ENERGISED FOR WIDER GROWTH

Natural Cool Holdings Limited

Annual Report 2017

CONTENTS

VISION

Natural Cool, the preferred choice in building solutions

MISSION

Enhancing the strength and trust in our Brand Name through: Safe, Superior, Reliable Products and Services, and Strategic Planning

OUR VALUES

OUR NAME, OUR BRAND
We fulfil promises to shareholders, customers and employees

CUSTOMER FOCUS
Customer satisfaction is our ultimate duty and responsibility

PEOPLE DEVELOPMENT
We identify and drive every staff to their fullest potential

TEAMWORK & UNITY
We win and grow through teamwork and unity

CREATIVITY
Our innovation sets us apart from the rest

SAFETY
Above all, we value lives and assets

LETTER TO SHAREHOLDERS

Dear Shareholders,

2017 was a transformational year for Natural Cool.

Since the changes in the composition of our Board in early 2017, we have been working very hard with the management team to deliver value to shareholders. Given the relatively short period of time that the new Board has been in place, and looking at our results for the year, we can only say that our task is a "work-in-progress".

Our Air-conditioning ("Aircon") Division performed well this year. Despite a small drop in revenue this year to S$110.0 million, we are pleased that the Aircon Division delivered better profitability than last year, showing our ability to protect our margins even in the face of stiff competition.

On the regionalisation front, and as promised last year, we are pleased to note that the Group has entered into a partnership to represent a major Japanese brand in several emerging ASEAN and South Asian markets. Although started in the fourth quarter of 2017, this new business unit has already shown very encouraging results.

On our digital strategy, we are happy to report the launch of our ecommerce website www.lifestyleguru.com.sg, and in 2018, we will be looking at new digital initiatives including a multi-industry Business to Consumer mobile platform that we will announce in due course.

Meanwhile, despite the best efforts by the new management who performed admirably, our Paint Division continues to struggle in very challenging market conditions and saddled with high gearing. It was with this situation in mind that we decided to bite the bullet and sell our property located at 38 Lok Yang Way in late 2017. Because the carrying value of this property is higher than its sale price, we have taken a one-time charge of S$1.7 million for the carrying value of this property and associated fittings and renovation to our profit and loss statement. We plan to relocate some of the functions of the Paint Division back to its factory premises in Malaysia, and we hope that this exercise will help the business regain its footing to profitability.

As regards to the internal investigation into certain irregular transactions at the Paint Division, we have completed this investigation and lodged reports with the relevant authorities. As promised last year, we will spare no efforts to protect our business and assets.

As for our investments, we are awaiting the outcome of the exploration efforts by our investee company, HMK Energy Pte Ltd. Currently, we believe that retaining our interest in HMK Energy will be in the best interest of our shareholders as the Company embarks on completing its exploration program.

On the corporate front, we have participated in a number of corporate social responsibility projects and sponsored public business forums to increase our visibility. We will also be publishing our first Sustainability Report this year.

With regards to High Court Case No. 1128/2016 (as announced by the Company on 30 October 2016), as this matter is still going through the due process in court, we have no significant updates to provide shareholders at this moment. We will of course, provide you with updates as soon as there are material developments.

In addition, the Company is also dealing with two claims – one filed by Nitto Kogyo Corporation that acquired our Switchgear Division way back in 2015 (as announced by the Company on 4 December 2017), and the second relate to our former Chief Corporate Officer who left us when the new Board was appointed (as announced by the Company on 9 March 2017). We want to assure everyone that the Board will work hard to resolve these issues in the interest of all our stakeholders and will provide updates in due course.

APPRECIATION

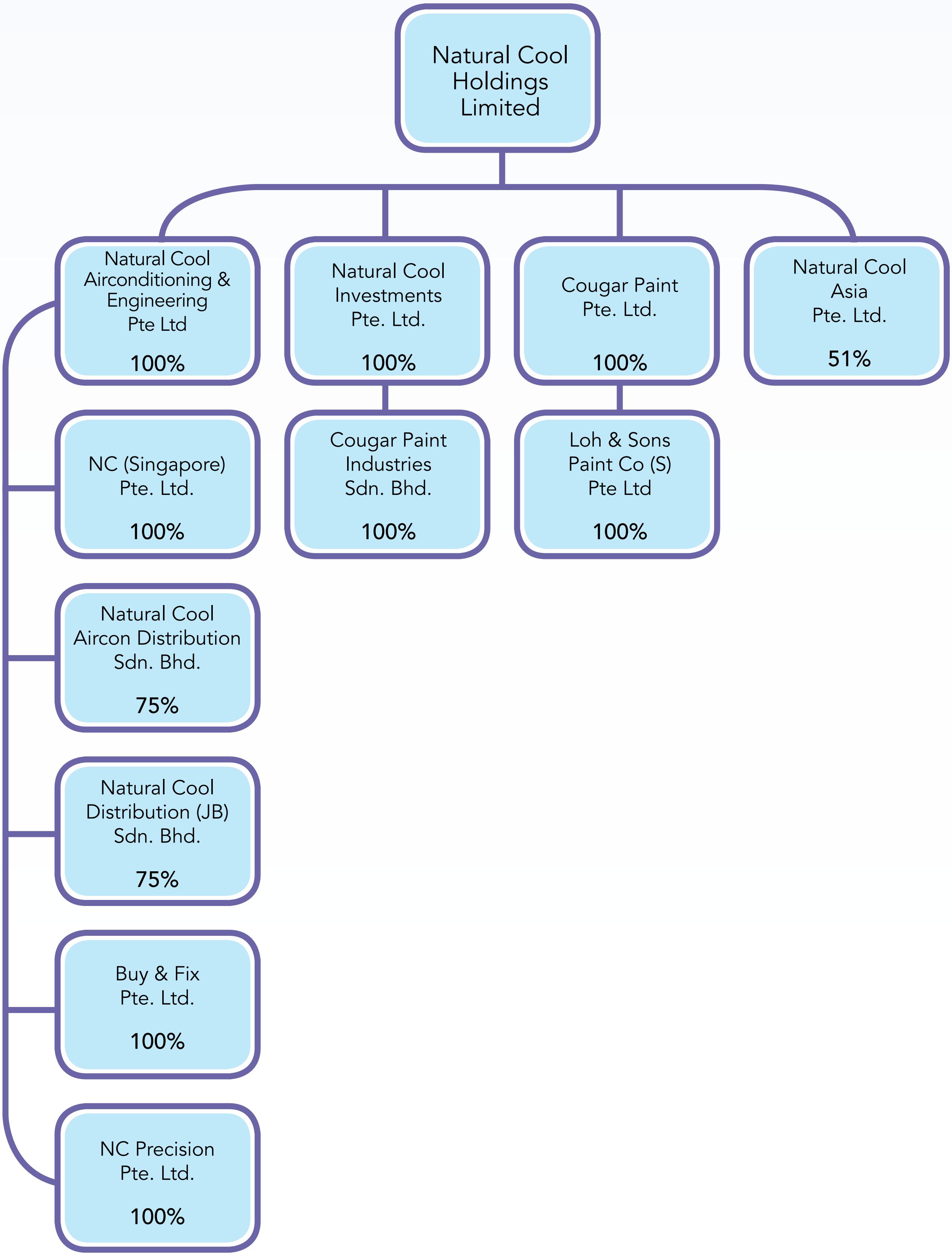
As always, we are mindful that our success will not be possible without the support of all stakeholders including our customers, business partners, principals and employees. We hope you will continue to support our endeavours in the years to come.

