NATURAL COOL®
HOLDINGS LIMITED

ANNUAL REPORT 2011

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

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PAVING THE WAY FORWARD

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

VISION

Natural Cool, the preferred choice in building solutions

MISSION

Enhancing the strength and trust in our Brand Name through:

- Safe, Superior, Reliable Products and Services
- Strategic Planning

OUR VALUES

Our Name, Our Brand – We fulfill promises to shareholders, customers and employees

Customer Focus – Customer satisfaction is our ultimate duty and responsibility

People Development – We identify and drive every staff to their fullest potential

Teamwork & Unity – We win and grow through teamwork & unity

Creativity – Our innovation sets us apart of the rest

Safety – Above all, we value lives and assets

Letter to Shareholders

Steven Chen
Executive Chairman

Joseph Ang
Chief Executive Officer

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present to you our annual report for the financial year ended 31 December 2011 ("FY2011").

Without a doubt, 2011 has been a challenging year for businesses both locally and internationally. Global markets were dampened by the escalation of the euro zone crisis. In Singapore, the heated property market was subject to ongoing government intervention. The construction industry also suffered from rising costs and increasing levies. The effects of the developments in both property and construction markets were also felt in our two core Aircon and Switchgear businesses.

In the midst of poor external conditions, we took the opportunity to further streamline our business and focused on enhancing our product offerings and value-added services to clients in a timely and cost-effective manner. Our strong expertise in air-conditioning and switchgear solutions as well as deep relationships forged with our clients and business partners, strengthened Natural Cool's position in the industry.

Financial Review

Under an arduous operating environment, we are pleased to report that Natural Cool's Group Revenue held steady at S$136.9 million in FY2011, as compared to the previous corresponding period ended 31 December 2010 ("FY2010").

The Aircon Division contributed 57.3% of Group Revenue, recording S$78.4 million in revenue in FY2011. Despite a delay in project deliveries, revenue from the Aircon Division was marginally 0.5% lesser than the Division's revenue recorded in FY2010.

The Switchgear Division contributed 39.5% of Group Revenue. Notwithstanding moderation in construction activity in the year under review, we achieved S$54.1 million in revenue in FY2011, a 1.9% dip from revenue in FY2010. The dip was largely due to discounts given to our customers in order to maintain our edge and market share in this competitive industry.

The remaining contribution to Group Revenue came from our Investment Division, which recorded a 77.2% growth from S$2.5 million in FY2010 to S$4.4 million in FY2011. This was largely due to rental income generated from our properties located at Tai Seng Avenue, Kranji and Benoi Crescent.

Geographically, Singapore remains as our main revenue contributor, comprising over 96.5% of total revenue. Going forward, we will continue to capitalise on our strong brand recognition and successful 20-year track record in the property and construction industry. We are confident that the strong relationships forged with suppliers and customers will put us in good stead in the years ahead.

Corporate Developments

In a bid to further increase retail sales under our Aircon Division, we set up several "Buy and Fix" retail outlets across Singapore in FY2011. At Buy and Fix, we aim to provide customers with a pleasurable shopping experience and be the one stop destination for their building controls management needs. Our privileged position as the leading authorised dealer for renowned brands like Daikin, LG, Mitsubishi Electric, Panasonic, Sanyo, Samsung and Toshiba, allows us to provide competitive pricing and the best deals to the retail consumer.

We are also glad to report that as at 31 December 2011, approximately S$942,000 of proceeds raised from our Warrant Issue exercise in 2009 that was earmarked for the expansion of our Aircon and Switchgear businesses in Singapore, the People's Republic of China, India, Cambodia and/or Malaysia, were utilised. There is also a balance of approximately S$562,000 from the proceeds which has been utilised as working capital while pending deployment of this amount.

As a leading name in the switchgear sector, with mutual trust established with clients and business partners around Asia, we continually explore expansion opportunities into overseas markets such as Vietnam and the emerging economies of Asia. Last year, we laid the ground work for a proposed listing of our wholly-owned subsidiary, Gathergates Holdings Limited, on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("SEHK"). However, we regret that under prevailing volatile market conditions and revised SGX requirements on proposals for Restructuring or Spin-offs, the Company has decided to discontinue preparations to seek a listing on the GEM.

Paving The Way Forward

In line with our strategy to streamline our portfolio for growth, the Switchgear Division has been further restructured to take advantage of our enhanced "Gathergates" brand name, which has gained considerable recognition in the switchgear market.

The year under review saw S-Team Switchgear Private Limited ("S-Team") undergoing a transformation process to become Gathergates Switchgear Pte Ltd. At the same time, both the business processes of S-Team and its sister company, Titans Power System Pte Ltd ("Titans"), were fully integrated.

Letter to Shareholders

The founders of S-Team have more than 25 years of track record in manufacturing quality power and control switchboards. Likewise, the management of Titans has been in the switchgear business for over 26 years. With S-Team and Titans coming under the management of Gathergates Switchgear Pte Ltd, a wholly-owned subsidiary of Gathergates Group Pte Ltd ("Gathergates Group"), Gathergates Group's unique position as a merger of leaders in the fields of switchgear design and manufacturing is further strengthened.

The integration of key functions such as procurement and production, sales and marketing as well as distribution brings a further optimisation of our resources and ultimately allows us to offer timely service and higher value-add to our business partners. By keeping abreast of new and enabling technology, we are also able to further automate our processes. Such an initiative ensures that we continue to improve and provide our customers with the most reliable engineering solutions.

Recognising that the reliability of our products and services is pivotal for sustained customer loyalty, we constantly keep to high standards. Our project specifications are analysed via an Advanced Evaluation System to devise the best engineering solutions. Our manufacturing processes undergo strict quality controls to ensure a high level of efficiency and reliability. In addition, all our products are TYPE-tested from 200A to 6000A according to IEC Standards for added quality assurance.

Outlook

The Building and Construction Authority ("BCA") has projected construction demand to reach between S$21.0 billion and S$27.0 billion in 2012. Construction demand in the public sector is expected to remain strong, with a large proportion of demand arising from public housing and institutional building projects. We are encouraged by the continued strong demand from public sector and believe this bodes well for our business.

Under the Government Land Sales programme, there is a potential supply of approximately 12,250 condominium units and 2,500 executive condominium units that are coming onto the property market. The Housing and Development Board's continual upgrading of HDB flats will require routine testing, maintenance and replacement of existing switchgears. All these will bring about a relatively healthy order book for Natural Cool. Given our strong track record in servicing public housing and private sector developments, with about 80% of HDB upgrading market serviced by Natural Cool, our Switchgear Division is well-positioned for growth.

We expect our Aircon and Switchgear businesses to benefit from Singapore's robust construction sector, which is supported by a strong pipeline of committed and planned developments and will continue to stay nimble and competitive.

Corporate Social Responsibility ("CSR")

Natural Cool remains committed to our philosophy of "Doing Business with a Heart". As a leading provider of integrated building controls management and switchgear solutions that is based in Singapore, we undertake initiatives to support the hearing-impaired community in this city state. For over four years, Natural Cool has been an Ambassador to the Singapore Association for the Deaf ("SaDeaf"). Last year, Natural Cool continued to reach out to the hearing-impaired in partnership with SaDeaf.

It is our honour to report that through two milestone fundraising activities, Charity Walk for the Deaf 2011 ("Charity Walk") and Stamp Auction held at Natural Cool's Dinner & Dance, we managed to raise close to S$24,000 for SaDeaf. Natural Cool will continue to provide more employment opportunities to persons with disabilities in the future.

Appreciation

We would like to take this opportunity to thank our Board of Directors for their invaluable guidance and expertise. We would also like to extend our appreciation to our business associates for their dedication and partnership. A big thank you to our management and staff for their boundless passion and commitment to Natural Cool. Let us work together to scale new peaks and share in the rewards of another year of success.

We would like to especially thank our valued shareholders for your trust and confidence in Natural Cool. With your support, we believe that we have the wherewithal to further pave Natural Cool's name as a leading air-conditioning and switchgear specialist locally and in the region.

Yours faithfully,

Steven Chen
Executive Chairman

Joseph Ang
Chief Executive Officer

执行董事主席与执行总裁致词

首尊敬的各位股东：

我们谨代表董事会，欣然向各位汇报截至2011年12月31日之财政年度（“2011年”)的本公司年度报告。

不容置疑，2011年对全球企业带来了巨大的挑战。欧元区危机的不断升级使得全球经济环境处于低迷状态。在国内，新加坡过热的房地产市场受政府降温措施的影响。建造业也面临着不断攀升的成本和政府税收压力。在房地产和建造业市场上所受到的影响也明显的反映在我们的两个主要业务上，空调和配电箱业务也受到了相应的影响。

在外观环境不理想的情况下，我们努力把握每一个商机以进一步整合业务，通过及时有效的方式为客户提供高品质产品和优质的增值服务，同时还通过在空调和配电箱解决方案上的专业技术以及与客户和业务伙伴建立的深厚业务关系来强化恩系控股的市场地位。

财务回顾

在严峻的经营环境下，集团在2011年的营业额与截至2010年12月31日财政年度(“2010年”）同期相比保持稳定，为1.369亿新元。

空调部门在2011财政年营业额达7840万新元，占集团收入的57.3%。尽管几个项目的延迟交付，空调部门的收入比2010年略微减少了0.5%。

配电箱部门收入占了集团营业额的39.5%。尽管过去一年建筑业的发展较为缓慢，但我们在2011年仍然取得5410万新元的营业额，同期相比下跌了1.9%。跌幅主要来自于我们给予客户的折扣，为保持我们在行业里的优势和良好市场份额。

集团其余营业额来自于我们的投资业务部门。2011年营业额相比2010年增幅为77.2%，上涨到440万新元，主要归功于我们位于大成道，Kranji和Benoi Crescent的地产租金收入。

地域方面，新加坡的业务仍然是我们的主要收入来源，占总营业额的96.5%。展望未来，我们将继续利用我们强大的品牌知名度以及20年来在房地产和建造业方面的成功经验和良好记录，并且有信心通过与供应商和客户所建立的牢固业务关系来打造未来美好的发展前景。

公司的发展

为了进一步提高我们空调部门的零售销售业绩， 2011年我们在新加坡设立了几家“Buy and Fix” 的零售店，旨在为顾客提供舒适的购物体验，成为顾客建筑控管需求的一站式购物场所。作为知名品牌，如日本大金、LG、三菱电机、松下、山洋、三星以及东芝等产品的首席授权零售商，我们的独特经营能够为零散的顾客提供具有竞争力的价位以及最优惠的价格。

此外，截至2011年12月31日，我们也使用了部分2009年的认股权发行收益，约94.2万新元用于我们在新加坡、中国、印度、柬埔寨和／或马来西亚空调和配电箱业务发展上。还有大约56.2万新元的余额被用作发展项目周转资金在发展。

在配电箱部门，恩系控股名声卓著。在亚洲，我们与客户和业务伙伴建立了互信巩固的合作关系，继续寻求扩大海外市场业务的机会，譬如越南以及亚洲的一些新兴经济体市场。去年，我们的全资子公司“嘉特杰控股有限公司”拟定在香港联合交易所有限公司创业板上市。然而，非常遗憾的是在日益严峻的市场前景以及新加坡证

券交易所对拟议重组或子公司上市要求的修订情况下，公司已经决定不再继续寻求在创业板(GEM)的上市。

奠定未来发展基础

整合业务是为了公司未来的发展，配电箱部门已进行了进一步的调整，有效利用我们已经在配电箱市场得到了广泛认可的“嘉特杰”品牌效应。

回顾这一财政年度，S-Team Switchgear Private Limited（简称“S-Team”）经历了转型过程，成为嘉特杰配电箱私人有限公司。同时，S-Team和其姐妹公司Titans Power System Pte Ltd（简称“Titans”）的业务程序也完成了完全整合。

S-team的创办人在制造优质电源和控制配电盘上拥有超过25年的业绩记录。此外，在Titans配电箱领域的管理经验也超过26年。

随着S-team和Titans归于嘉特杰配电箱私人有限公司管理，成为嘉特杰控股有限公司（“嘉特杰集团”）全资子公司之后，嘉特杰集团作为配电箱设计和制造业合并公司的领军企业，地位独特，同时业务也得到了进一步的强化。

合并业务的主要作用包括采购、生产、销售及市场交易以及配送，进一步优化了我们的资源组合并且使我们能够为业务伙伴提供及时的服务和高效的增值服务。通过了解最新和可用的技术，我们也能够进一步使我们的业务流程更加自动化。这些举措确保了我们能够继续改善并为我们的客户提供最可靠的工程解决方案。

同时，我们意识到产品和服务的可靠性是客户保持对我们企业忠诚度的关键所在，因此我们不断提高了产品和服务的标准。而且我们的项目规格也全部通过一种高级评估系统进行分析，目的是能够策划出最好的工程解决方案。此外，我们的产品制造程序也必须通过严格的质量控制程序来确保产品的高效性和可靠性。根据IEC质量确保标准，我们所有型号的产品从200A到6000A都通过了标准测试。

执行董事主席与执行总裁致词

展望未来

建设局（“BCA”）预计在2012年的建筑需求将达到210 – 270亿新元。公共部门的建筑需求仍然处于强势，公共住房和用于公共设施的楼宇占大部分需求。公共部门建设项目的巨大需求使我们倍受鼓舞，也成为我们业务发展的好兆头。

根据政府土地出售规划，进入房地产市场的潜在建筑项目大约有12250套公寓和2500套执行共管公寓。建屋发展局对组屋房屋状况的不断升级，要求对房屋进行例行检查、维修并对现有配电箱进行更换。这使得恩系控股的订单保持相对健康状况。由于在公共房屋和个人房屋发展方面我们拥有良好业绩记录，80%的组屋升级业务归恩系控股所从事，因此我们配电箱部门的业务发展也处于有利地位。

我们期望空调和配电箱业务能够从新加坡强势的建设市场上获益。因为这些业务受到了强有力的准予和规划发展项目管道的支持，并且将一直保持敏锐性和市场竞争力。

企业社会责任

恩系控股依然秉承“用心做生意”的经营理念。作为综合建筑控管项目和在新加坡配电箱解决方案的首席供应商，我们积极倡导支持国内听力受损群体。四年多来，恩系一直是新加坡聋人协会（“SaDeaf”）的企业大使。去年，恩系控股继续与SaDeaf合作向听力受损群体伸出援助之手，帮助聋人社群融入社会并为社会做出贡献。

我们非常荣幸地宣布，通过两项具有里程碑的筹款活动，2011聋人慈善步行捐款(“慈善步行捐款”)和在恩系控股晚宴和舞会上举行的邮票拍卖活动，　我们为聋人社群募捐到了近2.4万新元。未来，恩系控股将继续为残疾人士提供更多就业机会。

鸣谢

借此机会，我们要感谢董事会同仁和我们分享他们的宝贵意见和专业知识。还要感谢我们的业务伙伴的竭诚奉献和金诚合作。同时，我们也非常感谢恩系控股的全体管理人员和各级员工，感谢大家的对恩系控股的满腔热情和献身精神。让我们共同携手开拓业务的新高峰，共享下一年度的成功回报。

此外，我们还要特别感谢我们尊贵的股东，感谢你们对恩系控股的信任和一直以来对我们企业的信心。有了你们的支持，我们相信，我们有足够的资本来弘扬恩系控股的经营业绩，成为本地和本区域首屈一指的空调和配电箱设备的专业公司。

曾俊旗	洪俊清
执行董事主席	执行总裁

BUILDING ON OUR BASE

Under the guiding principles of our core values, we seek to deliver quality products and services to our customers. It is our mission to enhance the strength and trust in our brand name, and we will continue building on our resources and production capacities to remain competitive in face of the challenging market.

