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**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

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Natural Cool Holdings Limited. (Registration Number: 200509967G)

**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR RESULT**

**1(a) (i) An income statement (for the group) together with a comparative statement for corresponding period of the immediately preceding financial year**

**CONSOLIDATED GROUP INCOME STATEMENTS**

	Group		Increase/ (Decrease)
	Half Year Ended 30 June 2008	2007 (Restated)*	
	S\$'000	S\$'000	%
Revenue	56,316	55,042	2.31
Cost of sales	(43,342)	(43,813)	(1.08)
<b>Gross profit</b>	<b>12,974</b>	<b>11,229</b>	<b>15.54</b>
Other operating income	184	123	49.59
Distribution costs	(2,734)	(2,062)	32.59
Administrative expenses	(7,068)	(6,028)	17.25
Other operating expenses	(29)	(29)	-
Finance costs	(788)	(674)	16.91
<b>Profit before income tax</b>	<b>2,539</b>	<b>2,559</b>	<b>(0.78)</b>
Income tax	(552)	(512)	7.81
<b>Profit after income tax</b>	<b>1,987</b>	<b>2,047</b>	<b>(2.93)</b>
Shareholders' equity	2,113	2,212	(4.48)
Minority interest	(126)	(165)	(23.64)
<b>Profit after income tax</b>	<b>1,987</b>	<b>2,047</b>	<b>(2.93)</b>

\* Refer to paragraph 1(a)(iii) below

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**1 (a) (ii) Other notes:**

**Profit from operations is arrived at after charging/(crediting) the following items:**

	<b>Group</b>	
	<b>Half Year Ended 30 June</b>	<b>2007</b>
	<b>2008</b>	<b>(Restated)*</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Interest income</b>	<b>(3)</b>	<b>(34)</b>
<b>Amortisation of intangible assets</b>	<b>56</b>	<b>37</b>
<b>Bad trade receivables written off</b>	<b>-</b>	<b>1</b>
<b>Depreciation for property, plant and equipment</b>	<b>848</b>	<b>729</b>
<b>Depreciation for investment properties</b>	<b>12</b>	<b>12</b>
<b>Finance costs</b>	<b>788</b>	<b>674</b>
<b>Gain / (Loss) on foreign exchange</b>	<b>50</b>	<b>(27)</b>
<b>Plant and equipment written off</b>	<b>4</b>	<b>-</b>

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**1 (a) (iii) HY2007 income statement has been restated as follows:**

	<b>Group</b>			
	<b>As previously reported</b>	<b>Prior year adjustment</b>	<b>Reclassification</b>	<b>As restated</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Income Statement</b>				
Distribution costs	(898)	-	(1,164)	(2,062)
Administrative expenses	(7,174)	(18)	1,164	(6,028)
Finance costs	(787)	113	-	(674)
Profit before income tax	2,464	95	-	2,559

The prior year adjustment was due to a change in the accounting for Natural Cool Holdings Limited's ("NCH") acquisition of Natural Cool Airconditioning & Engineering Pte Ltd ("NCAE") and S-Team Switchgear Pte Ltd ("S-Team") in 2006. In 2006, the acquisition was accounted for using the purchase method with NCH identified as the acquirer. This resulted in fair value being assigned to the net identifiable assets of NCAE and goodwill of \$4.3 million attributable to NCAE was recognised in 2006.

In accordance with FRS 103 – *Business Combinations*, as NCAE was in substance the acquirer of S-Team, the net assets of NCAE should continue to be stated at their historical costs and no goodwill should be recognised. The change in acquirer has been applied retrospectively and resulted restatement of HY2007 comparatives of the Group's financial statements.

The reclassification was made to comparatives to be consistent with current period presentation.