Yours faithfully

Goh Teck Sia
Independent
Non-Executive Director
and Chairman

Tsng Joo Peng
Executive Director and
Chief Executive Officer

CORPORATE STRUCTURE



BRAVING THE HEADWINDS

As we journey towards the next phase of developmental growth, we stand ready to overcome tomorrow's adversities. We keep ourselves running lean and efficient to garner the competitive edge to thrive amidst a challenging environment.

BUSINESS PROFILE

AIRCON DIVISION

Natural Cool's Aircon Division is the cornerstone of the Group's business and a recognised leader in the Aircon mechanical ventilation market in Singapore. We are proud of our high service standards as we constantly upgrade the skills of our repair and servicing staff, to proactively respond to all types of Aircon service requests and situations.

Natural Cool also has in place a team of in-house Aircon specialists to handle more complex repair and servicing services in commercial and industrial spaces. These include public institutions such as schools, hospitals, warehouses, commercial buildings like offices, shopping malls, retail and F&B establishments. Typically, commercial and industrial services in such non-standard buildings are subject to a tendering process as specialised knowledge is required to handle more sophisticated engineering demands.

Over the years, Natural Cool has acquired the necessary skills and knowledge to provide solutions to tackle Aircon mechanical ventilation systems problems. In addition, our Commercial Service Team is specially trained to provide facilities management services such as space planning, asset management and preventive maintenance of Aircon for smooth and uninterrupted operation.

Natural Cool's Aircon Division consists of our Commercial Installation Department, Trading Department and Mechanical & Electrical Department.

COMMERCIAL INSTALLATION DEPARTMENT

Natural Cool's Commercial Installation Department provides Aircon systems and mechanical ventilation system installation services for commercial projects. Our commercial projects may relate to those in the public sector such as school campuses, bus depots, power substations and nursing homes, as well as private sector projects that include factories, offices, shopping malls, condominiums and residential landed properties.

Our commercial projects may be won via public tenders or by private invitations. For some projects, we provide only installation services, whereas for others, we provide turnkey services, including the procurement of Aircon systems.

Apart from the direct expand system installation, our Commercial Installation Department also installs chilled water systems and cooling tower system for shopping malls such as One Raffles Place and commercial buildings such as Vision Exchange.

TRADING DEPARTMENT

Launched in 2013, Natural Cool Trading Department's Penguin Aircon Force ("PAF") has proven successful and is still operating actively to provide quality service to customers within the 10 km radius from our main showroom at Defu Lane and outlet in Toh Guan East. Essentially, it is time-specific, location-based marketing campaign, to demonstrate our product and service commitments to both new and existing customers.

Apart from direct sales and marketing to end consumers, we also help our business associates compete effectively by helping them perform best sourcing of building and Aircon equipment and accessories.

To do this, we represent all types of Aircon and equipment brands catering to the entire industrial, commercial and residential Divisions, such brands included Mitsubishi Electric, Daikin, Panasonic, LG, York and many more.

We also supply accessories including Aircon brackets, insulation, all types of pipes and ducts, as well as industrial tools and equipment like electrical drills, drain pumps, screws, bolts and nuts, fasteners, silicon applicators. Customers such as independent contractors find it useful and convenient as these items are housed under one roof and strategically located at our outlets in Defu Lane and Toh Guan East.

This capability makes our Trading Department the "supermarket" to the Aircon mechanical ventilation industry.

BUSINESS PROFILE

MECHANICAL & ELECTRICAL DEPARTMENT

Over the years, Natural Cool's Mechanical & Electrical Department has trained a group of specialised people to provide solutions for building management to prepare ourselves for a role in to act as Managing Agent ("MA") for commercial buildings or commercial / industrial estates. We currently possess the full spectrum of skills required for the further expansion to acquire more MA contracts.

For greater customer convenience through social media marketing and software integration, we offer our flagship Service and Maintenance Contracts to both residential housing and commercial buildings. Customised sitemap and wireframe allow customers to better address their needs with more efficient response and effective results provided. Better interactions with technology to streamline our internal processes, explore new communication channels thereby to achieve cost effectiveness to our customers.

The business of our highly specialised Mechanical & Electrical Department is conducted through its Commercial and Retail Service Teams and its Fire Protection Team.

PAINT DIVISION

Natural Cool's Paint Division was acquired from the founders of Loh & Sons Paint Co (S) Pte. Ltd. in 2015. Started in 1998, Loh & Sons' Cougar brand of industrial paint has grown in leaps and bounds and offers a clear low cost advantage compared with other manufacturers.

Offering products ranging from primers, solvents and wood varnishes, to enamel, galvanised and epoxy paints, the Paint Division is a fast growing new business Division for Natural Cool.

INVESTMENT DIVISION

Natural Cool's Investment Division was established to hold the non-core business activities of the Group, and holds the master tenancy to our corporate headquarters at 29 Tai Seng Avenue.

PURSUING GREATER GROWTH

While others may rest easy, there is no place for complacency in our business. The Group leaves no stone unturned in the search for the next opportune channel that can bring our business to a higher plane.

OPERATIONS REVIEW

COMMERICAL INSTALLATION

2017 was an eventful year for us at Commercial Installation. Apart from successfully completing our largest chilled water system and building management project to date, we also won and commenced a number of high profile projects.

To showcase a few:

Vision Exchange @ Venture Avenue

Worth more than S$20 million in project value, Vision Exchange is the biggest project that Commercial Installation has undertaken in its history. As contractor, we were responsible for the installation of Aircon and Mechanical Ventilation (ACMV) system and Building Management System (BMS) for the entire 25-storey commercial hub.

In addition to the massive equipment in the various plant rooms, we also installed more than 1,400 chilled water fan coil units, almost 170 mechanical ventilation exhaust / fresh air fans, and 106 electronic air cleaners.

This project was completed in early 2017.

Downtown East at Pasir Ris

Valued at more than S$7 million, we were involved in the Additional & Alteration (A&A) for existing Downtown East Development, a leisure centre where we installed the ACMV and engineered smoke control system for the entire project.

We installed 189 chilled water fan coil units, 160 mechanical ventilation exhaust / fresh air fans, 119 electronic air cleaners for kitchen exhaust fans and 88 electronic air cleaners for air handling units.

The project was completed in September 2017.