Operations Review

With the heated property market being weighed down by ongoing government interventions and the construction industry being restrained by rising costs and increasing levies, 2011 proved to be challenging for Natural Cool.

As one of the first industry players to integrate both the switchgear and air-conditioning business segments in the power management and temperature-control of both commercial and residential properties, our integration strategy has once again given us a competitive edge. With our ability to provide a comprehensive range of products and solutions, we are well positioned to manoeuvre through the challenges arising in the industry.

We continue to streamline our Group's operations into two Strategic Business Divisions, namely Aircon and Switchgear.

THE AIRCON DIVISION

The Aircon division further divides into 4 segments:

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

Installation and Servicing Segment

Natural Cool provides air-conditioning systems installation services to residential households in both public and private housing, which include HDB housing, private condominiums, apartments, landed properties, small retail outlets, restaurants and offices. Our customers include residential owners, landlords and tenants.

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

schedule or as and when required by our customers during the contracted period. Ad-hoc servicing refers to the provision of our maintenance, repair or replacement services for one-off transactions. We advise our customers on suitable types of servicing arrangements, based on information such as our customers' usage frequency, pattern and budget.

Commercial Projects

We provide air-conditioning installation services for the commercial sector, such as factories, offices, condominiums, schools and hospitals. Our commercial projects entail the installation of air-conditioning systems in both the public and private sectors, from schools, hospitals to factories, offices, and condominiums and other residential properties. Our Commercial Projects division may be invited via public tenders or by private invitations. For some projects, we may provide only installation services, whereas for others, we provide turnkey services, including the procurement of air-conditioning systems.

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

Integrated Projects

Our team of resourceful professionals offers top-quality and customised Facilities Management services, meeting the stringent requirements of business customers with precision and skill. Facilities Management services include space planning, asset management and regular maintenance to ensure smooth operations at all times. Apart from the maintenance of air-conditioning systems, Natural Cool's Facilities Management team has expertise in sanitisation of buildings and maintaining lifts as well.

We see every challenge as an opportunity to excel. In this dynamic industry that is constantly evolving, we remain committed and driven to innovate and diversify our portfolio of services to meet our customers' broad range of needs.

Trading

As the authorised dealer for many well-known brands of air-conditioning systems, we engage in the trading of these air-conditioning systems to other entities in the business of retail installation. In addition, we manufacture and sell our air-conditioning components. Apart from our house brands, we also stock and sell other brands of air-conditioning components.

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

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

Our Trading department currently manages five showrooms which are located in Defu Lane 10, Woodlands Central, Tradehub 21, West Coast Plaza and Junction 10. Customers of our Trading department include Mechanical & Electrical ("M&E") contractors, other air-conditioning retailers and contractors, import/export traders and residential owners who make direct purchases.

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

Currently, we have four "Buy and Fix" retail outlets across Singapore. "Buy and Fix" is a one stop destination which aims to provide customers with a pleasurable shopping experience. Our privileged position as the leading authorised dealer for renowned brands for electrical appliances and air-conditioning systems allows us to provide competitive pricing, offering the best deals to the Singapore market.

THE SWITCHGEAR DIVISION

As a major specialist in switchgear design and manufacturing in Singapore, our switchgear products are used extensively in every class of building and construction developments. Our main market segments include residential, commercial, industrial, public institutions and key transport networks. Being a veteran in the switchgear industry, every effort is made to ensure our switchgear products not only meet the stringent criteria set by customers but also the rigorous Type Test safety standards stipulated by the Association of Short-Circuit Testing Authorities.

Following the formation of Gathergates Group in 2009, the rebranding of the Group's existing switchgear products – "S-Team" and "Titans" – under the enhanced brand "Gathergates" has been gaining considerable recognition in the industry. The successful rebranding under "Gathergates" has helped pave the way for all critical business process integration between the subsidiaries, namely S-Team Switchgear Private Limited and Titans Power System Pte Ltd. To begin with, S-Team Switchgear Private Limited has been renamed as Gathergates Switchgear Pte Ltd with the business functions of Titans Power System Pte Ltd being subsumed under the new entity.

The integration of key operations such as production and procurement, sales and marketing, human resources, etc, allows for greater coordination and efficiency which translates into more responsive and higher level of service for our customers. Apart from the business integration, the Division also undertook initiatives to improve the planning and communication system among departments for enhanced productivity. One such effort included the implementation of our Enterprise Resource Planning or ERP system.

The year under review also saw the consolidation of manufacturing activities at our plants in Malaysia. More equipment were added to the production line as the factory took on the entire structure and metal fabrication needs of the Group. In addition, a two-

Operations Review

shift work schedule was introduced to boost the production capacity so as to meet the increased orders coming from across the causeway. Moving ahead, more productivity improvement programmes can be expected both in terms of equipment upgrading and manpower development.

On components trading, our subsidiary, VNS Manufacturing Pte Ltd, continued to record steady growth amid a difficult period. Notwithstanding this, our relationship with Larsen and Toubro Limited ("L&T") remained strong as VNS continued to represent and expand on L&T electrical products in Singapore. Besides developing its line of quality products under the licensed brand name "KAM", VNS has been an authorised distributor for Hyundai Heavy Industries Co Ltd's products in Singapore for many years now.

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

The Switchgear Division will continue to explore expansion opportunities into overseas markets such as China and the emerging economies of Asia. Last year, we laid the ground work for a proposed listing of our wholly-owned subsidiary, Gathergates Holdings Limited, on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("SEHK"). However, prevailing volatile market conditions and revised SGX requirements on proposals for restructuring or Spin-offs, the Company has discontinued preparations to seek a listing on the GEM.

Going forward, we will continue to innovate, to meet the engineering demands of today's building and infrastructure projects.

OPTIMISING OPERATIONS, LEVERAGING STRENGTHS

With our solid foundation and sound strategy, we continue to leverage our expertise in climate management and switchgear solutions by strengthening our operational efficiency and cost control measures in order to stay financially stable at all times. It is our positive attitude that drives us to keep striving and strengthening our position as one of the leaders in the business.

Board of Directors

Steven Chen Choon Khee
Executive Chairman

Joseph Ang Choong Cheng
Chief Executive Officer

Tsng Joo Peng
Executive Director

Mr Steven Chen Choon Khee
Executive Chairman

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

Mr Joseph Ang Choon Cheng
Chief Executive Officer

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

Mr Tsng Joo Peng
Executive Director

Mr Tsng Joo Peng was appointed to the Board on August 1, 2005. He is responsible for the overall operations of the Aircon Division as well as the supervision of the Group's engineering development efforts. Mr Tsng has been a Director of Natural Cool Airconditioning & Engineering since 1993. Prior to joining the Company, Mr Tsng was a Director and shareholder of Aircon Designs Pte Ltd, Aircon Designs Services Pte Ltd, QPA Pte Ltd, Quality Perfect Assurance Pte Ltd and NC Airconditioning Pte Ltd.

Eric Ang Choon Beng
Executive Director

Lim Siang Kai
Lead Independent Director

Wu Chiaw Ching
Independent Director

William da Silva
Independent Director

Mr Eric Ang Choon Beng
Executive Director

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

Mr Lim Siang Kai
Lead Independent Director

Mr Lim is currently the Chairman and Independent Director of ISDN Holdings Limited and China Print Power Group Limited, and an Independent Director of Texchem-Pack Holdings (S) Ltd, Foreland Fabrictech Holdings Limited and Joyas International Holdings Limited, all of which are public companies listed in Singapore. Mr Lim was appointed to our Board as an Independent Director on March 7, 2006. Mr Lim has over 28 years of experience in securities, private and investment banking and fund management. Mr Lim has a Bachelor of Arts degree and a Bachelor of Social Sciences (Honours) degree from the National University of Singapore obtained in 1980 & 1981 respectively. He also has a Master of Arts in Economics degree from University of Canterbury, New Zealand, that he obtained in 1984.

Dr Wu Chiaw Ching
Independent Director

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

Mr William da Silva
Independent Director

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

Key Management

Sean Leaw Wei Siang
Chief Financial Officer

Edward Chia Puay Hwee
Chief Executive Officer, Gathergates Group

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

Mr Sean Leaw Wei Siang
Chief Financial Officer

As the Chief Financial Officer, Mr Leaw oversees the various functions of accounting, financial reporting, cost management accounting, foreign exchange management, credit control, management information system, tax, cash flow planning and financial systems of our Group. He possesses more than 15 years of working experience in accounting and financial management. Mr Leaw joined the Group in November 2008, as Chief Financial Officer of Gathergates Switchgear Pte Ltd. Prior to that, Mr Leaw worked at SMB Electric Pte Ltd and multinational company, Oiltools Pte Ltd, as Senior Finance Manager and accountant respectively. Prior to that, Mr Leaw also worked at Deloitte & Touche. Mr Leaw is a member of both Institute of Certified Public Accountants of Singapore and CPA Australia, and holds a Bachelor of Commerce degree from University of Western Australia.

Mr Edward Chia Puay Hwee
Chief Executive Officer, Gathergates Group

Appointed in 2010, Mr Chia has over 25 years of experience in the electrical and switchgear business, having served in a number of senior positions in several electrical and switchgear companies. He is responsible for the overall performance of our switchgear division. Prior to joining our group, he held the position of Vice President of the Switchgear Division in SMB United and later headed the company's operations in Xiamen and Shanghai, China. Mr Chia left SMB United in 2007 and joined Ecube Electric Pte Ltd as Managing Director. A year later, he founded Titans Power System Pte Ltd in October 2008, and became the major shareholder of Ecube Electric Pte Ltd in December 2008.

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

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

Ken Tan Aik Kwong

Executive Director, Gathergates Switchgear Pte Ltd

Anthony Yeo Siew Leng

Executive Director, VNS Manufacuting Pte. Ltd.

Mr Ken Tan Aik Kwong
Executive Director, Gathergates Switchgear Pte Ltd

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

Mr Anthony Yeo Siew Leng
Executive Director, VNS Manufacturing Pte Ltd

Mr Yeo was appointed in 2006. He is primarily responsible for the strategic planning, overall management and business expansion of VNS Manufacturing. Prior to his appointment as Executive Director, Mr Yeo joined our Group in 2002 as factory manager, where his primary role was to oversee the production and maintenance of S-Team. With more than 22 years of experience in the switchgear business, Mr Yeo has held various positions, rising from production manager to Executive Director

Financial Review

The Group registered revenue of S$136.92 million in FY2011, an increase of S$0.53 million, or 0.39% as compared to FY2010.

Revenue from Aircon Division decreased marginally by S$0.39 million or 0.49% to S$78.43 million in FY2011 and was due mainly to delay in projects deliveries.

Revenue from Switchgear Division decreased by S$1.02 million, or 1.85% to S$54.07 million in FY2011 as compared to FY2010. The decrease in revenue was due mainly to the moderation of the construction activity and discounts given to customers to maintain our market share as a result of the competitive switchgear market.

Revenue from Investment Division, which comprises rental income generated from our properties located at 29 Tai Seng Avenue, Kranji and Benoi Crescent, increased by S$1.93 million, or 77.23% to S$4.43 million in FY2011. In FY2010, prior to the completion of the sale and leaseback transaction, the rental income from 29 Tai Seng Avenue was recorded as other income.

Gross profit decreased by S$5.64 million or 18.84% to S$24.29 million and was due mainly to lower gross profit margin contributed by our Switchgear division. The fall in overall gross profit margin was partly offset by the improvement of the gross profit margin of the Aircon Division.

Other income decreased by S$8.64 million to S$1.34 million in FY2011 due to the absence of a one-off disposal gain of S$7.47 million from the sale and leaseback of Natural Cool Lifestyle Hub at 29 Tai Seng and lower rental income in FY2010.