**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

**1 (b) (i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of immediately preceding financial year.**

**BALANCE SHEETS**

	Group		Company	
	As at 30 June 2008	As at 31 December 2007	As at 30 June 2008	As at 31 December 2007
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	34,031	21,653	-	-
Intangible assets	2,245	2,080	-	-
Investment properties	1,228	1,240	-	-
Subsidiaries	-	-	11,427	11,427
	<u>37,504</u>	<u>24,973</u>	<u>11,427</u>	<u>11,427</u>
<b>Current assets</b>				
Inventories	21,406	16,806	-	-
Trade and other receivables	29,508	29,406	8,114	8,119
Cash and cash equivalents	5,716	5,323	1,970	164
	<u>56,630</u>	<u>51,535</u>	<u>10,084</u>	<u>8,283</u>
<b>Less:</b>				
<b>Current liabilities</b>				
Trade and other payables	39,644	41,656	641	403
Provisions	150	238	-	88
Financial liabilities	21,755	4,918	-	-
Current income tax payable	832	700	35	34
	<u>62,381</u>	<u>47,512</u>	<u>676</u>	<u>525</u>
<b>Net current (liabilities) / assets</b>	<b>(5,751)</b>	<b>4,023</b>	<b>9,408</b>	<b>7,758</b>
<b>Less:</b>				
<b>Non-current liabilities</b>				
Financial liabilities	3,518	4,178	-	-
Deferred tax liabilities	396	396	-	-
	<u>3,914</u>	<u>4,574</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<b>27,839</b>	<b>24,422</b>	<b>20,835</b>	<b>19,185</b>
Share capital	18,981	18,981	18,981	18,981
Reserves	8,353	4,741	1,854	204
Shareholders' equity	<u>27,334</u>	<u>23,722</u>	<u>20,835</u>	<u>19,185</u>
Minority interest	505	700	-	-
<b>Total equity</b>	<b>27,839</b>	<b>24,422</b>	<b>20,835</b>	<b>19,185</b>

**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

**1 (b) (ii) Aggregate amount of group's borrowing and debt securities.**

	<b>Group</b>	
	<b>As at 30 June 2008</b>	<b>As at 31 December 2007</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Amount repayable in one year or less, or on demand</b>		
<b>Unsecured</b>		
Bank overdrafts	1,835	1,997
Short-term loans	1,150	150
	2,985	2,147
<b>Secured</b>		
Bank overdrafts	2,329	1,629
Short term loan	556	-
Commercial property loan I	25	25
Commercial property loan II	17	17
Commercial property loan III	166	219
Commercial property loan IV	14,986	-
Term loan I	121	114
Term loan II	106	129
Finance lease payables	464	638
	18,770	2,771
	<u>21,755</u>	<u>4,918</u>
<b>Amount repayable after one year</b>		
<b>Secured</b>		
Commercial property loan I	360	372
Commercial property loan II	288	297
Commercial property loan III	1,022	1,049
Term loan I	1,073	1,139
Term loan II	194	261
Finance lease payables	581	1,060
	3,518	4,178
	<u>25,273</u>	<u>9,096</u>

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**Details of any collateral**

The bank loans are secured on:-

- (i) property, plant and equipment, investment properties and workshop machineries with net book values as at 30 June 2008 of S\$26,503,333, S\$1,227,656 and S\$392,292 (FY2007: S\$5,395,631, S\$1,239,842 and S\$501,128) respectively;
- (ii) fixed deposit pledged amounted to S\$1,500,000 (FY2007: S\$1,500,000);
- (iii) fixed and floating charge on inventories and receivable amounted to S\$1,553,016 and S\$3,732,539 (FY2007 :S\$640,782, S\$744,608); and
- (iv) corporate guarantee by Natural Cool Holdings Limited.

The finance lease payables are secured by motor vehicles and machines under the lease.