Defu City at Defu South

Following our successes with Vision Exchange and Downtown East, we won a role in the new Defu City project and commenced work in April 2017. Defu City is a multi-user industrial development (factory units each with a mezzanine floor for ancillary office), with an ancillary workers' dormitory and ancillary staff canteen. At Defu City, we were responsible for the installation of ACMV, a smoke purging system, and engineered smoke control system for the entire project.

This project is expected to complete in 2020.

TRADING

2017 was a busy year for Trading as we faced a competitive market in Singapore. In order to address this, we embarked on a number of new marketing initiatives which we set out below. We are pleased with the results of these initiatives which we intend to continue in the coming year.

No Horse Run (NHR) Breakfast

We started a weekly No Horse Run (NHR) breakfast networking session every Friday to connect Aircon manufacturer and/or suppliers and contractors. At these sessions, technical support staff representing our principals were available to give technical advice and receive feedback from customers and contractors regarding their Aircon products and equipment.

Natural Cool Annual Dinner and Dance

For the first time in our corporate history, we invited our customers and contractors to join in Natural Cool's Annual Dinner and Dance to celebrate together the progressive growth of our business and build stronger relationship with them.

In late 2017, and in order to further sharpen our business focus, we conducted an internal re-organisation which saw the Retail Installation business unit being spun off from the Trading Department to be separately managed by a new business head. The Retail Installation business unit will also take over responsibilities for our digital technology initiatives, including www.lifestyleguru.com.sg.

MECHANICAL & ELECTRICAL

The Mechanical & Electrical business unit continued to record strong income growth in 2017.

Operations under Commercial Service Team turned in a strong performance for the year, and we continue to deliver full spectrum of skills set required for our expansion into facilities management.

Our Retail Service Team continued to be one of the key profit contributor to the Division despite intense competition in the domestic retail service market. Working hand in hand with our newly spun off Retail Installation Department, we successfully launched our "Lifestyle Guru" e-commerce website www.lifestyleguru.com.sg for greater customer convenience and experience. This website's

OPERATIONS REVIEW

customised sitemap and wireframe allow customers to address their needs with a more interactive and responsive approach from us.

Our Fire Protection Team continues to face intense competition. However, our diversified operations and sharing of resources solutions, has provided resilience to the Team.

The Mechanical & Electrical business unit will remain focused on functional excellence as well as the execution of its pipeline of contracts to deliver long-term growth. We hope to deliver better performance in 2018, underpinned by the strong commercial and industrial demand in equipment maintenance and the opening up of our e-commerce platform.

PAINT

Despite the competitive market, revenue from the Paint Division was relatively stable for 2017 as compared to 2016.

As most of our paint manufacturing activities are now located in Malaysia, we decided to sell the Paint Division's property at 38 Lok Yang Way in part to reduce our gearing and strengthen cashflow.

Looking ahead, we will still take active steps to control overhead cost and to improve efficiency and we are exploring to improve logistical arrangements with Malaysia. We will also continue to expand on our customer base to improve sales.

REGIONAL BUSINESS

In August 2017, we announced that our joint venture company, Natural Cool Asia Pte Ltd was appointed distributor by Panasonic for certain of its commercial Aircon products in selected ASEAN and South Asian countries.

Although at an early stage, we are seeing very encouraging results from this business unit.

FINANCIAL REVIEW

REVIEW OF INCOME STATEMENT

The Group recorded revenue of S$117.4 million for the financial year ended 31 December 2017 ("FY2017"), a decrease of S$11.6 million, or 9.0% as compared with S$129.0 million in the financial year ended 31 December 2016 ("FY2016"). The decrease in revenue was due mainly to absence of income from a number of larger value projects at the Air-conditioning ("Aircon") Division in FY2017 as a substantial part of their work was completed in FY2016. Revenue from the Paint Division and Investment Division were relatively stable for FY2017 as compared to FY2016.

Gross profit margins improved by 2.4 percentage points from 11.4% in FY2016 to 13.8% in FY2017. The Group's Aircon Division had executed its projects which recorded higher margins in FY2017 as compared with FY2016.

Other income decreased by S$1.1 million or 65.0% to S$0.6 million. Other income in FY2016 related mainly to reversal of payables in Cambodia, government grants and gain on disposal of motor vehicles which did not recur in FY2017.

Administrative expenses increased by S$1.8 million or 12.1% to S$17.1 million due mainly to higher legal and professional fees relating to the corporate exercises, claims and litigation that the Group was involved in. Higher staff related expenses and depreciation from the newly acquired property at 87 Defu Lane 10 also contributed to the increase in administrative expenses.

Other expenses decreased by S$6.4 million or 62.6% to S$3.9 million. In FY2016, the Group recorded a number of non-cash charges such as a S$2.0 million provision for onerous contract in relation to the non-cancellable sales and leaseback transaction for its Natural Cool Lifestyle Hub building in the Investment Division, S$1.6 million impairment of goodwill in the Paint Division, S$3.8 million impairment in the shares of an available-for-sale investment ("AFS"), HMK Energy Pte Ltd, and S$1.3 million of net change in fair value of zero coupon convertible bonds ("CB"). In FY2017, these charges either did not recur (impairment of goodwill and impairment in AFS) or were lower than the amount recorded in FY2016 (provision for onerous contract and net change in fair value of CB). However, the Group did record an impairment on intangible assets of S$0.1 million in the Paint Division, and impairment on property, plant and equipment amounting to S$1.8 million mainly arising from the planned sale of 38 Lok Yang Way as these assets' recoverable amounts were below book values in FY2017. The Group also recorded higher allowance for inventory obsolescence due to slow moving inventory in the Paint and Aircon Divisions in FY2017.

Income tax credit was due mainly to reversal of deferred tax liabilities to reflect the pending sale of the property at 38 Lok Yang Way.

Arising from the above, the Group reported a loss after income tax of S$5.4 million in FY2017.

FINANCIAL REVIEW

REVIEW OF STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment increased by S$12.6 million to S$34.1 million as at 31 December 2017 due mainly to purchase of a property located at 87 Defu Lane 10. The increase was offset by an impairment of S$1.8 million and a reclassification of the property and the related plant and equipment at 38 Lok Yang Way, which is expected to be sold in 2018, to asset held for sale.

Trade and other receivables increased by S$2.0 million to S$21.5 million as at 31 December 2017 due mainly to higher Aircon Division's sales towards the end of FY2017 which were not due for collection at the end of the financial year. The increase was also due to GST refund receivable on the recently acquired property at 87 Defu Lane 10.

Trade and other payables decreased by S$1.1 million to S$35.7 million as at 31 December 2017 due mainly to lower unearned revenue from customers of the Aircon Division.

Total loans and borrowings increased by S$11.7 million to S$24.8 million due mainly to the loan drawn down for the purchase of 87 Defu Lane 10, partially offset by early settlement of bank loans secured on the properties at 42 Toh Guan Road East. Bank loan secured on the asset held for sale (property at 38 Lok Yang Way) has also been reclassified and presented as a separate line item "loan associated with asset held for sale".

