construct a leasehold building amounting to $2,091,777 (2007: $16,082,398).

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for an initial period of 1 year, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

26 Commitments (cont'd)

At 31 December 2008, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Within 1 year	1,760,793	712,028	–	–
After 1 year but within 5 years	4,950,738	1,498,349	–	–
After 5 years	20,973,922	6,946,103	–	–
	27,685,453	9,156,480	–	–

The Group leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:-

	Group	
	2008	**2007**
	$	**$**
Within 1 year	1,837,039	257,744
After 1 year but within 5 years	754,422	208,824
	2,591,461	466,568

27 Contingent liabilities

	Company	
	2008	**2007**
	$	**$**
Corporate guarantees		
Unsecured guarantees given to banks for issuance of the performance bonds on behalf of subsidiaries	1,125,000	1,160,000
Corporate guarantee given to a trade creditor of a subsidiary	1,799,998	2,175,957

Continuing financial support

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. As at 31 December 2008, the net current liabilities and deficits in shareholders' funds of these subsidiaries amounted to approximately $7,991,024 (2007: $4,920,726) and $5,830,203 (2007: $2,542,622) respectively.

28 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.

Compensation payable to key management personnel comprise:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Directors' fees				
- Directors of the Company	88,000	88,000	88,000	88,000
- Directors of the subsidiary	14,613	–	–	–
Directors' remuneration* included in staff costs				
- Directors of the Company	1,465,344	1,425,972	1,465,344	1,425,972
- Directors of the subsidiaries	1,001,664	1,113,678	263,831	374,313
Key management personnel (excluding directors)	–	65,160	–	–
	2,569,621	2,692,810	1,817,175	1,888,285

* Relates to short-term employee benefits.

Other transactions with key management personnel

A firm, in which a director of the Company is a partner, provides professional services under the same terms as other customers. Services rendered from this related party to the Group amounted to $4,500 (2007: $nil) for the year ended 31 December 2008.

Other related party transactions

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Related parties				
Sale of goods	3,082,123	1,345,634	–	–
Purchase of goods	5,480,145	8,251,052	–	–
Sub-contractor fee	264,277	37,674	–	–
Rental income	366,000	28,800	–	–
Rental expense	257,094	–	–	–

28 Related parties (cont'd)

	Group 2008 $	Group 2007 $
Directors of the Company and subsidiaries		
Bank facilities by personal guarantees from 3 directors of a subsidiary and a director of the Company	390,590	647,481
Bank facilities by personal guarantees from a director of the subsidiary	43,640	–
Obligations under finance leases guaranteed by a director of the Company	473,672	671,060

	Company 2008 $	Company 2007 $
Subsidiaries		
Purchase of goods	1,345	269
Rental of office	53,613	71,484
Rental of equipment	9,909	2,761
Settlement of liabilities by subsidiaries	–	197,285
Settlement of liabilities on subsidiaries behalf	–	2,794,306
Management fees income	3,816,517	3,735,217

29 Subsequent event

On 4 February 2009, the Company entered into a loan agreement with Frankland Investments Ltd ("FIL"), a company incorporated in the British Virgin Islands for a 2-years loan amounting to $4,000,000 (the "Loan"). The proceeds from the loan would be used for working capital, merger and acquisition purposes. The Loan is interest-bearing at 7.5% per annum, payable on a monthly basis.

Under the loan agreement, the Company shall issue 20,000,000 warrants at an exercise price of $0.22 per share of the Company to FIL within 6 months of the loan disbursement date. FIL has the option to set off against the outstanding Loan amount owed by the Company upon exercise of each warrant held. Subject to a maximum payment of $200,000, the Company is required to pay to FIL at $0.01 per warrant for any outstanding warrants not exercised by FIL upon expiry of the exercise period.

The proposed warrants issue is subject to the approval of shareholders of the Company in a general meeting as required under Rule 824 of the Singapore Exchange Securities Trading Limited's Listing Manual Section B: Rules of Catalist as it is currently not covered under a general mandate.