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**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

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**1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**CONSOLIDATED CASH FLOW STATEMENTS**

	<b>Group</b>	
	<b>Half year ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
		<b>(Restated)*</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Operating activities</b>		
Profit before income tax	2,539	2,559
<u>Adjustments for:</u>		
Amortisation of intangible assets	56	37
Bad trade receivables written off	-	1
Depreciation of property, plant and equipment	848	729
Depreciation of investment properties	12	12
Interest expenses	788	674
Interest income	(3)	(34)
Plant and equipment written off	4	-
	<u>4,244</u>	<u>3,978</u>
 <u>Working capital changes:</u>		
Inventories	(4,600)	(5,355)
Trade and other receivables	(252)	(3,816)
Trade and other payables	(1,863)	7,063
Provisions	(88)	(88)
Cash generated from operations	<u>(2,559)</u>	<u>1,782</u>
Income taxes paid	(420)	(576)
<b>Cash flows from operating activities</b>	<u>(2,979)</u>	<u>1,206</u>

**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

**CONSOLIDATED CASH FLOW STATEMENT CONTINUED**

	<b>Group</b>	
	<b>Half year ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
		<b>(Restated)*</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Investing activities</b>		
Interest received	3	34
Purchase of computer software	(225)	(38)
Purchase of property, plant and equipment	(1,503)	(1,550)
<b>Cash flows from investing activities</b>	<b>(1,725)</b>	<b>(1,554)</b>
<b>Financing activities</b>		
Interest paid	(788)	(674)
Proceeds from issue of warrants	1,592	-
Proceeds from issue of shares of the Company	-	4,888
Proceeds from issue of shares to minority shareholders of a subsidiary	-	432
Repayment of bank borrowings	(10,571)	(35,107)
Proceeds from bank borrowings	14,986	34,013
Repayment of finance lease liabilities	(707)	(282)
<b>Cash flows from financing activities</b>	<b>4,512</b>	<b>3,270</b>
<b>Effect of changes in foreign exchange rate</b>	<b>47</b>	<b>4</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(145)</b>	<b>2,926</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>197</b>	<b>591</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>52</b>	<b>3,517</b>
Cash and cash equivalents on balance sheet	4,216	6,964
Bank overdrafts	(4,164)	(3,447)
<b>Cash and cash equivalents in the statement of cashflows</b>	<b>52</b>	<b>3,517</b>



**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

**1(d) (i) A statement (for issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

**STATEMENTS OF CHANGES IN EQUITY**

	Share capital	Capital reserve	Foreign currency translation reserves	Accumulated profits	Minority interest	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>The Group</b>						
<b>(Restated)*</b>						
<b>At 1 January 2007, as previously reported</b>	14,093	-	(20)	4,009	285	18,367
Prior year adjustment	-	(3,378)	3	321	-	(3,054)
At 1 January 2007, as restated	14,093	(3,378)	(17)	4,330	285	15,313
Net profit for the financial period	-	-	-	2,212	(165)	2,047
Translation differences relating to financial statements of foreign subsidiaries	-	-	25	-	10	35
Total recognised income and expenses for the financial period	-	-	25	2,212	(155)	2,082
Issue of shares	5,280	-	-	-	-	5,280
Share issue expenses	(392)	-	-	-	-	(392)
Issue of shares by a subsidiary	-	-	-	-	432	432
<b>At 30 June 2007</b>	<b>18,981</b>	<b>(3,378)</b>	<b>8</b>	<b>6,542</b>	<b>562</b>	<b>22,715</b>

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**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

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**STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	<b>Share capital</b>	<b>Accumulated profits</b>	<b>Total equity</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b><u>The Company</u></b>			
At 1 January 2007	14,093	51	14,144
Net profit for the financial period	-	61	61
Issue of shares	5,280	-	5,280
Share issue expenses	(392)	-	(392)
<b>At 30 June 2007</b>	<b>18,981</b>	<b>112</b>	<b>19,093</b>

**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

**STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	Share capital	Capital reserve	Foreign currency translation reserves	Accumulated profits	Warrants reserve	Minority interest	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>The Group</b>							
<b>At 1 January 2008</b>	18,981	(3,378)	(33)	8,152	-	700	24,422
Net profit for the financial period	-	-	-	2,113	-	(126)	1,987
Translation differences relating to financial statements of foreign subsidiaries	-	-	(93)	-	-	(69)	(162)
Total recognised income and expenses for the financial period	-	-	(93)	2,113	-	(195)	1,825
Issue of warrants	-	-	-	-	1,865	-	1,865
Warrants issue expenses	-	-	-	-	(273)	-	(273)
<b>At 30 June 2008</b>	18,981	(3,378)	(126)	10,265	1,592	505	27,839