Total provisions increased by S$1.0 million to S$2.9 million due mainly to provision made on reinstatement of the Group's leased Natural Cool Lifestyle Hub building located at 29 Tai Seng Avenue and other provisions.

REVIEW OF STATEMENT OF CASH FLOWS

In FY2017, the Group recorded net cash outflow of S$2.0 million before changes in working capital.

Our net working capital outflow was due mainly to increase in trade and other receivables of S$2.2 million comprising S$1.2 million of GST refund receivable on our recently acquired 87 Defu Lane 10 and higher sales towards the end of FY2017 not due for collection as at 31 December 2017.

The Group recorded net cash used in investing activities of S$19.7 million in FY2017 mainly due to the purchase of the property at 87 Defu Lane 10.

The Group recorded net cash generated from financing activities of S$11.2 million in FY2017 due mainly to the proceeds from a property loan to finance the purchase of the property at 87 Defu Lane 10.

As a Company that offers products and services which touches the lives of many people, we are keenly aware that our actions impact the community and the environment. We are therefore try to contribute to being a good corporate citizen by participating in activities that we find meaningful to society.

UNITED OVERSEAS BANK (UOB) HEARTBEAT CORPORATE SOCIAL RESPONSIBILITY (CSR) PROGRAMME

In 2017, as part of UOB's CSR Programme, our Chief Executive Officer, Mr Tsng Joo Peng and Executive Director of our Paint Division, Mr Lim Chiang Wei joined UOB Deputy Chairman and CEO, Mr Wee Ee Cheong and more than 100 UOB Commercial Banking employees and other clients to give a fresh coat of paint and new furniture to the homes of 16 families under the care of Fei Yue Community Services in Bukit Batok.

The volunteers also packed and delivered 360 bags of Lunar New Year treats and essentials, and presented schoolbags with stationery for 70 children, all donated by clients of UOB.

HAIR FOR HOPE

Hair for Hope is Children's Cancer Foundation's signature fundraising event – the only head-shaving event in Singapore that serves to raise funds and awareness of childhood cancer.

Through the symbolic gesture of shaving bald, Hair for Hope aim to:

- Create awareness of childhood cancer in Singapore
- Show children with cancer and their families that they are not alone in their fight against cancer
- Tell children with cancer that it is OK to be bald
- Raise funds and help children with cancer and their families
- Build a community of support for children with cancer and their families

Every shaven head at Hair for Hope represents the understanding by an individual of the ordeals that a child with cancer is subjected to. By volunteering to shave, shavees become CCF ambassadors in helping to raise awareness of childhood cancer among their family and friends. It also provides an opportunity to garner support from the public in the form of donations.

In June 2017, Natural Cool hosted a satellite Hair for Hope event at its premises and raised a total of S$33,192 at this event.

CORPORATE SPONSORSHIP

We believe that sponsorship and support of meaningful corporate events help us raise our profile and gives us a chance to explain our business and corporate practices to our stakeholders and peers in industry.

SECURITIES INVESTORS ASSOCIATION SINGAPORE (SIAS) CORPORATE GOVERNANCE WEEK

Corporate Governance Week (CG Week) is an initiative started by SIAS since year 2010 with the main objective to foster and promote good corporate governance practices among listed companies and all stakeholders involved. The CG Week will commence with Global Corporate Governance Conference, Investors' Choice Awards (ICA) dinner presentation ceremony, followed by Forums, Charity Governance Conference and Workshops, ending with the Investors' Forum.

Topical corporate governance issues, trends, developments and best practises will be discussed at the conference, forums, workshops and public listed companies which have demonstrated exemplary Corporate Governance and Transparency practices will be recognised at ICA.

Held in September, Natural Cool participated in and signed a Statement of Support in support of good corporate governance practices in both 2016 and 2017.

ASEAN CONFERENCE 2017

Presented by United Overseas Bank, Rajah & Tann, RSM and the Singapore Business Federation, the ASEAN Conference is a flagship platform that supports businesses' regional ambitions by:

a) creating strategic collaboration between the private and government sectors;
b) equipping business leaders with critical insights in view of the latest economic and political shifts; and
c) connecting them with needed practical services.

ASEAN Conference 2017's Guest of Honour was Singapore's Minster for Trade and Industry, Mr Lim Hng Kiang, and featured VIP Guests Philippines Secretary of Trade and Industry H.E. Ramon M Lopez, Ambassador of the Republic of Indonesia to Singapore H.E. Ngurah Swajaya and Deputy Chairman for Investment at the Indonesia Investment Co-ordinating Board, Dr Himawan Hariyoga.

Natural Cool was pleased to be invited to be a sponsor for, and participated in this conference which was held in April 2017.

MR GOH TECK SIA
INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE BOARD

Mr Goh was appointed an Independent Non-Executive Director of the Company on 8 February 2017. He is the Chairman of the Board, Chairman of our Remuneration Committee and a member of the Company's Audit and Nominating Committees.

Mr Goh was a career police officer and he retired from the Singapore Police Force (SPF) in end January 2017 after serving for about 50 years.

During his long and illustrious career, he served in senior positions in units including Police Academy, Special Operations Command (Police Task Force), Police Operations Department and Criminal Investigation Department. Mr Goh also served in a number of Police Land Divisions such as Central Police Division, Beach Road Police Division and Tanglin Police Division.

Prior to his retirement, Mr Goh was the Head, Support & Technical cum Head Discipline at Tanglin Police Division holding the rank of Deputy Superintendent of Police.

Mr Goh received the Long Service Medal in 1995, and the Commendation Medal in 2005. He also received the Appreciation Certificate in 2010 from the President of Singapore and Congratulatory Note from the Permanent Secretary, Ministry of Home Affairs in 2016 for his services and contributions to the nation

Past directorships in listed companies (For last three years)	Present directorships in listed companies (Other than the Company)
None	None

MR TSNG JOO PENG
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr Tsng was appointed to our Board on August 1, 2005 (Date of last re-appointment as Director: 26 April, 2016) and he was appointed as our Group Chief Executive Officer ("CEO") on October 31, 2013. As CEO, he is primarily responsible for overseeing strategic planning, overall business expansion and management of our Group. Mr Tsng has been a Director of Natural Cool since 1993. Prior to joining our Company, Mr Tsng was a Director and Shareholder of Aircon Designs Pte Ltd, Aircon Designs Services Pte Ltd, QPA Pte Ltd, Quality Perfect Assurance Pte Ltd and NC Airconditioning Pte Ltd.

Past directorships in listed companies (For last three years)	Present directorships in listed companies (Other than the Company)
None	None

MR WONG LEON KEAT
MANAGING DIRECTOR AND CHIEF CORPORATE OFFICER

Mr Wong was appointed an Executive Director of the Company on 8 February 2017 and Managing Director of the Company on 28 April 2017. As Managing Director, he is responsible for execution of the Company's business strategies and plans, overseeing financial, administrative, human resources, investor relations, regulatory and compliance functions.