As the warrants will be issued at a discount to the market price, there will be dilutive effect to the Group's diluted earnings per share ("EPS"). Upon issuance of these warrants, the Group's diluted EPS for FY 2008 will be 1.89 cents.

30 Comparative information

Certain comparatives in the financial statements have been changed from the previous year to be consistent with the current year presentation as follows:-

	As previously reported $	Reclassification $	As restated $
Balance Sheet			
Inventories	16,805,894	(701,763)	16,104,131
Trade and other receivables	29,406,284	701,763	30,108,047

The reclassification is to present retention sums as trade and other receivables as at 31 December 2008.

31 New accounting standards and interpretations not yet adopted

The Group has not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

FRS 1 (revised 2008)	*Presentation of Financial Statements*
FRS 23 (revised 2007)	*Borrowing Costs*
Amendments to FRS 32	*Financial Instruments: Presentations and* FRS 1 *Presentation of*
	Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 39	*Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
Amendments to FRS 101	*First-time Adoption of Financial Reporting Standards and* FRS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
Amendments to FRS 102	*Share-based Payment – Vesting Conditions and Cancellations*
FRS 103 (revised 2008)	*Business Combinations and* FRS 27 (amended 2008) *Consolidated and Separate Financial Statements*
FRS 108	*Operating Segments*
Improvements to FRSs 2008	
INT FRS 113	*Customer Loyalty Programmes*
INT FRS 115	*Agreements for the Construction of Real Estate*
INT FRS 116	*Hedges of a Net Investment in a Foreign Operation*

FRS 1 (revised 2008) will become effective for the Group's financial statements for the year ending 31 December 2009. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. FRS 1 (revised 2008) does not have any impact on the Group's financial position or results.

31 New accounting standards and interpretations not yet adopted (cont'd)

FRS 23 (revised 2007) will become effective for financial statements for the year ending 31 December 2009. FRS 23 (revised 2007) removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group's current policy to capitalise borrowing costs is consistent with the requirement in the revised FRS 23.

The amendments to FRS 32 and FRS 1 on puttable financial instruments will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if and only if they meet certain conditions. The Group does not issue such puttable financial instruments and thus the application of these amendments is not expected to have any significant impact on the Group's financial statements.

The amendments to FRS 39 on eligible hedged items will become effective for the Group's financial statements for the year ending 31 December 2010. The amendments clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in 2 particular situations: (i) the designation of a one-sided risk in a hedged item; and (ii) the designation of inflation in particular situations. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

The amendments to FRS 101 and FRS 27 on the cost of an investment in a subsidiary, jointly controlled entity or associate will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments remove the definition of "cost method" currently set out in FRS 27, and instead require an entity to recognise all dividend from a subsidiary, jointly controlled entity or associate as income in its separate financial statements when its right to receive the dividend is established. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

The amendments to FRS 102 on vesting conditions and cancellations will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments clarify the definition of investing conditions and provide the accounting treatment for non-vesting conditions and cancellations. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

FRS 103 (revised 2008) and FRS 27 (amended 2008) will become effective for the Group's financial statements for the year ending 31 December 2010. FRS 103 (revised 2008) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. The revised FRS 103 will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

The amended FRS 27 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to FRS 27 are not expected to have a significant impact on the consolidated financial statements.

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see Note 23).

31 New accounting standards and interpretations not yet adopted (cont'd)

Improvements to FRSs 2008 will become effective for the Group's financial statements for the year ending 31 December 2009, except for the amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* which will become effective for the year ending 31 December 2010. Improvements to FRSs 2008 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

INT FRS 115 will become effective for the Group's financial statements for the year ending 31 December 2009. INT FRS 115 clarifies the definition of a construction contract and provides guidance on how to account for revenue when the agreement for the construction of real estate falls within the scope of FRS 18 *Revenue*. The main expected change in practice is a shift from recognition of revenue using the percentage of completion method to recognition of revenue at a single time (e.g. at completion, upon or after delivery). The application of this Interpretation is not expected to have any significant impact on the Group's financial statements.