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**STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

	<b>Share capital</b>	<b>Accumulated profits</b>	<b>Warrants reserve</b>	<b>Total equity</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b><u>The Company</u></b>				
At 1 January 2008	18,981	204	-	19,185
Net profit for the financial period	-	58	-	58
Issue of warrants	-	-	1,865	1,865
Warrants issue expenses	-	-	(273)	(273)
<b>At 30 June 2008</b>	<b>18,981</b>	<b>262</b>	<b>1,592</b>	<b>20,835</b>

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1. **(d) (ii) Details of any changes in the company’s share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all outstanding convertibles as at the end of the current financial period reported on and as the end of the corresponding period of the immediately preceding financial year.**

During the period ended 30 June 2008, the Company had lodged a renounceable non-underwritten rights issue of warrants (“Warrants Issue”) of up to 31,728,024 warrants (“Warrants”) at a issue price of S\$0.06 for each Warrant, each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company (“New Share”) at an exercise price of S\$0.10 for each New Share, on the basis of three (3) Warrants for every ten (10) existing ordinary shares in the capital of the Company held by shareholders of the Company as at the time and date to be determined by the Directors for the purpose of determining the Shareholders’s entitlements under the Warrants Issue, fractional entitlements to be disregarded.

As at the close of the Warrants Issue on 24 June 2008 (the “Closing Date”), valid acceptances and excess applications for a total of 47,103,918 Warrants were received. This represents approximately 148.5% of the total number of Warrants that were available under the Warrants Issue.

Details of the valid acceptances and excess applications for the Warrants received are as follows:

- (a) valid acceptances were received for a total of 31,084,315 Warrants, representing approximately 98.0% of the total number of Warrants available under the Warrants Issue; and
- (b) excess applications were received for a total of 16,019,603 Warrants, representing approximately 50.5% of the total number of Warrants available under the Warrants Issue.

The balance of 643,709 Warrants, being the aggregation of the provisional allotments of Warrants not taken up by Entitled Shareholders and/or purchasers pursuant to the Warrants Issue as well as disregarded fractional entitlements of Warrants, will be used to satisfy excess applications for the Warrants or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company. In the allotment of excess Warrants, preference will be given to the rounding of odd lots and the Substantial Shareholders and Directors will rank last in priority.

The 31,728,024 Warrants were listed and quoted on the Catalist on 4 July 2008. The Warrants can be convertible to shares effective from 4 July 2008.

- (d) (iii) To show the total number of issued shares excluding treasury shares as at the end of current financial period and as at end of immediately preceding year.**

	Group and Company	
	2008	2007
Fully paid ordinary shares, with no par value	No. of shares	No. of shares
At 1 January	105,760,080	88,160,080
Issue of new shares	-	17,600,000
At 30 June	105,760,080	105,760,080

- (d) (iv) A statement showing all sales, transfers, disposal, cancellation and/ or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

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**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by the auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in those of the audited financial statements ended 31 December 2007.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted the new or revised Financial Reporting Standard (FRS) and the interpretation of FRS that become effective for the entities with financial period commencing 1 January 2008. Presently, the Group does not expect the adoption of the new or revised FRS and the interpretation of FRS to have any material impact on the financial statement.

**6. Earning per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>Group</b>	
	<b>Half year ended 30 June 2008</b>	<b>2007 (Restated)*</b>
	<hr/>	<hr/>
Net Profit attributable to shareholders (S\$'000)	<u>2,113</u>	<u>2,212</u>
Weighted average number of ordinary share in issue (No. of shares)-basic	105,760,080	92,560,080
Earnings per share (S\$ cents) - basic	2.00	2.39
Weighted average number of ordinary share in issue (No. of shares)-diluted	106,122,010	92,560,080
Earnings per share (S\$ cents) - diluted	1.99	2.39

**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

	Group		Company	
	As at 30 June 2008	As at 31 December 2007	As at 30 June 2008	As at 31 December 2007
Net assets attributable to shareholders (S\$'000)	27,334	23,722	20,835	19,185
Net asset value per share as at respective period (S\$ cents)	25.85	22.43	19.70	18.14

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, cost, and earnings of the group for the current financial period reported on including (where applicable) seasonal or cyclical factors.**

**REVIEW OF RESULT OF OPERATIONS**

Our Group's revenue rose marginally by approximately 2.31% from S\$55.04 million in HY2007 to S\$56.32 million in HY2008. Below are the breakdown of Group's revenue into business segment.