Mr Wong has 20 years of experience in professional services and private equity investment in companies, some of which he still holds directorships in, none of which are executive in nature.

Mr Wong holds a Bachelor of Accountancy degree from the Nanyang Technological University and is a Public Accountant of Singapore and an Approved Liquidator registered with the Accounting and Corporate Regulatory Authority. He is also a Fellow Member of the Singapore Association of the Institute of Chartered Secretaries and Administrators and an Accredited Tax Practitioner with the Singapore Institute of Accredited Tax Professionals.

Past directorships in listed companies (For last three years)	Present directorships in listed companies (Other than the Company)
None	None

BOARD OF DIRECTORS

MS LAU LEE HUA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Lau was appointed an Independent Non-Executive Director of the Company on 8 February 2017. She is the Chairman of our Audit Committee and a member of the Company's Nominating and Remuneration Committees.

Ms Lau is the proprietor-auditor of Lau Lee Hua & Co., a public accounting firm, since 1995. She is a practising member of Institute of Singapore Chartered Accountants having been admitted in 1995 and upgraded to a Fellow of the Association of Chartered Certified Accountants in 1997. She is a Public Accountant of Singapore and an Approved Liquidator registered with the Accounting and Corporate Regulatory Authority. She was appointed as Honorary Treasurer of the Movement for the Intellectually Disabled of Singapore, a voluntary welfare organisation, on 28 September 2013 and on 30 September 2017, she was appointed as Honorary Auditor. Ms Lau was awarded the "Long Service Award" by the People's Association in 2001 and the "MINDS Meritorious Service Award" by Movement for the Intellectually Disabled of Singapore in 2009.

Past directorships in listed companies (For last three years)	Present directorships in listed companies (Other than the Company)
Gaylin Holdings Limited	None

MR RONNIE TAN SIEW BIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Tan was appointed an Independent Non-Executive Director of the Company on 8 February 2017. He is the Chairman of our Nominating Committee and a member of the Company's Audit and Remuneration Committees.

Mr Tan is one of the founding Directors of Central Chambers Law Corporation in Singapore with 26 years of post-qualification experience. He is a Notary Public, Commissioner for Oaths and heads of the Civil and Criminal practice. Mr Tan began his legal practice as a litigator and moved into areas of corporate and commercial advice. Mr Tan holds a Bachelor of Laws from University of London and admitted to the English and Singapore Bar in 1989 and 1991 respectively.

Past directorships in listed companies (For last three years)	Present directorships in listed companies (Other than the Company)
None	None

KEY MANAGEMENT

MR NEO HAN CHENG
DIRECTOR AND CHIEF OPERATING OFFICER, NATURAL COOL AIRCONDITIONING & ENGINEERING PTE LTD

Mr Neo was appointed to his current position on 19 July 2007 and is primarily responsible for the overall management, business planning and daily operations of Natural Cool Airconditioning & Engineering's Commercial Installation Department. Mr Neo joined our Group in 1997 and was promoted to an Assistant General Manager in 2005 where he was 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 Airconditioning & 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 mechanical and electrical building services. Mr Neo graduated with a Diploma in Manufacture Engineering from Singapore Polytechnic in 1990.

MR TAN KIAN YONG
DIRECTOR , NATURAL COOL AIRCONDITIONING & ENGINEERING PTE LTD

Mr Tan was appointed as a Director of Natural Cool Airconditioning & Engineering on 15 February 2017. He is primarily responsible for the Mechanical & Electrical Department, including the Retail and Commercial Service Teams and Fire Protection Teams. He is also currently assisting the Group in some of its mergers and acquisition and joint ventures activities.

Mr Tan joined our Group as a Service Manager in 2002 and was promoted to an Assistant General Manager in year 2005 and seconded to the Group's Shanghai office from April 2006 to December 2008, responsible for business development, planning for both M&E installation projects and service and maintenance projects and was responsible for its daily operations. Mr Tan is also a Director of NC (Singapore) Pte. Ltd., a subsidiary of Natural Cool Airconditioning & Engineering Pte Ltd since January 2009, where he is responsible for the overall management, business planning and strategic execution of its operations.

MR LEE WAN KAH
DIRECTOR, NATURAL COOL AIRCONDITIONING & ENGINEERING PTE LTD

Mr Lee joined the Group in 15 April 2006 as a Manager in one of the Group's former subsidiaries. In early 2009, he was transferred to Natural Cool Investments Pte. Ltd. to be Personal Assistant to Director (Special Project), and left the Group at the end of 2009 to pursue his own interests.

Mr Lee returned to the Group in 2012 as Director of our Trading Department and was appointed Director of Natural Cool Airconditioning & Engineering on 15 February 2017. He is primarily responsible for the performance of our Trading Department at both our Defu Lane and Toh Guan East outlets, including overall management, business planning and daily operations. Mr Lee's business experience and astuteness lead Trading Department's sales to improve year-on-year since 2012, increasing our industry market share in Singapore. He spearheaded the expansion of Natural Cool's brand name into Malaysia, and set up outlets in Johor Bahru and Kuala Lumpur in 2015. He is also responsible for the implementation of business and evaluation of marketing strategies to capture local market share and improve sales in Malaysia.

MR CHOY BING CHOONG
CHIEF INVESTMENT OFFICER

Mr Choy joined the Company as Chief Investment Officer in July 2014.

He is responsible for formulating, planning and executing the Company's corporate strategies, charting the growth of the Group through identification of merger and acquisition opportunities, management of the Group's investments more effectively by working closely with our Chief Corporate Officer and Chief Executive Officer.

Mr Choy has more than 25 years of work experience in a variety of roles in multiple industries and countries. Prior to joining our Company, he spent 8 years with the Corporate Finance Department at CIMB Bank Berhad, Singapore Branch, where he last held the position of Director, Corporate Finance. Before his stint at CIMB Bank Berhad, Singapore Branch, Mr Choy spent 3 years at the Corporate and Capital Markets Group in Rajah & Tann.

He is a Chartered Accountant (Singapore) and holds a Bachelor's of Accountancy Degree from the National University of Singapore.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Goh Teck Sia
Independent Non-Executive Chairman

Mr Tsng Joo Peng
Executive Director and Chief Executive Officer

Mr Wong Leon Keat
Managing Director and Chief Corporate Officer

Ms Lau Lee Hua
Independent Non-Executive Director

Mr Ronnie Tan Siew Bin
Independent Non-Executive Director

AUDIT COMMITTEE
Ms Lau Lee Hua
Chairman

Mr Ronnie Tan Siew Bin
Member

Mr Goh Teck Sia
Member

NOMINATING COMMITTEE
Mr Ronnie Tan Siew Bin
Chairman

Ms Lau Lee Hua
Member

Mr Goh Teck Sia
Member

REMUNERATION COMMITTEE
Mr Goh Teck Sia
Chairman

Ms Lau Lee Hua
Member

Mr Ronnie Tan Siew Bin
Member

COMPANY SECRETARY
Ms Yeoh Kar Choo Sharon

AUDITOR
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16 Raffles Quay
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Partner-in-charge
Mr Phuoc Tran
(With effect from financial year 2016)

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SHARE REGISTRAR
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 069802

PRINCIPAL BANKERS
United Overseas Bank

DIRECTORS' STATEMENT

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 2017.