INT FRS 116 will become effective for the Group's financial statements for the year ending 31 December 2009. INT FRS 116 provides guidance on identifying foreign currency risks and hedging instruments that qualify for hedge accounting in the hedge of a net investment in a foreign operation. It also explains how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The application of this Interpretation is not expected to have any significant impact on the Group's financial statements.

The Group has not considered the impact of accounting standards issued after the balance sheet date.

Risk Management Policies and Processes

Business Risk

We install and service air-conditioning systems for our customers. We also manufacture and sell switchgears to our customers. Through mergers and acquisitions, we acquire the capability to manufacture residential and office furniture as well as becoming a distributor for building materials. With the acquisition of Lifa Engineering Pte Ltd, the Group is now equipped with construction capability. However, all these activities have minimum barriers to entries. We differentiated ourselves and diversified our business risk for our air-conditioning business units by operating in both the retail and commercial markets. Our Switchgear Manufacturing unit and Building Materials business units are ready to capitalise on the Asia construction boom, with a vision of becoming a preferred choice of building solutions provider.

With the integrated operations, we are able to tap on the combined network, strengths and resources from our various business segments. We share the same pool of customers who are mainly property consultants, M&E consultants and contractors, electrical contractors, as well as potential referrals from property developers, contractors, project managers and building owners. Our customers only need to deal with 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 the combined expertise, resources and track record, we are able to pitch for bigger projects at more competitive bids, and provide a better range of products and services from design and planning, air-conditioning systems installation, electrical wirings, mechanical and electrical switchgears and switchboxes, furniture and fittings for residential and commercial properties, to after sale services.

Operational Risk

Operational risk refers to the loss incurred by our Group due to operational failures arising from a breakdown in internal processes and deficiencies in people and management. The Group engages external consultants to review our internal processes and controls on a yearly basis to ensure that our operations processes and controls are working effectively. The quality management systems, which encompass the entire manufacturing process for our air-conditioning and switchgear business units are also subject to annual audit by an ISO 9000:2000 accreditation body. In addition, our Switchgear business unit is also subject to additional annual audit by SPRING Singapore for our Singapore Quality Class award which recognizes organizations for their commitment to achieve business excellence. To resolve the issue of staff retention, we have engaged professional consultants to conduct at least one Employee Satisfaction Survey (“ESS”) per year. The results of the ESS will be reported to management for follow-up action to be implemented. We have also engaged professionals to assist our human resource personnel to improve on our annual performance appraisal system as well as establish 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. Quarterly Group performance reports are also presented to the Board of Directors for their review and comments.

Risk Management Policies and Processes

Investment Risk

The businesses of our Group would be expanded through both organic growth of our activities and 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 its senior management before obtaining final approval from the Board.

Foreign Exchange Risk

The foreign exchange risk of the Group arises from sales, purchases and borrowings that are denominated in foreign currencies. The currencies giving rise to the risk are Singapore dollar, US dollar, Malaysia Ringgit, Chinese Renminbi and Indian Rupee. The Group does not have any formal hedging policies against foreign exchange fluctuations. However, we continuously monitor the exchange rates of the major currencies.

Credit Risk

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

It is our Group's policy to sell to a diverse creditworthy customer base so as to mitigate our credit risk. Cash terms and/or advance payments are required for customers with lower credit rating. While the Group faces normal business risks associated with ageing collections, we adopt the policy of making specific provisions once trade debts are deemed not collectible.

Interest Rate Risk

Our Group's exposure to changes in interest rates relates primarily to interest-bearing financial assets and liabilities. Interest rate risk is managed on an ongoing basis with the objective of limiting the extent to which net interest expenses could be affected by an adverse movement in interest rates.

We also obtain financing through bank borrowings and finance lease arrangements. It is the Group's policy to obtain the most favourable interest rates available without increasing our exposure.

Liquidity Risk

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

Derivative Financial Instrument Risk

The Group does not hold or issue derivative financial instruments.