Business segment	2008	2007	Increase / (Decrease)	
	S\$'000	(Restated)* S\$'000	S\$'000	%
<b>Aircon</b>	33,602	34,332	(730)	(2.13)
<b>Switchgear</b>	19,047	16,234	2,813	17.33
<b>Building Materials</b>	3,533	4,402	(869)	(19.74)
<b>Corporate</b>	134	74	60	81.08
	<u>56,316</u>	<u>55,042</u>	1,274	2.31

Revenue from our Aircon business segment decreased marginally by approximately S\$730,000, or 2.13% in HY2008. The decrease was due to the slow down of our PRC's business operations in HY2008 as compared to HY2007. The decrease in revenue from our PRC's Aircon business is offset by the healthy growth of 8.03% in revenue experienced by Singapore Aircon operation.

Revenue from our Switchgear business segment increased by approximately S\$2.81 million, or 17.33% in HY2008 due to more condominium and commercial building projects in progress as compared to HY2007.

Our Building Materials business revenue decreased by approximately S\$869,000, or 19.74% in HY2008 which was due to the slow down of our steel business operations. This decrease was partly offset by the contribution from the J2 Pte Ltd which was consolidated with effective from 1 July 2007.

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

Geographically, our operations in Singapore continued to ride on the positive outlook from the local construction industry and remained as our Group's major revenue contributor, which accounted for 96.45% (HY2007: 91.51 %) of the total Group's revenue in HY2008.

Our gross profit increased by S\$1.75 million, or 15.54%, from S\$11.23 million in HY2007 to S\$12.97 million in HY2008. The higher gross profit was mainly attributable to the improvement in revenue. Our gross profit margin increased by 2.64 percentage point, from 20.40% in HY2007 to 23.04% in HY2008.

Other operating income increased by approximately S\$61,000, or 49.59% in HY2008, from S\$123,000 in HY2007 to S\$184,000 in HY2008. The increase was mainly attributed to consultancy income from provision of technical knowledge on air-conditioning and mechanical ventilation system.

Our distribution costs, administrative expenses and other operating expenses collectively increased from S\$8.12 million in HY2007 to S\$9.83 million in HY2008 due to increases in the following:

- 1) transportation charges as a results of increase in sales;
- 2) salaries and payroll related expenses mainly due to additional staff employed for the expansion of Group business activities as well as the acquisition of new subsidiary;
- 3) depreciation which is in line with increase in capital expenditure;
- 4) professional fees due to the potential merger and acquisition exercises as well as the legal costs on debt collection; and
- 5) rental of office premises and warehouse as well as the utilities due to the expansion of business.

Finance costs increased by S\$114,000 from S\$674,000 in HY2007 to S\$788,000 in HY2008. This was due to an increase in interest expenses on bills payable as a result of an increase in trade facilities utilised to finance our increased purchases.

Arising from the above, profit before income tax decreased marginally by approximately S\$20,000, or 0.78%, from S\$2.56 million in HY2007 to S\$2.54 million in HY2008.

Income tax expenses for HY2007 and HY2008 were approximately S\$512,000 and S\$552,000 respectively, representing effective tax rates of 20.00% and 21.74% respectively. The effective tax rate for HY2007 is higher than the statutory tax rate of 18.00% due to certain expenses that are not deductible for income tax purposes.



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- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial reported on.**

**REVIEW OF CASH FLOW**

Cash flow from operating activities was an outflow of approximately S\$2.98 million for 6 months ended 30 June 2008. This decrease was mainly due to inventory purchases and repayment of bill payables.