In our opinion:

(a) the financial statements set out on pages 21 to 86 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, 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.

Directors

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

Goh Teck Sia(1)	Independent Non-Executive Chairman
Tsng Joo Peng	Executive Director and Chief Executive Officer
Wong Leon Keat(2)	Executive Director, Chief Corporate Officer and Managing Director
Lau Lee Hua(1)	Independent Director
Ronnie Tan Siew Bin(1)	Independent Director

(1) Mr Goh Teck Sia, Ms Lau Lee Hua and Mr Ronnie Tan Siew Bin were appointed by shareholders during EGM held on 8 February 2017.

(2) Mr Wong Leon Keat was appointed as Executive Director by shareholders during EGM held on 8 February 2017. He was appointed as Chief Corporate Officer with effect from 20 March 2017. Subsequently, he was appointed as Managing Director with effect from 28 April 2017.

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the 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 children) in shares, debentures, warrants or share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
The Company		
Ordinary shares		
Tsng Joo Peng		
- interest held	16,300,000	16,300,000
- deemed interest	1,048,426	1,048,426
Wong Leon Keat		
- interest held	12,000,000	12,000,000
- deemed interest	11,200,000	11,200,000

DIRECTORS' STATEMENT

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at the date of appointment if later, 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 2018.

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.

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 statement are:

- Lau Lee Hua (Chairman), Independent Director
- Goh Teck Sia, Independent Director
- Ronnie Tan Siew Bin, Independent Director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX-ST 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' statement. 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;
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual); and
- the internal investigation report.

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 and 715 of the SGX Listing Manual.

Auditors

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

On behalf of the Board of Directors

Tsng Joo Peng	**Wong Leon Keat**
Director	*Director*

29 March 2018

INDEPENDENT AUDITOR'S REPORT

Members of Natural Cool Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Natural Cool Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 86.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of non-financial assets of Paint cash-generating unit (CGU) **(Refer to Notes 4 and 5 to the financial statements)**	
The key audit matter	*How the matter was addressed in our audit*
An impairment trigger has been identified for the Group's Paint CGU which continued to report a loss for the year. Consequently, the Group performed an impairment assessment of the non-financial assets of the Paint CGU by estimating its recoverable amount. The recoverable amount of the CGU has been derived using its cash flow forecasts and an additional impairment loss of $0.5 million has been recognised in 2017. Forecasting future cash flows is a highly judgemental process which involves making assumptions related to estimates on revenue growth, gross profit margin, operating expenses and the discount rates.	We assessed the Group's process of setting budgets on which the cash flow forecasts are based. The key assumptions including, revenue growth, gross profit margin and operating expenses were assessed by comparing them to historical results, market data and industry forecasts. This includes making enquiries with management about their business strategies and plan on revenue growth and profitability. We assessed the discount rates used by reference to comparable companies' weighted average cost of capital. We performed sensitivity analysis around the key drivers of the cash flow forecasts, in particular the revenue growth, gross profit margin and operating expenses. We assessed whether the disclosures were appropriate. *Our findings* We found the estimates used in the cash flow forecasts to be balanced and the disclosures in the notes to the financial statements to be appropriate.

Valuation of other investments **(Refer to Note 7 to the financial statements)**	
The key audit matter	*How the matter was addressed in our audit*
The Group holds investments consisting of equity investment and convertible bonds totalling $6.2 million, in a company ('investee') which is in the business of exploration and production of oil and gas. In the prior year, an impairment loss on equity investment of $3.8 million and the fair value loss on convertible bonds of $1.3 million had been recognised. The investee operates under a Production Sharing Contract ('PSC') granted by the Government of Indonesia to carry on its exploration activities in its designated contract area in Lampung III Contract Area in South Sumatra, Indonesia. The investee has up to FY2019 to complete its exploration activities. This period can be extended. As of date of this report, the investee is currently still in the stage of exploration. There is a risk that the carrying amounts of the Group's investments may not be recoverable. Management assessed the fair value based on market approach. Determination of the fair value, in particular the potential selling price of the PSC, involves judgement.	We obtained the latest financial statements of the investee and reviewed management's valuation model of the investment. We updated our understanding of the current exploration progress based on inquiry of management and available public information. We assessed management's valuation of the Group's investments in the investee based on the investee's continuing involvement in the designated contract area for the next two years up to the end of the concession period in FY2019 and the potential value of the PSC. *Our findings* We found the additional fair value loss on convertible bonds of $0.2 million for the year to be consistent with management's basis of assessment.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditor's report thereon.

We have obtained all other information prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Phuoc Tran.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group 2017	Group 2016	Company 2017	Company 2016
		$'000	$'000	$'000	$'000
Assets					
Property, plant and equipment	4	34,126	21,512	24	23
Intangible assets and goodwill	5	604	690	16	33
Subsidiaries	6	–	–	6,852	6,899
Other investments	7	–	928	–	928
Deferred tax assets	16	581	802	–	–
Non-current assets		35,311	23,932	6,892	7,883
Asset held for sale	8	4,148	–	–	–
Inventories	9	12,023	11,711	–	–
Trade and other receivables	11	21,463	19,427	690	11,434
Other investments	7	688	–	688	–
Cash and cash equivalents	12	11,685	25,028	695	3,080
Current assets		50,007	56,166	2,073	14,514
Total assets		85,318	80,098	8,965	22,397
Equity					
Share capital	13	36,412	36,412	36,412	36,412
Reserves	14	(3,439)	(3,476)	300	300
Accumulated losses		(12,290)	(6,975)	(29,341)	(14,833)
Equity attributable to owners of the Company		20,683	25,961	7,371	21,879
Non-controlling interests		52	(1)	–	–
Total equity		20,735	25,960	7,371	21,879
Liabilities					
Loans and borrowings	15	19,512	12,097	–	–
Deferred tax liabilities	16	457	1,427	–	–
Provisions	18	2,234	1,570	–	–
Non-current liabilities		22,203	15,094	–	–
Loans and borrowings:	15				
- Loan associated with asset held for sale		4,252	–	–	–
- Others		1,046	1,000	–	–
Trade and other payables	17	35,669	36,806	1,594	518
Provisions	18	714	423	–	–
Current tax payable		699	815	–	–
Current liabilities		42,380	39,044	1,594	518
Total liabilities		64,583	54,138	1,594	518
Total equity and liabilities		85,318	80,098	8,965	22,397