Shareholdings **Statistics**

As at 18 March 2009

CLASS OF SHARES
Ordinary Shares

NUMBER OF SHARES
111,577,610

NUMBER OF ORDINARY SHAREHOLDERS
The number of ordinary shareholders as at 18 March 2009 is 1,041

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

Shareholdings Held in Hands of Public
Based on information available to the Company as at 18 March 2009 approximately 46.41% 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

RANGE OF SHAREHOLDINGS		NO. OF SHAREHOLDERS	%	NO. OF SHARES HELD	%
1	to 999	786	75.50	336,969	0.30
1,000	to 10,000	148	14.22	741,539	0.67
10,001	to 1,000,000	93	8.93	9,486,452	8.50
1,000,001	and above	14	1.35	101,012,650	90.53
		1,041	100.00	111,577,610	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2009

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
Steven Chen Choon Khee	5,965,025	9,600,000	–	15,565,025	13.95%
Joseph Ang Choon Cheng *	2,608,092	9,350,000	2,400,001	14,358,093	12.87%
Eric Ang Choon Beng	12,540	8,510,000	–	8,522,540	7.64%
Tsng Joo Peng	4,265,585	11,300,000	–	15,565,585	13.95%

* Mr Joseph Ang Choon Cheng is deemed to be interested in the 2,400,001 shares held by spouse, Ms Yap Geok Khim

* Ms Yap Geok Khim is the sister in law of Mr Eric Ang Choon Beng. Mr Eric Ang Choon Beng is the brother of Mr Joseph Ang Choon Cheng.

TOP 20 SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES PTE LTD	35,811,806	32.10
2	CIMB BANK NOMINEES (S) SDN BHD	12,800,000	11.47
3	MAYBAN NOMINEES (S) PTE LTD	12,400,010	11.11
4	SBS NOMINEES PTE LTD	10,100,000	9.05
5	HONG LEONG FINANCE NOMINEES PTE LTD	8,460,000	7.58
6	CHEN CHOON KHEE	5,965,025	5.35
7	TSNG JOO PENG	4,265,585	3.82
8	ANG CHOON CHENG	2,608,092	2.34
9	DBSN SERVICES PTE LTD	2,271,095	2.04
10	HSBC (SINGAPORE) NOMINEES PTE LTD	1,956,380	1.75
11	LEE KIN SOON	1,112,850	1.00
12	TSNG JOO WEE	1,100,150	0.99
13	POH YEOW KIM	1,098,807	0.99
14	YEO SIEW LENG	1,062,850	0.95
15	KIM ENG SECURITIES PTE. LTD.	732,431	0.66
16	CHEONG KIM HOCK	517,425	0.46
17	YIP CHEE SENG	440,280	0.39
18	MAHENDRAN S/O MINISAMY	411,000	0.37
19	LEONG POH MENG	401,000	0.36
20	LOW SECK KIANG	390,000	0.35
		103,904,786	93.13

Shareholdings **Statistics**

As at 18 March 2009

ANALYSIS OF WARRANTHOLDINGS

RANGE OF WARRANTHOLDINGS		NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
1	to 999	6	3.53	4,025	0.02
1,000	to 10,000	100	58.82	374,300	1.44
10,001	to 1,000,000	56	32.94	7,162,753	27.64
1,000,001	and above	8	4.71	18,369,416	70.90
		170	100.00	25,910,494	100.00

TOP 20 WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS HELD	%
1	MAYBAN NOMINEES (S) PTE LTD	3,721,000	14.36
2	CHEN CHOON KHEE	3,494,557	13.49
3	ANG CHOON CHENG	3,312,477	12.78
4	CIMB BANK NOMINEES (S) SDN BHD	2,580,000	9.96
5	HONG BOON YOON	1,700,000	6.56
6	ANG CHOON BENG	1,291,812	4.99
7	DBS NOMINEES PTE LTD	1,265,427	4.88
8	KIM ENG SECURITIES PTE. LTD.	1,004,143	3.88
9	DBSN SERVICES PTE LTD	849,000	3.28
10	WIRTZ JOCHEN	744,000	2.87
11	TAN AIK KWONG	727,710	2.81
12	TSNG JOO PENG	404,575	1.56
13	HERMAN HALIM	383,000	1.48
14	LEONG POH MENG	369,000	1.42
15	POH YEOW KIM	329,642	1.27
16	YEO SIEW LENG	302,641	1.17
17	RAMESH S/O PRITAMDAS	294,000	1.13
18	HSBC (SINGAPORE) NOMINEES PTE LTD	292,100	1.13
19	JUNE OW MAY MAY	292,000	1.13
20	LEE KIN SOON	233,855	0.90
		23,590,939	91.05