Distribution, administrative and other expenses collectively decreased by S$0.90 million or 2.62% to S$28.63 million. Excluding the profit incentive provided to the top management in FY2010, distribution, administrative and other expense collectively increased by 6.68% in FY2011 and was due mainly to the higher legal and professional expenses incurred for the discontinued listing of our Switchgear division on the Growth Enterprise Market of Hong Kong Stock Exchange.

Finance costs decreased by S$1.36 million in FY2011 and were due mainly to the repayment of the property loan of 29 Tai Seng Avenue.

The tax credit in FY2011 was due mainly to the overprovision of tax liabilities of our Switchgear division in prior years. The final tax assessments of prior years were lower than expected because of tax incentives under Productivity and Innovation Credit Scheme and capital allowances on certain qualifying property, plant and equipment.

Arising from the above, the Group reported a loss attributable to shareholders of S$3.47 million in FY2011 as opposed to a profit of S$6.71 million in FY2010.

Property, plant and equipment increased by S$2.29 million to S$16.06 million in FY2011. The increase was due mainly to acquisition of motor vehicles, machinery and tools and costs incurred for renovation and extension of office.

Investment property increased by S$12.49 million to S$16.31 million in FY2011, due to reclassification of the Benoi property from asset held for sale and the acquisition of a property located at Hougang.

Current assets decreased by S$8.73 million to S$74.40 million in FY2011. This decrease was due mainly to the reduction in cash and cash equivalent and was partly offset by the increase in inventories to enhance our product range, catered to the opening of additional retail outlet at West Coast Plaza and in anticipation of the higher orders to be fulfilled in early 2012 by Switchgear division.

Trade and other payables increased by S$2.70 million in FY2011 and were due mainly to purchases of more inventories.

Cash flow from operating activities was an outflow of S$4.50 million for FY2011 as compared to inflow of S$5.51 million for FY2010. This was due mainly to increase in inventories and trade and other receivables.

Net cash outflow from investing activities of S$5.30 million for FY2011 was due mainly to the acquisition of an investment property and purchase of motor vehicles, machinery and tools and costs incurred for renovation and extension of office

Net cash outflow from financing activities of S$5.82 million for FY2011 was due mainly to payment of dividend as well as repayments of term loans. The outflow for repayment of loans was partially offset by the proceeds from exercise of warrants as well as the drawdown of new bank loans.

Corporate
Social Responsibility

From Left to Right: Guest Artiste, Irene Ang; Chief Executive Officer, Joseph Ang; Executive Chairman, Steven Chen

Commemorative stamps specially autographed by Mrs SR Nathan

Set of commemorative stamps which received the highest bid of $9,928 from Joseph Ang

Natural Cool is committed to our philosophy of "Doing Business with a Heart". As a leading provider of integrated climate management and switchgear solutions that is based in Singapore, we have targeted our corporate social responsibility endeavours towards the marginalized in this city state.

In 2011, we undertook initiatives to support the hearing-impaired community. For over 4 years, Natural Cool has been an Ambassador to the Singapore Association for the Deaf ("SaDeaf"). Last year, Natural Cool continued to reach out to the hearing-impaired in partnership with SaDeaf, through two milestone fundraising activities.

Charity Walk for the Deaf 2011 ("Charity Walk")

In June and July 2011, our volunteers used pledge cards to raise close to $6,000 for SaDeaf's annual fund-raising event, the Charity Walk for the Deaf 2011. Our volunteers learnt sign language, walked with deaf clients and students, and joined in the carnival festivities after the completion of the walk. The funds raised will be used to assist the Deaf in achieving a better quality of life, helping the Deaf in contributing to society and integrating into society.

Stamp Auction

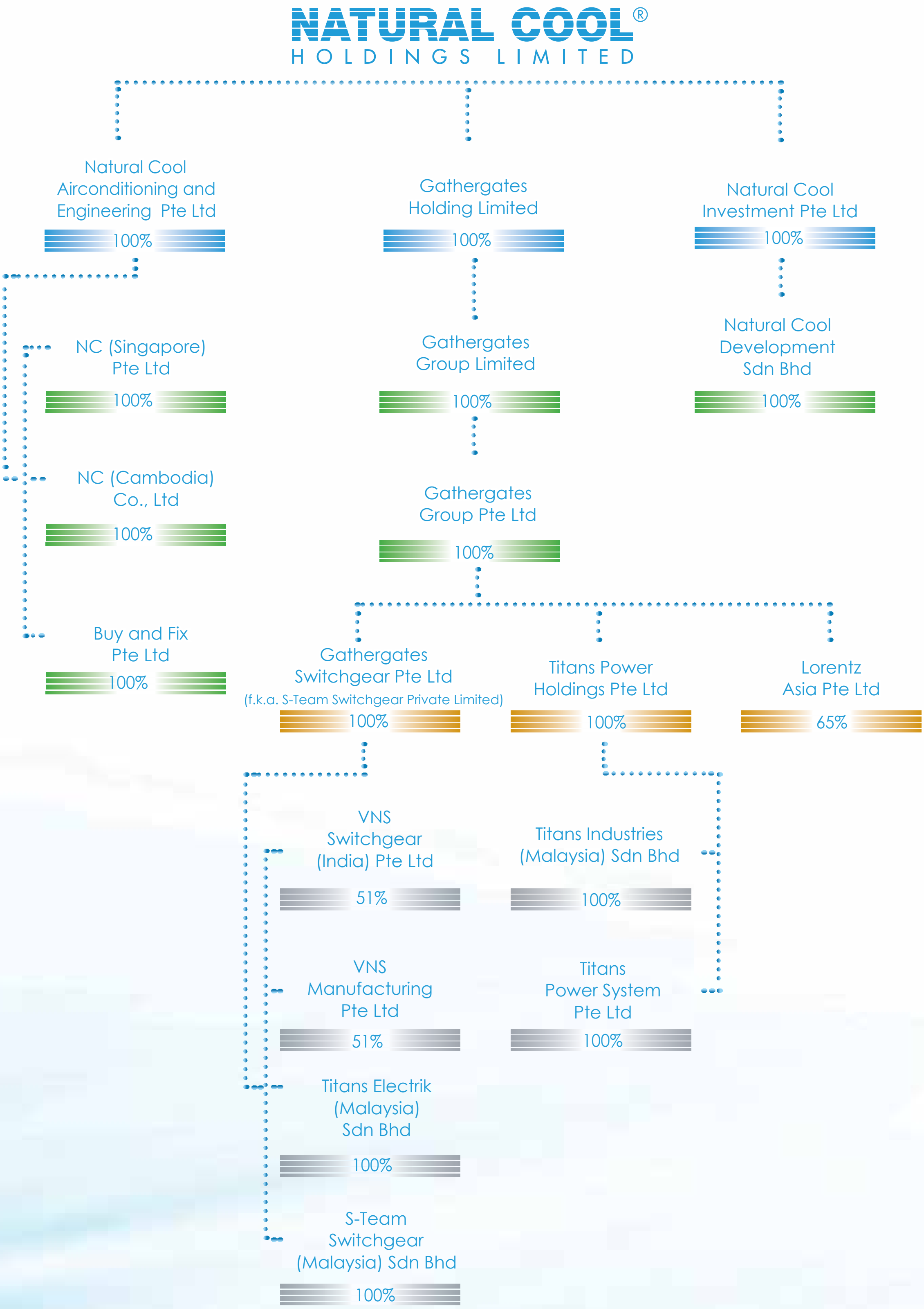
In January 21, 2011, we partnered SaDeaf in organising an auction to sell SaDeaf's commemorative stamps at Natural Cool's Dinner & Dance.

Our staff and business associates fervently bidded for the stamps. At the auctioning of the last set of commemorative stamps which was autographed by Mrs SR Nathan, our Chief Executive Officer, Mr Joseph Ang gamely offered the highest bid of $9,928. The concerted efforts ended with a resounding success, with over $18,000 raised for SaDeaf.

With corporate social responsibility as a fundamental core of Natural Cool, we will continue to spearhead projects that will build a more sustainable community in the future.

Group Structure

As at 18 March 2012



Corporate Information

Board of Directors:

Executive Chairman
Mr Steven Chen Choon Khee

Chief Executive Officer
Mr Joseph Ang Choon Cheng

Executive Directors
Mr Eric Ang Choon Beng
Mr Tsng Joo Peng

Lead Independent Director
Mr Lim Siang Kai

Independent Directors
Dr Wu Chiaw Ching
Mr William da Silva

Audit Committee:

Chairman
Mr Lim Siang Kai

Members
Dr Wu Chiaw Ching
Mr William da Silva

Nominating Committee:

Chairman
Dr Wu Chiaw Ching

Members
Mr Lim Siang Kai
Mr William da Silva

Remuneration Committee:

Chairman
Mr William da Silva

Members
Dr Wu Chiaw Ching
Mr Lim Siang Kai

Company Secretaries:

Mr Leaw Wei Siang
Ms Yeoh Kar Choo Sharon

Auditors:

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

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

Catalist Continuing Sponsor:

CNP Compliance Pte Ltd
36 Carpenter Street
Singapore 059915

Registered Office:

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

Share Registrar:

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

Corporate Legal Advisor:

Colin Ng & Partners LLP
36 Carpenter Street
Singapore 059915

Principal Bankers:

DBS Bank Ltd
Standard Chartered Bank
United Overseas Bank Limited

Investor Relations Advisor:

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

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 2011, 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 2011, the Board met on three occasions. The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings is disclosed on page 35 of this Annual Report.

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

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

BOARD COMPOSITION AND GUIDANCE

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

The Board presently comprises:

1. Mr Steven Chen Choon Khee - Executive Chairman

2. Mr Joseph Ang Choon Cheng – CEO

3. Mr Eric Ang Choon Beng – Executive Director

4. Mr Tsng Joo Peng – Executive Director

5. Mr Lim Siang Kai – Lead Independent Director

6. Dr Wu Chiaw Ching –Independent Director

7. Mr William da Silva – Independent Director

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The positions of Chairman and CEO are held by separate individuals who are Executive Directors and founders of the Group. Mr Steven Chen Choon Khee and Mr Joseph Ang Choon Cheng are the Executive Chairman and Chief Executive Office ("CEO") respectively. They are substantial shareholders of the Company. Each of them plays an instrumental role in developing the business of the Group and has provided the Group with strong leadership and vision. The Executive Chairman assumes the responsibility of the Chairman of the Board and is responsible for the overall leadership of the Board. He also encourages constructive relations between the Board members and Management and facilitates the effective contribution of Non-Executive Directors. He is also responsible for ensuring compliance with the Company's guidelines on corporate governance.

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

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

The Board is of the view that there is a sufficiently strong independent element on the Board to enable independent exercise of objective judgment on affairs and operation of the Group by members of the Board taking into account factors such as the number of Independent Directors on the Board, as well as the contributions made by each member at board meetings which relate to the affairs and operations of the Group. In this connection, the Board is of the view that there are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual.

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

BOARD MEMBERSHIP

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

Nominating Committee

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

The responsibilities of the NC are to determine the criteria for the appointment of new directors; to set up a process for the selection of such appointment and to review nominations for the appointment of directors to the Board and also to decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval. For the financial year ended 31 December 2011, 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, Dr Wu Chiaw Ching, Mr Lim Siang Kai, and Mr William da Silva will retire at the Company's forthcoming AGM and will be eligible for re-election.

The NC has recommended to the Board that Dr Wu Chiaw Ching, Mr Lim Siang Kai, and Mr William da Silva be nominated for re-appointment at the forthcoming AGM.

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

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

BOARD PERFORMANCE

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

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

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

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

ACCESS TO INFORMATION

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

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

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

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Remuneration Committee

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

The RC is responsible for recommending to the Board, a framework of remuneration for the Board and key executives. The RC reviews and recommends remuneration policies and packages that attract, retain and motivate directors and senior management to run the Company successfully. The review of remuneration packages takes into consideration the longer term interests of the Group and ensures that the interests of the Directors and senior management are aligned with those of the shareholders. The review covers all aspects of remuneration, including, but not limited to, Directors' salaries, fees, allowances, bonuses, options, profit sharing and benefits-in-kind. For the financial year ended 31 December 2011, the RC met on two occasions.

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

LEVEL AND MIX OF REMUNERATION

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

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

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

Service Agreements

The service agreements (the "Service Agreement") with the Executive Directors namely, Mr Steven Chen Choon Khee, Mr Joseph Ang Choon Cheng, Mr Eric Ang Choon Beng and Mr Tsng Joo Peng are for a fixed appointment period. The Executive Directors do not receive Director's fees. Each of their remuneration packages as set out in their respective Service Agreements consists 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 AGMs, the independent Directors do not receive any other forms of remuneration from the Company.

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

DISCLOSURE ON REMUNERATION

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

A breakdown, showing the level and mix of each Director's remuneration for the year ended 31 December 2011 is as follows:-

Remuneration Band and Name of Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than S$250,000					
Dr Wu Chiaw Ching	–	100%	–	–	100%
Lim Siang Kai	–	100%	–	–	100%
William da Silva	–	100%	–	–	100%
S$250,000 to S$499,999					
Nil					
S$500,000 to S$749,999					
Steven Chen Choon Khee	75%	–	7%	18%	100%
Joseph Ang Choon Cheng	74%	–	7%	19%	100%
Eric Ang Choon Beng	71%	–	7%	22%	100%
Tsng Joo Peng	72%	–	6%	22%	100%

The summary of the top 5 key executives' remuneration for the year ended 31 December 2011 is as follows:-

Remuneration Band and Name of Executive	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than $250,000					
Nil					
$250,000 to $499,999					
Edward Chia Puay Hwee	88%	–	11%	1%	100%
Ken Tan Aik Kwong	91%	–	8%	1%	100%
Chen Choon Hwee	78%	–	20%	2%	100%
Kelvin Neo Han Cheng	78%	–	20%	2%	100%
Yun Chee Keen*	91%	–	7%	2%	100%

* Resigned on 20 January 2012

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

Except as disclosed below, the Company does not have any employee who is an immediate family member of a Director or the CEO and whose remuneration exceeds S$150,000 for the year ended 31 December 2011.