Cash flow from financing activities was an inflow of S\$4.51 million for the 6 months ended 30 June 2008, mainly due to the drawdown of new commercial property loan of approximately S\$14.99 million granted by bank to finance the construction cost of our new building at Tai Seng Avenue which was offset by repayment of existing loans of approximately S\$10.57 million.

**REVIEW OF BALANCE SHEET**

Property, Plant and Equipment increased by approximately S\$12.38 million, from S\$21.65 million as at 31 December 2007 to S\$34.03 million as at 30 June 2008. This was mainly due to the construction cost of our new building at Tai Seng Avenue / Drive which amounted to approximately S\$11.88 million in HY2008. The increase in Property, Plant and Equipment was partly offset by the depreciation charges of S\$860,000. Intangible assets increased by S\$165,000 as at 30 June 2008 as compared to 31 December 2007. This is mainly due to acquisition of new software in line with the expansion of business.

Current assets increased by approximately S\$5.10 million, or 9.89% as at 30 June 2008 as compared to 31 December 2007. This was due to the increase in inventories, trade and other receivables, and contract work-in-progress as a result of an increase in business activities.

Trade and other payables decreased by approximately S\$2.01 million, or 4.83% as at 30 June 2008 as compared to 31 December 2007. The decrease in trade and other payables was mainly due to the repayment of bill payables. As at 30 June 2008, the Group's total borrowings amounted to S\$25.27 million (31 December 2007: S\$9.10 million) with S\$21.75 million repayable within one year and S\$3.52 million repayable beyond one year. The increase in borrowings was mainly due to new commercial property loan granted by bank to finance the construction cost of our new building at Tai Seng Avenue / Drive.

Working capital as at 30 June 2008 was a negative S\$5.75 million mainly due to the increase in short-term borrowings to finance the construction cost of our new building at Tai Seng Avenue. The Group has an option to sell and leaseback the completed property. The proceed from this sale will improve the negative working capital of the Group.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

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**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

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**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

For the current financial year (FY2008), the Group expects to continue to experience growth in sales volume, and as a result, its revenue. However, if the prices of our raw materials such as copper, steel and aluminium are to increase substantially in FY2008, our Group's profitability may be adversely affected if we are unable to pass on the price impact caused by an increase in raw material prices to our customers.

Overall, barring any unforeseen circumstances, the Directors of the Company expect the Group to be profitable for FY2008.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

Not applicable.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

Not applicable.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable

**13. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

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**Half Year Financial Statements and Dividend Announcement for the financial period ended 30 June 2008**

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**14. Interested person transaction**

During the year, there were following significant related party transactions carried out in the normal course of business (excluding transaction less than S\$100,000) on term agreed between the parties.

	Group	
	2008	2007
	S\$'000	S\$'000
<b>Sale of goods</b>		
- A's M&E Pte Ltd	-	116
<b>Purchase of goods and services</b>		
- Electronics Memory Systems	178	-

**15. Usage of proceeds from IPO and Warrants Issue**

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

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

As at the financial period ended 30 June 2008, the Company raised approximately S\$1.6 million after deducting the Warrants Issue expenses from its Warrant Issue exercise. The Warrants Issue proceeds had been earmarked for the expansion of the air-conditioner and switchgear business in Singapore, the People's Republic of China, India, Cambodia and/or Malaysia as well as for working capital purposes. The Company is still in the process of executing such expansion plans. While waiting for the deployment of the proceeds, the Company has utilised the proceeds as working capital.

**16. Negative Assurance Confirmation on Interim Financial Results Pursuant to Rule 705 (4) of the Listing Manual**

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the half year ended 30 June 2008 to be false or misleading .

**On behalf of the Board of Directors**  
**Steven Chen Choon Khee**  
**Chief Executive Officer**

**Joseph Ang Choon Cheng**  
**Executive Director**

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**Half Year Financial Statements and Dividend Announcement for the financial  
period ended 30 June 2008**

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**BY ORDER OF THE BOARD**  
**Steven Chen Choon Khee**  
**Chief Executive Officer**

**Singapore**  
**4 August 2008**