Notice **of Annual General Meeting**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 on Monday, 27 April 2009 at 9:30 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 2008 and the Auditors' Report thereon. **[Resolution 1]**

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

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

4 To re-elect Dr Wu Chiaw Ching who is retiring by rotation pursuant to Article 101 of the Company's Articles of Association.
[See Explanatory Note (a)] **[Resolution 4]**

5 To approve Directors' fees of S$88,000/- for the financial year ending 31 December 2009.
(2008: S$88,000/-) **[Resolution 5]**

6 To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**

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

Special Business

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

8.1 "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 50 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 20 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) the 50% limit in sub-paragraph (1) above may be increased to 100% for issues of Shares and/or Instruments by way of a renounceable rights issue where shareholders of the Company are given the opportunity to participate in the same on a pro-rata basis (***Renounceable Rights Issue***);

(4) 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

(5) (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 7]**

8.2 "That: -

(A) subject to and conditional upon the passing of Resolution 7 above, authority be and is hereby given to the Directors of the Company to issue Shares (other than on a pro-rata basis to shareholders of the Company) at an issue price for each Share which shall be determined by the Directors of the Company in their absolute discretion provided that such price shall not represent a discount of more than 20% to the weighted average price of a Share for trades done on the SGX-ST (determined in accordance with the requirements of the SGX-ST); and

(B) (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 Notes (c) and (d)] **[Resolution 8]**

By Order of the Board

Yun Chee Keen
Yeoh Kar Choo Sharon
Company Secretaries

9 April 2009
Singapore

Explanatory Notes:

(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 an Independent Director of the Company.

(b) The ordinary resolution 7 set out in item 8.1 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 50% (or 100% in the case of pro-rata renounceable rights issue of Shares) of the total number of issued Shares excluding treasury shares in the capital of the Company, with a sub-limit of 20% 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 7 under item 8.1 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 7 under item 8.1 above is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

The authority for 100% Renounceable Rights Issue is proposed pursuant to the measures implemented by the SGX-ST as stated in its press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009 (***SGX News Release***).

(c) Issue of Shares on a non pro-rata basis at a discount not exceeding 10% falls within the scope of ordinary resolution 7 under item 8.1 above.

(d) The ordinary resolution 8 under item 8.2 above is proposed pursuant to the SGX News Release. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of not more than 20% to the weighted average price of a Share for trades done on the SGX-ST (determined in accordance with the requirements of the SGX-ST).

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.

IMPORTANT FOR CPF INVESTORS ONLY:

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

NATURAL COOL HOLDINGS LIMITED

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

PROXY FORM

I/We ________________________ NRIC/Passport/Co. Registration No. ________________

of ____

being a member/members of NATURAL COOL HOLDINGS LIMITED hereby appoint

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us and on my/our behalf and, if necessary to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 on Monday, 27 April 2009 at 9:30 a.m. and at any adjournment thereof.

I/We have directed my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the AGM. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM, as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions Relating To:	For*	Against*
AS ORDINARY BUSINESS			
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2008		
2	Re-election of Mr Eric Ang Choon Beng as director		
3	Re-election of Mr Tsng Joo Peng as director		
4	Re-election of Mr Wu Chiaw Ching as director		
5	Approval of directors' fees for FY2009		
6	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
7	Authority to allot and issue new shares		
8	Authority to directors to issue shares at a discount not exceeding 20%		

* Please indicate your vote "For" or "Against" within the relevant boxes with a "X"

Dated this ______ day of ______________ 2009

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 authorised 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.