Remuneration Band and Name of any employee who is an immediate family member of a Director	Salary %	Fees %	Bonus %	Other benefits %	Total %
Less than $250,000					
Ang Choon Teck	88%	–	11%	1%	100%

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

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

AUDIT

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

Audit Committee

The AC comprises three members, namely, Mr Lim Siang Kai (Lead Independent Director), Mr William da Silva (Independent Director) and Dr Wu Chiaw Ching (Independent Director). The Chairman of the AC is Mr Lim Siang Kai. The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company. For the financial year ended 31 December 2011, the AC met on three occasions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INTERNAL CONTROLS & INTERNAL AUDIT

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

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

The Board recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. Rule 719(1) of the SGX Listing Manual requires an issuer to have a robust and effective system of internal controls, addressing financial, operational and compliance risks. Effective internal controls not only refer to financial controls but include, among others, business risk assessment 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, with the participation 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 Board, with the concurrence of the AC, are of the view 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 deliberations and copies of these reports are given to the relevant senior management.

(D) COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

(E) DEALING IN SECURITIES

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

In addition, all officers are expected to observe insider trading laws at all times even when dealing in securities within permitted trading periods. They also should not deal in the Company's shares on short-term considerations.

(F) INTERESTED PERSON TRANSACTIONS

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

There were no Interested Person Transactions for disclosure according to Rule 907 of the SGX Listing Manual for the financial year ended 31 December 2011. Disclosure of significant related parties transactions is found on page 102 in this Annual Report.

(G) USE OF PROCEEDS FROM WARRANTS ISSUE

Since 2008, the Company had raised approximately S$4.7 million after deducting the Warrants Issue expenses from its Warrant Issue exercise. The Warrants Issue proceeds of approximately S$1.5 million were earmarked for the expansion of the air-conditioner and switchgear business in Singapore, the People's Republic of China, India, Cambodia and/or Malaysia and the balance of approximately S$3.2 million for working capital purposes.

As at 31 December 2011, approximately S$942,000 of such proceeds earmarked for the expansion of the air-conditioner and switchgear business in Singapore, the People's Republic of China, India, Cambodia and/or Malaysia were utilised, and there is a balance of approximately S$562,000 from the proceeds unutilised. Pending deployment of the proceeds, the Company has utilised this sum as working capital.

(H) NON-SPONSOR FEE

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is CNP Compliance Pte Ltd ("Sponsor"). There was no non-sponsor fee paid to the Sponsor by the Company for the year ended 31 December 2011.

The total amount of fees paid to the affiliates of CNP Compliance Pte. Ltd., namely Colin Ng & Partners LLP for legal work done for the year ended 31 December 2011 was approximately S$83,000 (excluding disbursements and GST).

(I) MATERIAL CONTRACTS

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

Other than disclosed in the audited financial statements, there are no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholder subsisting at the end of the financial year ended 31 December 2011.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

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

* By Invitation

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 2011.

Directors

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

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

Directors' interests

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

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
The Company		
Ordinary shares		
Steven Chen Choon Khee		
- interest held	7,943,525	12,638,082
- deemed interest	7,600,000	7,600,000
Joseph Ang Choon Cheng		
- interest held	14,886,592	18,799,069
- deemed interest	2,430,001	3,150,001
Eric Ang Choon Beng		
- interest held	5,549,540	7,831,352
- deemed interest	1,000	1,000
Tsng Joo Peng		
- interest held	241,085	3,435,660
- deemed interest	11,300,000	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
The Company		
Warrants to subscribe for ordinary shares		
Steven Chen Choon Khee		
- interest held	4,694,557	–
Joseph Ang Choon Cheng		
- interest held	3,912,477	–
- deemed interest	720,000	–
Eric Ang Choon Beng		
- interest held	2,281,812	–
Tsng Joo Peng		
- interest held	1,604,575	–
- deemed interest	1,590,000	–

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2012.

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

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 30 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

During the financial year, there were:-

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

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

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

Audit Committee

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

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

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

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

The Audit Committee also reviewed the following:-

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

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

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

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712, 715 and 716 of the SGX Listing Manual.

Auditors

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

On behalf of the Board of Directors

Steven Chen Choon Khee
Director

Joseph Ang Choon Cheng
Director

30 March 2012

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 43 to 103 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Steven Chen Choon Khee
Director

Joseph Ang Choon Cheng
Director

30 March 2012

Independent Auditors' Report

To the Members of Natural Cool Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of Natural Cool Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2011, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 and 103.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet 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 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
30 March 2012

Balance Sheets

As at 31st December 2011

	Note	Group 2011	Group 2010	Company 2011	Company 2010
		$	$	$	$
Assets					
Property, plant and equipment	4	16,056,708	13,775,711	–	–
Intangible assets	5	3,753,582	3,693,977	–	–
Club memberships		454,100	–	454,100	–
Investment properties	6	16,312,283	3,825,917	–	–
Subsidiaries	7	–	–	15,006,817	15,006,817
Deferred tax asset	17	2,128,000	2,128,000	–	–
Non-current assets		38,704,673	23,423,605	15,460,917	15,006,817
Inventories	8	19,618,615	15,519,538	–	–
Trade and other receivables	10	44,525,389	41,663,659	7,131,540	8,284,716
Cash and cash equivalents	11	10,257,363	25,951,513	130,329	4,518,033
		74,401,367	83,134,710	7,261,869	12,802,749
Non-current asset held for sale	12	–	11,214,276	–	–
Current assets		74,401,367	94,348,986	7,261,869	12,802,749
Total assets		113,106,040	117,772,591	22,722,786	27,809,566
Equity					
Share capital	13	28,956,902	25,629,354	28,956,902	25,629,354
Reserves	14	(3,524,287)	(2,284,367)	–	1,125,645
Accumulated profits/(losses)		9,943,260	16,689,182	(6,627,186)	(282,965)
Equity attributable to owners of the Company		35,375,875	40,034,169	22,329,716	26,472,034
Non-controlling interests		351,189	592,614	–	–
Total equity		35,727,064	40,626,783	22,329,716	26,472,034
Liabilities					
Loans and borrowings	15	13,577,700	5,579,592	–	–
Deferred tax liabilities	16	445,925	752,539	–	–
Non-current liabilities		14,023,625	6,332,131	–	–
Trade and other payables	17	56,338,025	53,639,259	386,383	1,212,532
Loans and borrowings	15	4,428,791	13,950,209	–	125,000
Current tax payable		2,588,535	3,224,209	6,687	–
Current liabilities		63,355,351	70,813,677	393,070	1,337,532
Total liabilities		77,378,976	77,145,808	393,070	1,337,532
Total equity and liabilities		113,106,040	117,772,591	22,722,786	27,809,566

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

Consolidated Income Statement

For the year ended 31st December 2011

	Note	Group 2011 $	Group 2010 $
Revenue	19	136,920,392	136,393,405
Cost of sales		(112,633,063)	(106,467,766)
Gross profit		24,287,329	29,925,639
Other income	20	1,344,721	9,989,530
Distribution expenses		(6,454,842)	(5,665,704)
Administrative expenses		(20,607,364)	(23,338,566)
Other expenses		(1,562,856)	(389,793)
Results from operating activities		(2,993,012)	10,521,106
Finance costs	21	(1,237,339)	(2,596,261)
(Loss)/Profit before tax		(4,230,351)	7,924,845
Tax credits/(expenses)	22	570,576	(1,091,797)
(Loss)/Profit for the year		(3,659,775)	6,833,048
(Loss)/Profit attributable to:			
Owners of the Company		(3,473,868)	6,712,231
Non-controlling interests		(185,907)	120,817
(Loss)/Profit for the year	23	(3,659,775)	6,833,048
(Loss)/Earnings per share	24		
Basic (loss)/earnings per share (cents)		(2.27)	4.82
Diluted (loss)/earnings per share (cents)		(2.27)	4.63

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

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

	Group	
	2011	2010
	$	$
(Loss)/Profit for the year	(3,659,775)	6,833,048
Other comprehensive income		
Foreign currency translation differences for foreign operations	(169,793)	31,884
Total comprehensive income for the year	(3,829,568)	6,864,932
Total comprehensive income attributable to:		
Owners of the Company	(3,588,143)	6,765,153
Non-controlling interests	(241,425)	99,779
Total comprehensive income for the year	(3,829,568)	6,864,932

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

Consolidated Statement of Changes in Equity

For the year ended 31st December 2011

Group	Share capital $	Capital reserve $	Translation reserve $	Warrants reserve $	Accumulated profits $	Total attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 1 January 2010	23,950,339	(3,377,530)	(85,404)	1,175,276	9,976,951	31,639,632	492,835	32,132,467
Total comprehensive income for the year								
Profit for the year	–	–	–	–	6,712,231	6,712,231	120,817	6,833,048
Other comprehensive income								
Foreign currency translation differences	–	–	52,922	–	–	52,922	(21,038)	31,884
Total comprehensive income for the year	–	–	52,922	–	6,712,231	6,765,153	99,779	6,864,932
Transactions with owners, recorded directly in equity								
Exercise of warrants	1,679,015	–	–	(49,631)	–	1,629,384	–	1,629,384
At 31 December 2010	25,629,354	(3,377,530)	(32,482)	1,125,645	16,689,182	40,034,169	592,614	40,626,783
At 1 January 2011								
Total comprehensive income for the year	25,629,354	(3,377,530)	(32,482)	1,125,645	16,689,182	40,034,169	592,614	40,626,783
Loss for the year	–	–	–	–	(3,473,868)	(3,473,868)	(185,907)	(3,659,775)
Other comprehensive income								
Foreign currency translation differences	–	–	(114,275)	–	–	(114,275)	(55,518)	(169,793)
Total comprehensive loss for the year	–	–	(114,275)	–	(3,473,868)	(3,588,143)	(241,425)	(3,829,568)
Transactions with owners, recorded directly in equity								
Exercise of warrants	3,327,548	–	–	(1,125,645)	–	2,201,903	–	2,201,903
Dividends paid (2.00 cents per ordinary share)	–	–	–	–	(3,272,054)	(3,272,054)	–	(3,272,054)
At 31 December 2011	28,956,902	(3,377,530)	(146,757)	–	9,943,260	35,375,875	351,189	35,727,064

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

Consolidated Statement of Cash Flows

For the year ended 31st December 2011

	Note	Group 2011	2010
		$	$
Operating activities			
(Loss)/Profit for the year		(3,659,775)	6,833,048
Adjustments for:			
Amortisation of deferred revenue		(1,300,000)	(482,258)
Amortisation of club memberships		454,100	–
Amortisation of intangible assets		243,858	364,761
Depreciation of investment properties		327,913	307,821
Depreciation of property, plant and equipment		2,356,798	2,431,679
Gain on disposal of property, plant and equipment		(435,508)	(7,562,865)
Impairment loss on property, plant and equipment		377,763	–
Listing expenses		1,618,113	649,219
Loss on disposal of investment property		–	42,980
Plant and equipment written-off		394	38,385
Interest expenses		1,237,339	2,596,261
Interest income		(15,448)	(83,722)
Tax (credits)/expenses		(570,576)	1,091,797
		634,971	6,227,106
Changes in working capital:			
Inventories		(4,099,077)	3,110,958
Trade and other receivables		(4,356,625)	3,326,539
Trade and other payables		3,675,958	(5,927,908)
Cash (used in)/generated from operations		(4,144,773)	6,736,695
Taxes paid		(371,712)	(1,230,503)
Cash flows (used in)/from operating activities		(4,516,485)	5,506,192
Investing activities			
Interest received		15,448	83,722
Proceeds from disposal of investment property		–	1,140,000
Proceeds from disposal of property, plant and equipment		822,818	50,870,350
Purchase of computer software		(62,363)	(20,140)
Purchase of industrial certificates		(337,075)	(134,323)
Purchase of property, plant and equipment		(3,563,340)	(2,220,456)
Purchase of investment property		(1,600,000)	–
Purchase of club memberships		(908,200)	–
Receipt of profit guarantee		360,000	600,000
Cash flows (used in)/from investing activities		(5,272,712)	50,319,153

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

Consolidated Statement of Cash Flows

For the year ended 31st December 2011

	Note	Group 2011 $	Group 2010 $
Financing activities			
Computer software grant received		98,825	–
Dividends paid		(3,272,054)	–
Fixed deposits pledged		100,559	1,399,498
Interest paid		(1,237,339)	(2,596,261)
Non-trade amounts due to subsidiaries directors		–	(76,137)
Non-trade amounts due from related party		(775)	–
Payment of listing expenses		(490,980)	(1,365,655)
Proceeds from issue of shares from the exercise of warrants of the Company		2,201,903	129,384
Proceeds from borrowings		1,629,718	5,352,600
Repayment of bank borrowings		(3,470,777)	(31,332,727)
Repayment of finance lease liabilities		(1,383,857)	(1,449,110)
Security deposit paid		–	(6,482,715)
Cash flows used in financing activities		(5,824,777)	(36,421,123)
Net (decrease)/increase in cash and cash equivalents		(15,613,974)	19,404,222
Effect of changes in foreign exchange rate		60,677	(78,914)
Cash and cash equivalents at beginning of year		25,348,352	6,023,044
Cash and cash equivalents at end of year	11	9,795,055	25,348,352

Significant non-cash transaction

In 2010, the Company issued 7,500,000 ordinary shares upon exercise of warrants by the warrant holder as settlement of $1,500,000 loan owing to them.

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 30 March 2012.

1 Domicile and activities

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

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

- Air-conditioning: trading of air-conditioners, air-condition components, systems and units, air-condition installation, servicing and re-conditioning;

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

- Investment: properties investment holding.