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017

	Note	Group 2017	Group 2016
		$'000	$'000
Revenue	21	117,406	128,970
Cost of sales		(101,171)	(114,219)
Gross profit		16,235	14,751
Other income	22	589	1,685
Distribution expenses		(1,548)	(1,528)
Administrative expenses		(17,115)	(15,266)
Other expenses		(3,850)	(10,286)
Results from operating activities		(5,689)	(10,644)
Finance costs	23	(568)	(594)
Loss before tax		(6,257)	(11,238)
Tax credit	24	850	8
Loss for the year	25	(5,407)	(11,230)
Loss attributable to:			
Owners of the Company		(5,315)	(11,194)
Non-controlling interests		(92)	(36)
Loss for the year		(5,407)	(11,230)
Loss per share			
Basic and diluted earnings per share (cents)	26	(2.12)	(5.11)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Group	
	2017	2016
	$'000	$'000
Loss for the year	(5,407)	(11,230)
Other comprehensive income		
Item that is or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences from translation of foreign operations	(5)	8
Exchange differences on monetary items forming part of net investment in foreign operations	40	(24)
Exchange differences realised from de-registration of a subsidiary	–	11
Other comprehensive income for the year	35	(5)
Total comprehensive income for the year	(5,372)	(11,235)
Total comprehensive income attributable to:		
Owners of the Company	(5,278)	(11,225)
Non-controlling interests	(94)	(10)
Total comprehensive income for the year	(5,372)	(11,235)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Note	Share capital	Capital reserve	Translation reserve	Accumulated losses	Total attributable to owners of the Company	Non–controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
At 1 January 2016		31,957	(3,078)	(367)	20,977	49,489	9	49,498
Total comprehensive income for the year								
Loss for the year		–	–	–	(11,194)	(11,194)	(36)	(11,230)
Other comprehensive income								
Foreign currency translation differences from translation of foreign operations		–	–	(18)	–	(18)	26	8
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	(24)	–	(24)	–	(24)
Exchange differences realised from de-registration of a subsidiary		–	–	11	–	11	–	11
Total comprehensive income for the year		–	–	(31)	(11,194)	(11,225)	(10)	(11,235)
Transactions with owners, recognised directly in equity								
Issuance of new shares	13	4,455	–	–	–	4,455	–	4,455
Dividends declared	13	–	–	–	(16,758)	(16,758)	–	(16,758)
		4,455	–	–	(16,758)	(12,303)	–	(12,303)
At 31 December 2016		36,412	(3,078)	(398)	(6,975)	25,961	(1)	25,960

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2017

	Note	Share capital	Capital reserve	Translation reserve	Accumulated losses	Total attributable to owners of the Company	Non–controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
At 1 January 2017		36,412	(3,078)	(398)	(6,975)	25,961	(1)	25,960
Total comprehensive income for the year								
Loss for the year		–	–	–	(5,315)	(5,315)	(92)	(5,407)
Other comprehensive income								
Foreign currency translation differences from translation of foreign operations		–	–	(3)	–	(3)	(2)	(5)
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	40	–	40	–	40
Total comprehensive income for the year		–	–	37	(5,315)	(5,278)	(94)	(5,372)
Transactions with owners, recognised directly in equity								
Capital injection by non-controlling interest of a subsidiary		–	–	–	–	–	147	147
At 31 December 2017		36,412	(3,078)	(361)	(12,290)	20,683	52	20,735

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Group	
	2017	2016
	$'000	$'000
Cash flows from operating activities		
Loss for the year	(5,407)	(11,230)
Adjustments for:		
Amortisation of deferred revenue	(1,300)	(1,300)
Amortisation of intangible assets	106	86
Depreciation of property, plant and equipment	1,912	1,633
Gain on de-registration of a subsidiary	–	(11)
Gain on disposal of property, plant and equipment	(12)	(173)
Impairment loss on available-for-sale investment	–	3,750
Impairment loss on goodwill	–	1,580
Impairment loss on trade and other receivables	208	288
Impairment loss on property, plant and equipment	1,822	955
Impairment loss on intangible assets	119	–
Interest expenses	568	594
Interest income	(14)	(160)
Property, plant and equipment written-off	3	9
Provisions	535	1,993
Tax credit	(850)	(8)
Net change in fair value of zero-coupon convertible bonds	240	1,340
	(2,070)	(654)
Changes in:		
Inventories	(312)	3,054
Trade and other receivables	(2,244)	4,564
Trade and other payables	230	348
Provisions	(422)	–
Cash (used in)/generated from operations	(4,818)	7,312
Tax paid	(15)	(48)
Net cash (used in)/from operating activities	(4,833)	7,264
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	–	130
Interest received	14	160
Proceeds from disposal of property, plant and equipment	19	228
Purchase of intangible assets	(206)	(107)
Purchase of property, plant and equipment	(19,563)	(2,455)
Net cash used in investing activities	(19,736)	(2,044)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2017

	Note	2017	2016
		$'000	$'000
Cash flows from financing activities			
Interest paid		(380)	(594)
Non-trade amount due from a related party		–	28
Dividends paid	13	–	(16,758)
Proceeds from issue of share capital	13	–	1,755
Proceeds from borrowings		14,875	5,620
Repayment of borrowings		(3,334)	(6,402)
Payment of finance lease liabilities		(114)	(771)
Capital injection by non-controlling interest of a subsidiary		147	–
Net cash from/(used in) financing activities		11,194	(17,122)
Net decrease in cash and cash equivalents		(13,375)	(11,902)
Cash and cash equivalents at beginning of year		25,028	36,900
Effect of foreign exchange fluctuations on cash held		32	30
Cash and cash equivalents at end of year	12	11,685	25,028

Significant non-cash transactions

During the financial year, the Group acquired plant and equipment amounting to $20,503,000 (2016: $2,090,000), of which $286,000 (2016: $323,000) was acquired under finance lease (see Note 4) and $51,000 (2016: $51,000) remained unpaid as at year end (see Note 17).

During the financial year, the Group acquired computer software amounting to $139,000 (2016: $158,000), of which $21,000 (2016: $88,000) remained unpaid as at year end (see Note 17).

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 March 2018.

1 Domicile and activities

Natural Cool Holdings Limited (the 'Company') is a company incorporated in Singapore. The address of the Company's registered office is 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 during the year are as follows:

- Air-conditioning: trading of air-conditioners, air-condition components, systems and units, air-condition installation, servicing and re-conditioning;
- Investment: property investment holding; and
- Paint: manufacturing and trading of paint and basic chemicals.

The financial statements of the Group as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the 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.