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

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Uses of estimates and judgements

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

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

2 Basis of preparation (Continued)

2.4 Uses of estimates and judgements (Continued)

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

- Note 4 – estimated useful lives of property, plant and equipment
- Note 5 – measurement of recoverable amounts of goodwill and estimated useful lives of intangible assets
- Note 6 – measurement of recoverable amount of investment properties
- Note 8 – valuation of carrying amount of inventories
- Note 12 – measurement of recoverable amount of non-current asset held for sale
- Note 18 – recoverability of trade and other receivables
- Note 19 – revenue and profit recognition on uncompleted projects
- Note 29 – contingent asset

2.5 Changes in accounting policies

(i) *Identification of related party relationships and related party disclosures*

From 1 January 2011, the Group applied the revised FRS 24 Related Party Disclosures (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) has not resulted in additional parties being identified as related to the Group. Transactions and outstanding balances, including commitments, with related parties for the current and comparative years are disclosed in note 30 to the financial statements.

The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) has no impact on earnings per share.

(ii) *Other new standards and interpretations adopted*

The Group also adopted other new/revised FRSs and interpretations which became effective during the year. The initial adoption of these FRSs and interpretations did not have a material impact on the financial statements.

3 Significant accounting policies

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

3.1 Basis of consolidation

(i) *Subsidiaries*

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

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

(ii) *Acquisitions from entities under common control*

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

(iii) *Transactions eliminated on consolidation*

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

(iv) *Accounting for subsidiaries*

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

3.2 Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

3 Significant accounting policies (Continued)

3.2 Foreign currency (Continued)

(ii) *Foreign operations*

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

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

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

3.3 Financial instruments

(i) *Non-derivative financial assets*

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group classifies non-derivative financial assets into the loans and receivables category.

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(i) *Non-derivative financial assets (Continued)*

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with original maturities of three months or less. For the purpose of the consolidated cash flow statement, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(ii) *Non-derivative financial liabilities*

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

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

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

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

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

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

(iii) *Share capital*

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

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(iv) *Intra-group financial guarantees*

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

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

3.4 Property, plant and equipment

(i) *Recognition and measurement*

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

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

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

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

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

(ii) *Subsequent costs*

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

3 Significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

(iii) *Depreciation*

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

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

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

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

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

3.5 *Intangible assets*

(i) *Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

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

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

3 Significant accounting policies (Continued)

3.5 Intangible assets (Continued)

(ii) *Computer software*

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

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

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

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

(iii) *Industrial certificates*

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

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

(iv) *Customer contracts*

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

(v) *Subsequent expenditure*

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

3 Significant accounting policies (Continued)

3.6 Investment property

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

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

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

3.7 Leased assets

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

Other leases are operating leases and are not recognised in the Group's balance sheet.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

Construction contracts in progress

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 3.14) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as part of inventories in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed the costs incurred plus recognised profits, then the difference is presented as excess of progress billings over construction contracts in progress as part of trade and other payables in the balance sheet.

3 Significant accounting policies (Continued)

3.9 Impairment

(i) *Non-derivative financial assets*

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

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

Loans and receivables

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

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

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

(ii) *Non-financial assets*

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

3 Significant accounting policies (Continued)

3.9 Impairment (Continued)

(ii) *Non-financial assets (Continued)*

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

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

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

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

3.10 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, the assets are generally 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 profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not depreciated.

3 Significant accounting policies (Continued)

3.11 Employee benefits

(i) *Defined contribution plans*

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

(ii) *Short-term employee benefits*

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

3.12 Deferred revenue

(i) *Advance payments received from customers*

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

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

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

3.13 Provisions

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

3.14 Revenue

(i) *Goods sold*

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

3 Significant accounting policies (Continued)

3.14 Revenue (Continued)

(i) *Goods sold (Continued)*

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

(ii) *Services rendered*

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

(iii) *Construction contracts*

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

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

(iv) *Rental income*

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

3.15 Government grants

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

An unconditional government grant related to a computer software is recognised in profit or loss as other income when the grant becomes receivable.

3.16 Lease payments

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

3 Significant accounting policies (Continued)

3.16 Lease payments (Continued)

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

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

Determining whether an arrangement contains a lease

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

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

3.17 Finance income and costs

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

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the profit or loss using the effective interest method.

3.18 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3 Significant accounting policies (Continued)

3.18 Tax (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Company believes that certain positions may not be full sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and many involve a series of multifaceted judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.19 Warrants

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

3 Significant accounting policies (Continued)

3.20 Earnings per share

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

3.21 Segment reporting

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

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

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

3.22 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. Management is currently assessing the initial application of these standards (and its consequential amendments) and interpretations.

4 Property, plant and equipment

	Note	Freehold Land $	Freehold properties $	Leasehold properties $	Computers $	Furniture, fittings and office equipment $	Motor vehicles $	Tools and machineries $	Renovation $	Total $
Group										
Cost										
At 1 January		4,705,385	5,004,416	30,932,749	1,252,182	1,248,941	3,165,387	6,175,545	2,617,443	55,102,048
Additions		–	–	–	79,310	122,009	118,524	267,783	1,701,367	2,288,993
Disposals/write-offs		–	–	(30,932,749)	(448,957)	(79,341)	(411,937)	(73,601)	(593,774)	(32,540,359)
Reclassification to investment properties	6	(2,967,794)	(1,091,796)	–	–	–	–	–	–	(4,059,590)
Translation differences on consolidation		38,457	86,596	–	470	98	(3,648)	(37,782)	9,010	93,201
At 31 December 2010		1,776,048	3,999,216	–	883,005	1,291,707	2,868,326	6,331,945	3,734,046	20,884,293
Additions		–	–	–	126,776	421,466	1,789,198	1,466,325	1,651,172	5,454,937
Disposals/write-offs		–	–	–	–	(2,680)	(1,219,212)	(819,819)	–	(2,041,711)
Translation differences on consolidation		(40,991)	92,018	–	(3,430)	(7,308)	(12,416)	(131,498)	(23,612)	(127,237)
At 31 December 2011		1,735,057	4,091,234	–	1,006,351	1,703,185	3,425,896	6,846,953	5,361,606	24,170,282
Accumulated depreciation and impairment losses										
At 1 January 2010		–	258,371	644,432	801,878	360,708	2,284,110	1,950,234	447,605	6,747,338
Depreciation for the year		–	91,736	300,735	240,528	252,042	190,462	697,423	658,753	2,431,679
Disposals/write-offs		–	–	(945,167)	(446,730)	(53,391)	(278,175)	(6,555)	(101,015)	(1,831,033)
Reclassification to investment properties	6	–	(222,755)	–	–	–	–	–	–	(222,755)
Translation differences on consolidation		–	196	–	(431)	(757)	(1,537)	(14,101)	(17)	(16,647)
At 31 December 2010		–	127,548	–	595,245	558,602	2,194,860	2,627,001	1,005,326	7,108,582
Depreciation for the year		–	81,434	–	211,382	279,349	239,932	624,272	920,429	2,356,798
Disposals/write-offs		–	–	–	–	(1,561)	(1,139,763)	(512,683)	–	(1,654,007)
Impairment loss		–	–	–	–	1,327	–	–	376,436	377,763
Translation differences on consolidation		–	(2,740)	–	(2,507)	(4,068)	(5,609)	(55,715)	(4,923)	(75,562)
At 31 December 2011		–	206,242	–	804,120	833,649	1,289,420	2,682,875	2,297,268	8,113,574
Carrying amounts										
At 1 January 2010		4,705,385	4,746,045	30,288,317	450,304	888,233	881,277	4,225,311	2,169,838	48,354,710
At 31 December 2010		1,776,048	3,871,668	–	287,760	733,105	673,466	3,704,944	2,728,720	13,775,711
At 31 December 2011		1,735,057	3,884,992	–	202,231	869,536	2,136,476	4,164,078	3,064,338	16,056,708

4 Property, plant and equipment (Continued)

Securities

As at the balance sheet date, net book values of property, plant and equipment pledged as security to secure banking facilities as set out in note 15 to the financial statements were as follows:

	2011	2010
	$	$
Freehold land and properties	5,620,049	5,647,716
Machineries	343,180	251,853
	5,963,229	5,899,569

Leased assets

During the financial year, the Group acquired property, plant and equipment under finance lease amounted to $1,741,900 (2010: $161,666). As at the balance sheet date, net book values of property, plant and equipment which were held under finance leases were as follows:

	2011	2010
	$	$
Motor vehicles	1,658,373	224,770
Machineries	1,481,616	1,608,870
Computers	19,510	103,156
Equipment	–	4,805
Renovation	–	211,196
	3,159,499	2,152,797

Freehold properties

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

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

4 Property, plant and equipment (Continued)

Sources of estimation uncertainty

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

5 Intangible assets

	Goodwill on consolidation	Computer software	Industrial certificates	Customer contracts	Total
	$	$	$	$	$
Group					
Cost					
At 1 January 2010	1,879,134	954,492	1,522,484	71,936	4,428,046
Additions	–	3,672	134,323	–	137,995
Translation differences on consolidation	–	401	620	–	1,021
At 31 December 2010	1,879,134	958,565	1,657,427	71,936	4,567,062
Additions	–	62,363	337,075	–	399,438
Disposals	–	(98,825)	–	–	(98,825)
Translation differences on consolidation	–	3,145	(650)	–	2,495
At 31 December 2011	1,879,134	925,248	1,993,852	71,936	4,870,170
Accumulated amortisation and impairment losses					
At 1 January 2010	–	436,312	–	71,936	508,248
Amortisation for the year	–	238,801	125,960	–	364,761
Translation differences on consolidation	–	89	(13)	–	76
At 31 December 2010	–	675,202	125,947	71,936	873,085
Amortisation for the year	–	172,675	71,183	–	243,858
Translation differences on consolidation	–	(325)	(30)	–	(355)
At 31 December 2011	–	847,552	197,100	71,936	1,116,588
Carrying amounts					
At 1 January 2010	1,879,134	518,180	1,522,484	–	3,919,798
At 31 December 2010	1,879,134	283,363	1,531,480	–	3,693,977
At 31 December 2011	1,879,134	77,696	1,796,752	–	3,753,582

5 Intangible assets (Continued)

As at balance sheet date, net book values of computer software, which were held under finance lease amounted to $2,240 (2010: $121,348).

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

Goodwill

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

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

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

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

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

Key assumptions used for the value-in-use calculation for the year ended 31 December 2012 are as follows:

- The anticipated revenue growth in the year ending 31 December 2012 was 17%. The order book as at 31 January 2012 was $35million. These orders are expected to be delivered by 31 December 2012;

- Pre-tax discount rate of 8% has been applied to pre-tax cash flow projections; and

- No terminal value has been considered.

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

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

5 Intangible assets (Continued)

Amortisation

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

6 Investment properties

	Note	Freehold land	Freehold property	Leasehold properties	Total
		$	$	$	$
Group					
Cost					
At 1 January 2010		–	–	13,172,619	13,172,619
Reclassification from property, plant and equipment	4	2,967,794	1,091,796	–	4,059,590
Reclassification to non-current asset held for sale	12	–	–	(11,888,096)	(11,888,096)
Disposal		–	–	(1,284,523)	(1,284,523)
At 31 December 2010		2,967,794	1,091,796	–	4,059,590
Addition		–	–	1,600,000	1,600,000
Reclassification from non-current asset held for sale	12	–	–	11,214,279	11,214,279
At 31 December 2011		2,967,794	1,091,796	12,814,279	16,873,869
Accumulated depreciation and impairment losses					
At 1 January 2010		–	–	478,460	478,460
Reclassification from property, plant and equipment	4	–	222,755	–	222,755
Reclassification to non-current asset held for sale	12	–	–	(673,820)	(673,820)
Depreciation for the year		–	10,918	296,903	307,821
Disposal		–	–	(101,543)	(101,543)
At 31 December 2010		–	233,673	–	233,673
Depreciation for the year		–	21,836	306,077	327,913
At 31 December 2011		–	255,509	306,077	561,586
Carrying amounts					
At 1 January 2010		–	–	12,694,159	12,694,159
At 31 December 2010		2,967,794	858,123	–	3,825,917
At 31 December 2011		2,967,794	836,287	12,508,202	16,312,283

6 Investment properties (Continued)

As at 31 December 2011, the fair values of the Group's investment properties located at 202 Tagore Lane, 682 Hougang Avenue and 20 Benoi Cresent ("Benoi property") with carrying amounts of $3,804,082, $1,582,702 and $10,925,500 were $4,350,000, $1,600,000 and $11,000,000 respectively. The fair values for 202 Tagore Lane and 682 Hougang Avenue were determined in January 2012 by Savills Valuation and Professional Services (S) Pte Ltd and the fair value for 20 Benoi Cresent was determined in February 2012 by GSK Global Pte Ltd.

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

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

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

	2011	2010
	$	$
Within 1 year	135,505	114,000
After 1 year but within 5 years	52,336	57,000
	187,841	171,000

Securities

As at balance sheet date, investment properties of the Group with carrying amounts of $16,312,283 (2010: $3,825,917) are pledged as security to secure bank loans (see note 15).

Freehold property

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

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

7 Subsidiaries

	Company 2011	Company 2010
	$	$
Equity investments, at cost	15,006,817	15,006,817

Details of significant subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective equity held by the Group 2011	Effective equity held by the Group 2010
		%	%
Held by the Company			
Natural Cool Airconditioning & Engineering Pte Ltd ("NCAE")	Singapore	100	100
Natural Cool Investments Pte. Ltd. ("NCI")	Singapore	100	100
Gathergates Holding Limited ("GG(C)")	Cayman Islands	100@	100@
Held by a subsidiary of GG(C)			
Titans Power Holding Pte. Ltd. ("TPH")	Singapore	100	100
S-Team Switchgear Private Limited ("S-Team")	Singapore	100	100
Held by TPH			
Titans Power System Pte. Ltd.	Singapore	100	100
Titans Industries (M) Sdn. Bhd.	Malaysia	100	100

@ Not required to be audited in the country of incorporation

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

8 Inventories

	Note	Group 2011	Group 2010
		$	$
Raw materials		5,999,633	4,583,770
Work-in-progress		924,040	279,752
Finished goods		11,813,108	8,959,890
Construction contracts in progress	9	881,834	1,696,126
		19,618,615	15,519,538

8 Inventories (Continued)

The cost of inventories recognised as an expense and included in the cost of sales of the Group amounted to $77,878,760 (2010: $75,243,408). As at balance sheet date, inventories amounting to $191,496 (2010: $302,581) are pledged under fixed and floating charge to secure banking facilities.

Management reviews an ageing analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items that are identified as obsolete and slow-moving, if any. Management estimates the net realisable value for goods for resale based primarily on the latest selling prices and current market conditions. Allowances for inventories of $42,830 were made as at 31 December 2011 (2010: $nil). Adjustments to the carrying amount of inventories will be made in future periods in the event the carrying amounts may not be recoverable resulting from future loss events.

9 Construction work-in-progress

	Note	Group 2011	Group 2010
		$	$
Contract costs incurred		29,667,878	29,106,667
Attributable profits		3,443,376	3,675,631
		33,111,254	32,782,298
Progress billings		(32,340,132)	(29,953,824)
		771,122	2,828,474
Comprising			
Construction contracts in progress	8	881,834	1,696,126
Retention sum included in accrued revenue		2,797,766	1,864,805
Excess of progress billings over construction contracts in progress	17	(2,908,478)	(732,457)
		771,122	2,828,474

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

10 Trade and other receivables

	Note	Group 2011	Group 2010	Company 2011	Company 2010
		$	$	$	$
Trade receivables					
- third parties		28,823,405	25,787,671	–	–
Amounts due from subsidiaries					
- trade		–	–	410,197	335,846
- non-trade		–	–	940,475	395,798
Amount due from related party					
- non-trade		775	–	–	–
Accrued discounts receivable		1,363,376	1,948,432	–	–
Receivable from profit guarantee	(i)	–	361,944	–	–
Other receivables		1,134,162	494,577	–	–
Dividend receivable		–	–	5,730,000	6,870,000
		31,321,718	28,592,624	7,080,672	7,601,644
Impairment losses		(1,073,607)	(742,299)	–	–
Loans and receivables	18	30,248,111	27,850,325	7,080,672	7,601,644
Accrued revenue		4,392,015	4,160,478	–	–
Deposits		9,138,903	7,291,795	–	113,300
Prepayments		274,279	1,233,852	50,868	569,772
Advances to suppliers		472,081	1,127,209	–	–
		44,525,389	41,663,659	7,131,540	8,284,716

(i) The balance in 2010 related to remaining compensation receivable arising from profit guarantee arrangement with the vendors of a subsidiary under liquidation. The balance was received during the year.

Accrued revenue for the Group includes retention sums relating to construction contracts of $3,249,131 (2010: $2,567,230).

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

The Group and Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables are disclosed in note 18.

11 Cash and cash equivalents

	Note	Group 2011	Group 2010	Company 2011	Company 2010
		$	$	$	$
Cash at bank and in hand		9,213,782	23,326,221	130,329	4,518,033
Fixed deposits		1,043,581	2,625,292	–	–
Cash and cash equivalents in the balance sheet	18	10,257,363	25,951,513	130,329	4,518,033
Pledged deposits		(350,457)	(451,016)		
Bank overdrafts - secured	15	(111,851)	(152,145)		
		(462,308)	(603,161)		
Cash and cash equivalents in cash flow statement		9,795,055	25,348,352		

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

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

The Group and Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 18.

12 Non-current asset held for sale

	Note	Group 2011	Group 2010
		$	$
At 1 January		11,214,276	–
Reclassification (to)/from investment properties	6	(11,214,276)	11,214,276
At 31 December		–	11,214,276

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

In 2011, the Benoi property has been reclassified from non-current asset held for sale to investment property as the option for the property has lapsed without being exercised.

13 Share capital

	Company			
	2011		2010	
	No. of shares	$	No. of shares	$
Fully paid ordinary shares, with no par value				
At 1 January	143,427,621	25,629,354	134,633,781	23,950,339
Issue of shares on the exercise of warrants (net of expenses)	22,020,364	3,327,548	8,793,840	1,679,015
At 31 December	165,447,985	28,956,902	143,427,621	25,629,354

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

In 2008, the Company issued 31,728,024 warrants at $0.06 per warrant on the basis of three warrants for every ten existing ordinary shares held. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of $0.10 per share on or before 1 July 2011. 22,020,364 warrants were exercised in 2011 (2010: 1,293,840) and the remaining 540,119 warrants expired on 1 July 2011. The number of outstanding warrants as at 31 December 2011 was nil (2010: 22,560,483).

In 2009, the Company issued 20,000,000 warrants at nil consideration in connection with a 2-years loan amounting to $4,000,000 (the "Loan") from Frankland Investments Ltd ("FIL"), a company incorporated in the British Virgin Islands. FIL has the option to set off against the outstanding Loan amount owed by the Group upon exercise of each warrant held. Subject to a maximum payment of $200,000, the Group was required to pay FIL at $0.01 per warrant for any outstanding warrants not exercised by FIL upon expiry of the exercise period. FIL has the option to transfer the warrants to third parties. In 2010, FIL exercised 7,500,000 warrants to set off the outstanding Loan of $1,500,000. The remaining 12,500,000 warrants expired on 22 December 2011.

14 Reserves

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Capital reserve	(3,377,530)	(3,377,530)	–	–
Translation reserve	(146,757)	(32,482)	–	–
Warrants reserve	–	1,125,645	–	1,125,645
	(3,524,287)	(2,284,367)	–	1,125,645

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

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

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

15 Loans and borrowings

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

		Group		Company	
	Note	2011	2010	2011	2010
		$	$	$	$
Non-current liabilities					
Unsecured					
Bridging loan		938,480	1,699,701	–	–
Secured					
Bank loans		11,065,810	2,877,035	–	–
Finance lease liabilities		1,573,410	1,002,856	–	–
		12,639,220	3,879,891	–	–
Total non-current liabilities		13,577,700	5,579,592	–	–
Current liabilities					
Unsecured					
Bridging loan		761,221	724,392	–	–
Short-term loans		1,628,445	2,778,727	–	–
		2,389,666	3,503,119	–	–
Secured					
Bank overdrafts	11	111,851	152,145	–	–
Current portion of bank loans		877,128	8,730,415	–	125,000
Short-term loans		193,728	495,601	–	–
Finance lease liabilities		856,418	1,068,929	–	–
		2,039,125	10,447,090	–	125,000
Total current liabilities		4,428,791	13,950,209	–	125,000
Total loans and borrowings		18,006,491	19,529,801	–	125,000

15 Loans and borrowings (Continued)

Terms and debt repayment schedule

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

	Nominal interest rate	Year of maturity	2011 Face value	2011 Carrying amount	2010 Face value	2010 Carrying amount
	%		$	$	$	$
Group						
Bank overdrafts	benchmark prime lending rate + 0.25%	2012	111,851	111,851	152,145	152,145
RM floating rate loans	prime rate - 1.25%	2013-2023	2,136,770	2,136,770	2,302,177	2,302,177
S$ floating rate loans	from 1.25% below prime rate to 0.75% above prime rate	2012-2024	9,806,168	9,806,168	9,552,081	9,552,081
Hong Kong dollars floating rate loan	prime rate	2012	1,628,445	1,628,445	1,278,727	1,278,727
Japanese yen floating rate loan	LIBOR + 1.85%	2011	–	–	495,601	495,601
Indian rupee floating rate loan	prime rate + 0.5%	2012	193,728	193,728	–	–
S$ fixed rate loans	4.50-7.50	2016-2019	1,699,701	1,699,701	3,677,285	3,677,285
Finance lease liabilities	3.00-7.05	2012-2014	2,703,580	2,429,828	2,232,783	2,071,785
			18,280,243	18,006,491	19,690,799	19,529,801
Company						
S$ fixed rate loan	7.50%	2011	–	–	125,000	125,000

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain balance sheet ratios, minimum paid-up capital of its subsidiary and minimum level of net worth by the Group and its subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group and its subsidiaries were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 18. As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached.

15 Loans and borrowings (Continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2011			2010		
	Future minimum lease payments	Interest	Payments	Future minimum lease payments	Interest	Payments
	$	$	$	$	$	$
Group						
Within 1 year	856,418	104,203	960,621	1,068,929	101,168	1,170,097
After 1 year but within 5 years	1,266,105	158,536	1,424,641	970,412	57,585	1,027,997
After 5 years	307,305	11,013	318,318	32,444	2,245	34,689
	2,429,828	273,752	2,703,580	2,071,785	160,998	2,232,783

16 Deferred tax liabilities

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

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

16 Deferred tax liabilities (Continued)

	At 1/1/2010	Foreign currency translation difference	Reclassification of asset	Recognised in income statements (note 22)	At 31/12/2010
	$	$	$	$	$
Group					
Deferred tax liabilities					
Property, plant and equipment	865,665	1,110	–	(152,461)	714,314
Investment properties	108,949	–	(47,064)	(61,885)	–
Non-current asset held for sale	–	–	47,064	(8,839)	38,225
	974,614	1,110	–	(223,185)	752,539
Deferred tax assets					
Investment properties	(2,331)	–	–	2,331	–
	972,283	1,110	–	(220,854)	752,539

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	
	2011	2010	2011	2010
	$	$	$	$
Deferred tax liabilities	445,925	752,539	–	–

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Unutilised tax losses	656,423	163,618	–	–

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

17 Trade and other payables

	Note	Group 2011	Group 2010	Company 2011	Company 2010
		$	$	$	$
Trade payables					
- third parties		20,375,036	18,538,196	293,633	238,238
- subsidiary		–	–	3,179	9,314
Amount due to subsidiary, non-trade		–	–	162	–
Bills payable		15,275,273	11,587,214	–	–
Excess of progress billings over construction contracts in progress	9	2,908,478	732,457	–	–
Deposits received	(i)	2,490,643	2,568,507	–	–
Deferred revenue	(ii)	11,910,242	13,131,638	–	–
Accrued expenses		2,620,590	5,962,747	89,409	964,980
Other payables		757,763	1,118,500	–	–
		56,338,025	53,639,259	386,383	1,212,532

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

(ii) Includes deferred revenue of $11.2 million (2010: $12.5 million) representing the excess of selling price over the fair value, i.e. market value at the date of disposal for property located at 29 Tai Seng Avenue, Singapore 534119, which was disposed of under a sale and leaseback arrangement. The deferred revenue is amortised on a straight-line basis over the leaseback period of 10 years. As at 31 December 2011, deferred tax asset amounting to $2,128,000 (2010: $2,128,000) in respect of the deferred revenue has been recognised.

Outstanding balances with subsidiaries are unsecured, interest-free and repayable on demand.

The weighted average effective interest rate of bills payable of the Group at the end of the financial year is 2.30% to 3.50% (2010: 2.30% to 9.50%).

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

18 Financial instruments

Overview

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

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

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

18 Financial instruments (Continued)

Risk management framework

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

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

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

(i) Credit risk

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

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

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

		Group		Company	
	Note	2011	2010	2011	2010
		$	$	$	$
Loans and receivables	10	30,248,111	27,850,325	7,080,672	7,601,644
Cash and cash equivalents	11	10,257,363	25,951,513	130,329	4,518,033
Recognised financial assets		40,505,474	53,801,838	7,211,001	12,119,677
Intragroup financial guarantee		–	–	30,349,644	32,084,568
		40,505,474	53,801,838	37,560,645	44,204,245

18 Financial instruments (Continued)

(i) Credit risk (Continued)

Loans and receivables

Risk management policy

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Approximately 8.1% (2010: 7.5%) of the Group's revenue is attributable to sales transactions with a single customer.

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

Exposure to credit risk

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

	2011	2010
	$	$
Group		
Commercial	27,117,972	23,517,610
Retail	687,580	592,310
Trading	2,384,249	2,873,576
Others	58,310	866,829
	30,248,111	27,850,325
Company		
Commercial	6,023,987	7,601,644
Retail	1,056,685	–
	7,080,672	7,601,644

Impairment losses

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

18 Financial instruments (Continued)

(i) Credit risk (Continued)

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

	Gross 2011	Impairment losses 2011	Gross 2010	Impairment losses 2010
	$	$	$	$
Group				
Not past due	10,702,794	–	13,859,547	–
Past due 0 – 30 days	7,091,248	–	6,799,666	–
Past due 31 – 120 days	9,299,451	–	5,347,455	–
Past due 121 – 365 days	2,259,443	256	1,539,320	42,155
More than one year	1,968,782	1,073,351	1,046,636	700,144
	31,321,718	1,073,607	28,592,624	742,299
Company				
Not past due	6,670,516	–	7,265,798	–
Past due 0 – 30 days	2,273	–	–	–
Past due 31 – 120 days	3,146	–	–	–
Past due 121 – 365 days	74,007	–	270	–
More than one year	330,730	–	335,576	–
	7,080,672	–	7,601,644	–

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
At 1 January	742,299	2,391,907	–	–
Impairment loss recognised	332,247	366,864	–	–
Impairment loss utilised	–	(1,822,883)	–	–
Impairment loss written-back	–	(193,589)	–	–
Translation differences	(939)	–	–	–
At 31 December	1,073,607	742,299	–	–

18 Financial instruments (Continued)

(i) Credit risk (Continued)

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

The allowance accounts in respect of loans and receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2011, the Group and the Company do not have any collective impairment on its loans and receivables (2010: nil).

Cash and cash equivalents

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

Intragroup financial guarantees

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

(ii) Liquidity risk

Risk management policy

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

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

As at 31 December 2011, the Group maintains $24.0 million (2010: $22.8 million) of uncommitted credit facilities that can be drawn down to meet short-term financing needs. The ability of the Group to renew these facilities is dependent on the Group complying with the various financial covenants, continued support from its bankers and the operation of the Group's key bankers not being adversely affected by economic uncertainties and unfavourable business developments.

18 Financial instruments (Continued)

(ii) Liquidity risk (Continued)

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

	Carrying amount	Contractual undiscounted Cash flows Total	Within 1 year	Within 2 to 5 years	More than 5 years
	$	$	$	$	$
Group					
2011					
Non-derivative financial liabilities					
Variable interest rate loans	13,765,111	(17,807,287)	(3,398,841)	(5,610,773)	(8,797,673)
Fixed interest rate loans	1,699,701	(1,796,288)	(829,056)	(967,232)	–
Finance lease liabilities	2,429,828	(2,703,580)	(960,621)	(1,424,641)	(318,318)
Trade and other payables*	44,427,783	(44,530,380)	(44,530,380)	–	–
Bank overdrafts	111,851	(111,851)	(111,851)	–	–
	64,434,274	(66,949,386)	(49,830,749)	(8,002,646)	(9,115,991)
2010					
Non-derivative financial liabilities					
Variable interest rate loans	13,628,586	(15,039,684)	(11,385,608)	(1,671,987)	(1,982,089)
Fixed interest rate loans	3,677,285	(3,928,372)	(2,131,571)	(1,796,801)	–
Finance lease liabilities	2,071,785	(2,232,783)	(1,170,097)	(1,027,997)	(34,689)
Trade and other payables*	40,507,621	(40,582,580)	(40,582,580)	–	–
Bank overdrafts	152,145	(152,145)	(152,145)	–	–
	60,037,422	(61,935,564)	(55,422,001)	(4,496,785)	(2,016,778)

* *Exclude deferred revenue*

18 Financial instruments (Continued)

(ii) Liquidity risk (Continued)

	Carrying amount	Contractual undiscounted Cash flows Total	Within 1 year	Within 2 to 5 years	More than 5 years
	$	$	$	$	$
Company					
2011					
Non-derivative financial liabilities					
Trade and other payables	386,383	(386,383)	(386,383)	–	–
Intragroup financial guarantees	–	(30,349,644)	(30,349,644)	–	–
	386,383	(30,736,027)	(30,736,027)	–	–
2010					
Non-derivative financial liabilities					
Fixed interest rate loans	125,000	(125,000)	(125,000)	–	–
Trade and other payables	1,212,532	(1,212,532)	(1,212,532)	–	–
Intragroup financial guarantees	–	(32,084,568)	(32,084,568)	–	–
	1,337,532	(33,422,100)	(33,422,100)	–	–

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

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

(iii) Market risk

Risk management policy

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

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

18 Financial instruments (Continued)

(iii) Market risk (Continued)

Currency risk

Exposure to currency risk

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

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

	Singapore dollar	US dollar	Japanese yen	Hong Kong dollar
	$	$	$	$
2011				
Trade and other receivables	6,559,577	11,768	–	37,593
Cash and cash equivalents	7,702	481,426	–	–
Trade and other payables	(12,933,684)	(1,527,005)	–	–
Loans and borrowings	–	–	–	(1,628,445)
	(6,366,405)	(1,033,811)	–	(1,590,852)
2010				
Trade and other receivables	4,525,081	48,607	–	470,997
Cash and cash equivalents	18,701	68,103	–	–
Trade and other payables	(9,147,295)	(1,119,549)	–	(307,657)
Loans and borrowings	–	–	(495,602)	(1,278,727)
	(4,603,513)	(1,002,839)	(495,602)	(1,115,387)

The Company did not have any foreign currency transactions.

18 Financial instruments (Continued)

(iii) Market risk (Continued)

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated against the above currencies at 31 December would have increased (decreased) profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2010, as indicated below:

	Group	
	2011	**2010**
	$	$
Profit before tax		
Singapore dollar	(636,641)	(460,351)
US dollar	103,381	100,284
Japanese yen	–	49,560
Hong Kong dollars	159,085	111,539
	(374,175)	(198,968)

A 10% weakening of Singapore dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

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

	Group	
	2011	**2010**
	$	$
Fixed rate instruments		
Loans and borrowings	(4,129,529)	(5,749,070)
Bills payable	(15,275,273)	(11,587,214)
Fixed deposits	1,043,581	2,625,292
	(18,361,221)	(14,710,992)
Variable rate instruments		
Loans and borrowings	(13,876,962)	(13,780,731)

18 Financial instruments (Continued)

(iii) Market risk (Continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	2011		2010	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	$	$	$	$
Group				
Profit before tax				
Variable rate instruments	(138,770)	138,770	(137,807)	137,807

Capital management

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

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

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

18 Financial instruments (Continued)

Accounting classification and fair values

Fair values versus carrying amounts

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

	Note	Loans and receivables	Other financial liabilities within scope of FRS 39	Total carrying amount	Fair value
		$	$	$	$
Group					
31 December 2011					
Cash and cash equivalents	11	10,257,363	–	10,257,363	10,257,363
Trade and other receivables	10	44,525,389	–	44,525,389	44,525,389
		54,782,752	–	54,782,752	54,782,752
Fixed interest rate loans	15	–	1,699,701	1,699,701	1,886,802
Variable interest rate loans	15	–	13,765,111	13,765,111	13,765,111
Finance lease liabilities	15	–	2,429,828	2,429,828	2,613,366
Bank overdrafts	15	–	111,851	111,851	111,851
Trade and other payables*	17	–	44,427,783	44,427,783	44,427,783
		–	62,434,274	62,434,274	62,804,913
31 December 2010					
Cash and cash equivalents	11	25,951,513	–	25,951,513	25,951,513
Trade and other receivables	10	41,663,659	–	41,663,659	41,663,659
		67,615,172	–	67,615,172	67,615,172
Fixed interest rate loans	15	–	3,677,285	3,677,285	3,886,720
Variable interest rate loans	15	–	13,628,586	13,628,586	13,628,586
Finance lease liabilities	15	–	2,071,785	2,071,785	2,172,250
Bank overdrafts	15	–	152,145	152,145	152,145
Trade and other payables*	17	–	40,507,621	40,507,621	40,507,621
		–	60,037,422	60,037,422	60,347,322

* *Exclude deferred revenue*

18 Financial instruments (Continued)

Accounting classification and fair values (Continued)

	Note	Loans and receivables	Other financial liabilities within scope of FRS 39	Total carrying amount	Fair value
		$	$	$	$
Company					
31 December 2011					
Cash and cash equivalents	11	130,329	–	130,329	130,329
Trade and other receivables	10	7,131,540	–	7,131,540	7,131,540
		7,261,869	–	7,261,869	7,261,869
Trade and other payables	17	–	386,383	386,383	386,383
31 December 2010					
Cash and cash equivalents	11	4,518,033	–	4,518,033	4,518,033
Trade and other receivables	10	8,284,716	–	8,284,716	8,284,716
		12,802,749	–	12,802,749	12,802,749
Fixed interest rate loan	15	–	125,000	125,000	125,348
Trade and other payables	17	–	1,212,532	1,212,532	1,212,532
		–	1,337,532	1,337,532	1,337,880

Interest rates used for determining fair value

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

19 Revenue

	Group 2011	Group 2010
	$	$
Sale of goods	97,287,000	87,754,935
Revenue from construction contracts	30,188,067	37,320,445
Revenue from services rendered	5,016,537	8,838,095
Rental income	4,428,788	2,479,930
	136,920,392	136,393,405

Revenue and profit recognition on projects are dependent on estimating the eventual outcome of the construction contract, as well as work done to date. Actual outcome in terms of total costs or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years. As at 31 December 2011, the management considered that all costs to complete and revenue can be reliably estimated.

20 Other income

	Group 2011	Group 2010
	$	$
Bad debts written back	24,392	3,053
Foreign exchange gain – net	–	142,141
Gain on disposal of property, plant and equipment	435,508	7,562,865
Interest income from banks	15,448	83,722
Rental income	387,667	1,916,714
Others	481,706	281,035
	1,344,721	9,989,530

21 Finance costs

	Group 2011	Group 2010
	$	$
Interest expenses:		
- bank loans	1,081,815	2,083,373
- bank overdrafts	15,101	–
- finance leases	131,957	193,554
- others	8,466	319,334
	1,237,339	2,596,261

22 Tax (credits)/expenses

	Note	Group 2011 $	Group 2010 $
Current tax expenses			
Current year		167,189	915,539
Adjustment for prior years	(i)	(434,994)	397,112
		(267,805)	1,312,651
Deferred tax expenses			
Origination and reversal of temporary differences		(245,203)	195,359
Adjustment for prior years		(57,568)	(416,213)
		(302,771)	(220,854)
Total tax (credits)/expenses		(570,576)	1,091,797
Reconciliation of effective tax rate			
(Loss)/Profit before income tax		(4,230,351)	7,924,845
Tax using Singapore tax rate at 17%		(719,160)	1,347,224
Effect of different tax rates in other countries		(25,560)	11,707
Tax exempt income		(122,186)	(1,039,503)
Singapore statutory stepped income exemption		(59,297)	(116,784)
Non-deductible expenses		977,677	984,115
Effect of previously unrecognised tax losses		(78,458)	(87,170)
Over provided in prior years		(492,562)	(19,101)
Deferred tax assets not recognised		151,399	–
Tax incentives under Productivity and Innovation Credit (“PIC”) Scheme		(198,188)	–
Others		(4,241)	11,309
		(570,576)	1,091,797

In 2011, a subsidiary reversed provision of $492,562 relating to 2010 tax incentives under PIC Scheme and capital allowances on certain qualifying property, plant and equipment which were brought to tax in the finalised tax assessments in 2009 to 2011.

23 (Loss)/Profit for the year

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

	Note	Group 2011	Group 2010
		$	$
Allowance for stock obsolescence	8	42,830	–
Amortisation of club memberships		454,100	–
Amortisation of intangible assets	5	243,858	364,761
Bad debts written-off		543,157	135,156
Staff costs		24,244,909	24,011,652
Contributions to defined contribution plans, included in staff costs		1,120,516	1,180,910
Government grants – Jobs Credit Scheme offset against staff cost		(4,187)	(87,462)
Foreign exchange loss/(gain) – net		27,755	(142,141)
Loss on disposal of investment properties		–	42,980
Impairment loss on trade and other receivables – net	18	332,247	173,275
Impairment loss on property, plant and equipment	4	377,763	–
Listing expenses		1,618,113	649,219
Audit fees paid to:			
- auditors of the Company		204,047	247,500
- other auditors		11,756	34,888
Non-audit fees paid to:			
- auditors of the Company		156,837	191,158
- other auditors		–	6,981
Operating expenses arising from rental of investment properties		426,891	443,283
Operating lease expenses		5,272,165	6,593,057
Plant and equipment written-off		394	38,385

24 (Loss)/Earnings per share

(Loss)/profit attributable to ordinary shareholders

	Group 2011	Group 2010
	$	$
Basic and diluted (loss)/earnings per share are based on:		
Net (loss)/profit attributable to ordinary shareholders	(3,473,868)	6,712,231

24 (Loss)/Earnings per share (Continued)

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share was based on weighted average number of ordinary shares outstanding of 152,714,346 (2010: 139,234,343), calculated as follows:

Weighted average number of ordinary shares

	Group	
	2011	2010
Issued ordinary shares at 1 January	143,427,621	134,633,781
Effect of warrants exercised	13,480,323	4,309,947
Effect of shares issued during the year	–	290,615
Bonus element of warrants issued during the year	(4,193,598)	–
Weighted average number of ordinary shares during the year	152,714,346	139,234,343

Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per ordinary share was based on a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 152,714,346 (2010: 144,830,877), calculated as follows:-

	Group	
	2011	2010
Weighted average number of ordinary shares (basic)	152,714,346	139,234,343
Effect of ordinary shares issuable under warrants	–	5,596,534
Weighted average number of ordinary shares (diluted) at 31 December	152,714,346	144,830,877

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

25 Operating segments

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

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

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

Investment: properties investment holding.

25 Operating segments (Continued)

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

Information about reportable segments

	Aircon	Switchgear	Investment	Total
	$	$	$	$
Revenue and expenses				
2011				
Total revenue from external customers	78,426,199	54,065,050	4,429,143	136,920,392
Inter-segment revenue	503,579	229,094	3,251,597	3,984,270
Total revenue of reportable segments	78,929,778	54,294,144	7,680,740	140,904,662
Finance income	3,405	1,577	6,599	11,581
Finance costs	233,933	561,299	442,107	1,237,339
Reportable segment profit/(loss) before income tax	1,147,075	(1,762,014)	(542,221)	(1,157,160)
Other material non-cash items				
- Allowance for stock obsolescence	42,830	–	–	42,830
- Bad debts written-off	91,566	246	451,345	543,157
- Impairment of trade and other receivables- net	103,417	228,830	–	332,247
- Impairment of property, plant and equipment	377,763	–	–	377,763
- Plant and equipment written-off	394	–	–	394
Reportable segment assets	36,679,738	48,848,891	27,453,465	112,982,094
Capital expenditure	3,637,149	6,521,856	729,701	10,888,706
Reportable segment liabilities	24,367,296	31,076,515	28,747,994	84,191,805
2010				
Total revenue from external customers	78,810,600	55,083,800	2,499,005	136,393,405
Inter-segment revenue	146,241	290,285	1,824,734	2,261,260
Total revenue of reportable segments	78,956,841	55,374,085	4,323,739	138,654,665
Finance income	192,171	141,025	6,349	339,545
Finance costs	575,885	759,482	1,477,163	2,812,530
Depreciation and amortisation	692,973	1,306,088	1,151,822	3,150,883
Reportable segment profit before income tax	2,106,646	2,603,137	6,531,568	11,241,351
Other material non-cash items				
- Bad debts written-off	114,372	4,000	16,784	135,156
- Impairment of trade and other receivables- net	173,275	–	–	173,275
- Plant and equipment written-off	243	997	37,145	38,385
Reportable segment assets	34,316,926	44,221,873	35,054,202	113,593,001
Capital expenditure	220,994	1,102,959	1,103,035	2,426,988
Reportable segment liabilities	23,050,239	25,124,686	35,465,864	83,640,789

25 Operating segments (Continued)

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

	2011	2010
	$	$
Revenue		
Total revenue for reportable segments	140,904,662	138,654,665
Elimination of inter-segment revenue	(3,984,270)	(2,261,260)
Consolidated revenue	136,920,392	136,393,405
Profit or loss before income tax		
Total (loss)/profit before income tax for reportable segments	(1,157,160)	11,241,351
Other (loss)/profit	(3,065,613)	3,571,277
	(4,222,773)	14,812,628
Elimination of inter-segment profits	(7,578)	(6,887,783)
Consolidated (loss)/profit before tax	(4,230,351)	7,924,845
Assets		
Total assets for reportable segments	112,982,094	113,593,001
Other assets	22,722,625	27,809,749
Elimination of inter-segment assets	(22,598,679)	(23,630,159)
Consolidated total assets	113,106,040	117,772,591
Liabilities		
Total liabilities for reportable segments	84,191,805	83,640,789
Other liabilities	392,908	1,337,532
Elimination of inter-segment liabilities	(7,205,737)	(7,832,513)
Consolidated total liabilities	77,378,976	77,145,808

Other material items

	Reportable segment totals	Adjustments	Consolidated totals
	$	$	$
2011			
Finance income	11,581	3,867	15,448
Finance costs	1,237,339	–	1,237,339
Depreciation and amortisation	2,989,496	(60,927)	2,928,569
Allowance for stock obsolescence	42,830	–	42,830
Bad debts written-off	543,157	–	543,157
Impairment of trade and other receivables - net	332,247	–	332,247
Impairment of property, plant and equipment	377,763	–	377,763
Plant and equipment written-off	394	–	394
Capital expenditure	10,888,706	(3,434,331)*	7,454,375

25 Operating segments (Continued)

Other material items (Continued)

	Reportable segment totals	Adjustments	Consolidated totals
	$	$	$
2010			
Finance income	339,545	(255,823)	83,722
Finance costs	2,812,530	(216,269)	2,596,261
Depreciation and amortisation	3,150,883	(46,622)	3,104,261
Bad debts written-off	135,156	–	135,156
Impairment of trade and other receivables - net	173,275	–	173,275
Plant and equipment written-off	38,385	–	38,385
Capital expenditure	2,426,988	–	2,426,988

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

Geographical information

Geographical segments are analysed by five principal geographical areas: Singapore, People's Republic of China, India, Malaysia and other countries.

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

Geographical information

	Revenue	Non-current assets
	$	$
31 December 2011		
Singapore	132,071,811	30,316,506
People's Republic of China	47,677	–
India	547,549	608,738
Malaysia	3,970,426	7,779,429
Other countries	282,929	–
	136,920,392	38,704,673
31 December 2010		
Singapore	131,237,071	16,183,494
People's Republic of China	6,262	–
India	220,813	551,313
Malaysia	3,935,463	6,688,798
Other countries	993,796	–
	136,393,405	23,423,605

25 Operating segments (Continued)

Major customer

Revenue from one customer of the Group's Aircon segment represents approximately $11,099,000 (2010: $10,240,000) of the Group's total revenue.

26 Determination of fair values

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

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

27 Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2011	2010
	$	$
Within 1 year	9,916,189	6,795,341
Between one and five years	25,228,332	23,492,998
After 5 years	27,992,725	32,670,595
	63,137,246	62,958,934

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

27 Operating Leases (Continued)

Leases as lessor

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

	Group	
	2011	2010
	$	$
Within 1 year	5,162,985	3,473,789
Between one and five years	3,024,387	1,838,040
	8,187,372	5,311,829

During the year ended 31 December 2011, $4,457,509 (2010: $3,551,087) of income arising from investment properties was recognised in profit or loss by the Group.

28 Capital commitments

As at 31 December 2011, a subsidiary of the Group has outstanding capital expenditure to purchase property, plant and equipment amounting to $4,085,000 (2010: $1,520,000).

29 Contingencies

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Corporate guarantees				
Banking facilities corporate guarantee	–	–	30,349,644	28,704,794
Unsecured guarantees given to banks for issuance of the performance bonds on behalf of subsidiaries	330,000	650,000	330,000	650,000
Corporate guarantee given to a trade creditor of a subsidiary	–	–	893,236	2,325,219
Corporate guarantee given to a trade customer of a subsidiary	–	405,555	–	404,555

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

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

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

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

29 Contingencies (Continued)

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

Continuing financial support

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. As at 31 December 2011, the net current liabilities and deficits in shareholders' funds of these subsidiaries amounted to approximately $7,284,000 (2010: $4,877,000) and $1,667,000 (2010: $698,000) respectively.

Contingent asset

In September 2011, the Benoi property was damaged by fire. Subsequent independent investigation by the Singapore Civil Defence Force has opined that the most probable cause of the fire was accidental in nature. The Group has notified the insurance company of the fire but the insurance company has denied its obligations on grounds of alleged breaches of policy terms and conditions. The Group is considering all its legal rights and remedies against all parties involved in the matter. The carrying amount as at 31 December 2011 and insured value of the Benoi property is $11 million and $12 million respectively.

30 Related parties

Transactions with key management personnel

Key management personnel compensation

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

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

Key management personnel compensation, included in staff costs, is as follows:

	Group	
	2011	2010
	$	$
Short-term employee benefits	3,651,617	6,451,773
Post-employment benefits	113,614	229,171
	3,765,231	6,680,944

Included in key management personnel compensation is director's remuneration of the Company of $574,777 (2010: $3,953,870)

30 Related parties (Continued)

Transactions with key management personnel (Continued)

Key management personnel and director transactions

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

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

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

Director	Transaction		Transaction value Year ended 31 December		Balance outstanding As at 31 December	
		Note	2011	2010	2011	2010
			$	$	$	$
William da Silva	Legal fees	(i)	25,000	6,500	–	–
	Services rendered		–	(6,555)	–	–

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

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

Other related party transactions

	Group	
	2011	2010
	$	$
Related parties		
Sale of goods	3,026	181,948
Purchase of goods	487,500	818,629
Directors of the Company and subsidiaries		
Bank facilities secured by personal guarantees from 3 directors of a subsidiary and a director of the Company	305,579	678,062
Obligations under finance leases guaranteed by a director of the Company	3,081	34,090

31 Subsequent events

In January 2012, the Company's wholly-owned subsidiary, NCAE, entered into an option to purchase 2 properties located at 42 Toh Guan East for a total consideration of $4.3 million. In March 2012, these purchases have been completed.

Risk Management Policies and Processes

Business Risk

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

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

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

Operational Risk

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

Project Risk

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

Investment Risk

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

Risk Management Policies and Processes

Foreign Exchange Risk

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

Credit Risk

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

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

Interest Rate Risk

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

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

Liquidity Risk

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

Derivative Financial Instrument Risk

The Group does not hold or issue derivative financial instruments.

Shareholdings Statistics

As at 15 March 2012

CLASS OF SHARES
Ordinary Shares

NUMBER OF SHARES
165,447,985

NUMBER OF ORDINARY SHAREHOLDERS
The number of ordinary shareholders as at 15 March 2012 is 687

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

TREASURY SHARES
Nil

Shareholdings Held in Hands of Public
Based on information available to the Company as at 15 March 2012 approximately 49.93% of the total number of issued shares (excluding treasury shares) in the capital of the Company are held in the hands of the public. Rule 723 of the Listing Manual issued by SGX-ST has therefore been complied with.

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 15 MARCH 2012

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES HELD	%
1 - 999	275	40.03	91,357	0.06
1,000 - 10,000	218	31.73	890,718	0.54
10,001 - 1,000,000	171	24.89	16,449,575	9.94
1,000,001 AND ABOVE	23	3.35	148,016,335	89.46
	687	100.00	165,447,985	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2012

Substantial Shareholder	Shareholdings registered in the name of the substantial shareholders	Shareholdings held by substantial shareholder in the name of nominees	Shareholdings in which the substantial shareholders are deemed to be interested	Total	Percentage of issued shares
Steven Chen Choon Khee	12,638,082	7,600,000	–	20,238,082	12.23%
Joseph Ang Choon Cheng (1)(2)	18,799,069	–	3,150,001	21,949,070	13.27%
Tsng Joo Peng	3,435,660	11,300,000	–	14,735,660	8.91%
Chia Peck Huan (3)(5)	3,423,700	–	8,400,000	11,823,700	7.15%
Edward Chia Puay Hwee (2)(3)(4)	3,254,000	–	8,401,000	11,655,000	7.04%
Ecube Electric Pte. Ltd.	8,400,000	–	–	8,4000,000	5.08%

Notes:

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

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

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

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

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

TOP 20 SHAREHOLDERS AS AT 15 MARCH 2012

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES PTE LTD	41,797,184	25.26
2	ANG CHOON CHENG	18,799,069	11.36
3	CHEN CHOON KHEE	12,638,082	7.64
4	ECUBE ELECTRIC PTE. LTD.	8,400,000	5.08
5	SBS NOMINEES PTE LTD	7,900,000	4.78
6	ANG CHOON BENG	7,831,352	4.73
7	CIMB NOMINEES (S) PTE LTD	7,300,000	4.41
8	MAYBAN NOMINEES (S) PTE LTD	6,390,010	3.86
9	HSBC (SINGAPORE) NOMINEES PTE LTD	3,941,577	2.38
10	TSNG JOO PENG	3,435,660	2.08
11	CHIA PECK HUAN	3,423,700	2.07
12	CHIA PUAY HWEE	3,254,000	1.97
13	YAP GEOK KHIM	3,150,001	1.90
14	TSNG JOO WEE	3,010,150	1.82
15	LEE CHEE BOON	2,940,000	1.78
16	HONG LEONG FINANCE NOMINEES PTE LTD	2,500,000	1.51
17	TAN AIK KWONG	2,425,700	1.47
18	POH YEOW KIM LAWRENCE	2,125,449	1.28
19	HONG BOON YOON	1,700,000	1.03
20	ANG JUI KHOON	1,641,000	0.99
		144,602,934	87.40

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, Natural Cool Lifestyle Hub, Singapore 534119 on 23 April 2012 at 10.00 a.m. to transact the following business:-

Ordinary Business

1 To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2011 and the Auditors' Report thereon. **[Resolution 1]**

2 To re-elect Mr Lim Siang Kai who is retiring pursuant to Article 101 of the Company's Articles of Association. [See Explanatory Note (a)] **[Resolution 2]**

3 To re-elect Mr William da Silva who is retiring by rotation pursuant to Article 101 of the Company's Articles of Association. [See Explanatory Note (b)] **[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 (c)] **[Resolution 4]**

5 To approve Directors' fees of S$88,000/- for the financial year ending 31 December 2012. (2011: 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

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

General mandate to allot and issue new shares

8 "That pursuant to Section 161 of the Companies Act, Chapter 50 ("Act") and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

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

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

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

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 100 per cent of the total number of issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a pro-rata basis, then the aggregate number of Shares to be issued under such circumstances (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below); and

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above:-

(a) the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares at the time of this Resolution is passed, after adjusting for:

(aa) new Shares arising from the conversion or exercise of convertible securities;

(bb) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(cc) any subsequent bonus issue, consolidation or subdivision of Shares;

(b) in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (d)] **[Resolution 7]**

By Order of the Board

Leaw Wei Siang
Sharon Yeoh
Company Secretaries
5 April 2012
Singapore

Explanatory Note:

(a) Mr Lim Siang Kai, 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 Audit Committee. Mr Lim Siang Kai will be considered as Independent Director of the Company.

(b) Mr William da Silva, 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 Remuneration Committee. Mr William da Silva will be considered as Independent Director of the Company.

(c) Dr Wu Chiaw Chiang, 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 Chiang will be considered as Independent Director of the Company.

(d) The ordinary resolution 7 set out in item 8 above, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held or such authority is revoked or varied by the Company in general meeting, whichever is earlier, to allot and issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments up to an aggregate number not exceeding 100% of the total number of issued Shares excluding treasury shares in the capital of the Company, with a sub-limit of 50% for issues other than on a pro-rata basis. For determining the aggregate number of Shares that may be issued the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares at the time of this ordinary resolution 7 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 above is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

Note:

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

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

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

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

NATURAL COOL HOLDINGS LIMITED

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

PROXY FORM

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

of____

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us and on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting ("AGM") of the Company to be held at 29 Tai Seng Avenue, Natural Cool Lifestyle Hub, Singapore 534119 on Monday, 23 April 2012 at 10.00 a.m. and at any adjournment thereof.

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

No.	Resolutions Relating To:	For	Against
AS ORDINARY BUSINESS			
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2011		
2	Re-election of Mr Lim Siang Kai as director		
3	Re-election of Mr William da Silva as director		
4	Re-election of Dr Wu Chiaw Ching as director		
5	Approval of directors' fees FY2012		
6	Re-appointment of KPMG LLP as auditors		
AS SPECIAL BUSINESS			
7	Authority to directors to allot and issue new shares		

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

Dated this ________ day of ______________ 2012

Total Number of Shares Held

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

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes:

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

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

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

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

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

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

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

NATURAL COOL®
HOLDINGS LIMITED

Company Registration No: 200509967G

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