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

- Notes 4 and 5 – estimated useful lives and impairment loss of non-financial assets
- Note 7 – measurement of recoverable amounts of other investments

2 Basis of preparation (Continued)

2.4 Use of estimates and judgements (Continued)

Information about other judgements made and estimates applied are included in the following notes:

- Note 6 – measurement of recoverable amounts of investments in subsidiaries
- Note 9 – valuation of carrying amount of inventories
- Note 11 – impairment losses on trade and other receivables
- Note 18 – provisions
- Note 21 – revenue and profit recognition from construction contracts

2.5 Changes in accounting policies

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ('INT FRSs') that are relevant to its operations and effective for annual periods beginning on 1 January 2017. The adoption of these new and revised FRSs and INT FRSs did not result in substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the current and prior periods except for the adoption of Disclosure Initiative (Amendments to FRS7).

Disclosure Initiative (Amendments to FRS7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see Note 15).

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) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

(i) Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

(iii) 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 restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity, and any gain/loss arising is recognised directly in equity.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) 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.

(vi) Accounting for subsidiaries

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

3 Significant accounting policies (Continued)

3.2 Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. 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 is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

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

3.3 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) 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, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(i) Non-derivative financial assets (Continued)

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group has a legally enforceable 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 following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on the fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise investment in zero-coupon convertible bonds.

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 (excluding prepayments).

Cash and cash equivalents

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

Available-for-sale financial assets

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

Available-for-sale financial assets comprise unquoted equity securities.

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(ii) Non-derivative financial liabilities

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

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable 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 less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise loans and borrowings, trade and other payables.

(iii) Share capital

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

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

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

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

3.4 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for all significant fair value measurement, including Level 2 and Level 3 fair values, and reports directly to the Board of Directors.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Board of Directors and Audit Committee.

3 Significant accounting policies (Continued)

3.4 Measurement of fair values (Continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 19 – Measurement of fair values.

3.5 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 asset to a working condition for its intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

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 (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

3 Significant accounting policies (Continued)

3.5 Property, plant and equipment (Continued)

(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.

(iii) Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

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

• Leasehold properties	over the lease terms ranging from 34 – 46 years
• Computers	3 years
• Furniture, fittings and office equipment	5 years
• Motor vehicles	5 – 10 years
• Tools and machineries	5 – 10 years
• Renovation	5 years

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

3.6 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

The Group measures goodwill at acquisition date as:

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

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

3 Significant accounting policies (Continued)

3.6 Intangible assets and goodwill (Continued)

(i) Goodwill (Continued)

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Customer relationships and trademark

Customer relationships and trademark that are acquired in a business combination by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 20 years.

(iii) 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.

(iv) Subsequent expenditure

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

(v) Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

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

3.7 Leased assets

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

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

3 Significant accounting policies (Continued)

3.8 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sales.

Construction contract in progress

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

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

3.9 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(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its costs is objective evidence of impairment.

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 judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

3 Significant accounting policies (Continued)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Loans and receivables (Continued)

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 the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

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

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

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

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

3 Significant accounting policies (Continued)

3.9 Impairment (Continued)

(ii) Non-financial assets (Continued)

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 highly probable 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 costs 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.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

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 related services are rendered by employees.

(ii) Short-term employee benefits

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

3.12 Provision

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 a finance cost.

Onerous contract

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3 Significant accounting policies (Continued)

3.13 Deferred revenue

(i) Advance payments received from customers

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

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

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

3.14 Revenue

Sale of goods

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

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. Transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading of the goods onto the relevant carrier at the port.

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. When 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 (see Note 3.8).

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.

Rendering of services

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

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.

3.15 Government grants

Unconditional government grants related to Productivity and Innovation Credit Scheme and Wage Credit Scheme are recognised in profit or loss as 'other income' when the grants become receivable.

3 Significant accounting policies (Continued)

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.

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. This will be the case if the following two criteria are met:

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

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

3.17 Finance income and finance 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.

Finance costs comprise interest expense on borrowings and unwinding of the discounts on provisions. 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 is 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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;

3 Significant accounting policies (Continued)

3.18 Tax (Continued)

- temporary differences related to investments in subsidiaries to the extent that it is probable that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.19 Earnings per share

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

3.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ('CEO') and Group's Chief Corporate Officer ('CCO') 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 Group's CEO and CCO 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 Significant accounting policies (Continued)

3.21 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual periods beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with the SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International).*

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- Requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- Requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS (I)1. The assessment made by the entity is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment.

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

3 Significant accounting policies (Continued)

3.21 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

Applicable to 2018 financial statements (Continued)

SFRS(I) 1 (Continued)

Foreign currency translation reserve (FCTR)

The Group considers that restating FCTR to comply with current IAS 21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

Presently, the Group plans to elect the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassify the cumulative FCTR of $398,000 as at 1 January 2017 determined in accordance with SFRS(I) at that date to accumulated losses. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition SFRS(I) 1.

The Group expects the cumulative FCTR to decrease by $361,000 and accumulated losses to increase by the same amount as at 31 December 2017 as a result of the reclassification.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The Group plans to use the practical expedients for variable considerations. This means that for contracts with variable consideration that were completed on or before the initial application date, the transaction price at the date of completion is used, rather than estimating the amount of variable consideration

The Group plans to use the practical expedients for contract modifications. This means that for contracts that were modified before the beginning of the earliest period presented, the aggregate effect of all contract modifications when identifying separate performance obligations and determining and allocating the transaction price on transition are reflected.

The Group plans to use the practical expedients for performance obligation disclosures. This means that for periods presented before the initial application date, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when that revenue was recognised are not disclosed.

The Group does not expect any significant adjustments to arise from the application of SFRS(I) 15.

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

3 Significant accounting policies (Continued)

3.21 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

Applicable to 2018 financial statements (Continued)

SFRS(I) 9 (Continued)

The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018.

- The determination of the business model within which a financial asset is held.
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The designation of investment in equity instruments that is not held for trading as at fair value through other comprehensive income (FVOCI).

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

Classification and measurement: financial assets

For financial assets currently measured at fair value, the Group expects to continue measuring these assets at fair value under SFRS(I) 9.

Impairment

SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments).

The Group plans to apply the simplified approach and record lifetime ECL on its trade receivables and any contract assets arising from the application of SFRS(I) 15. The Group does not expect any material increase in impairment loss for trade and other receivables as at 1 January 2018.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

3 Significant accounting policies (Continued)

3.21 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (Continued)

Applicable to financial statements for the year 2019 and thereafter (Continued)

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is described below.

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to Note 28).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its leases to calculate the impending impact of transition to the new standard.

The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to approximately 17.8% of the consolidated total assets and 23.5% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

4 Property, plant and equipment

	Note	Leasehold properties	Computers	Furniture, fittings and office equipment	Motor vehicles	Tools and machineries	Renovation	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost								
At 1 January 2016		18,348	638	764	3,692	1,671	3,291	28,404
Additions		–	90	223	666	555	556	2,090
Disposals/write-offs		–	–	–	(872)	(62)	–	(934)
Effect of movements in exchange rates		–	–	(4)	(1)	(4)	(3)	(12)
At 31 December 2016		18,348	728	983	3,485	2,160	3,844	29,548
Additions		18,042	78	95	1,089	406	793	20,503
Disposals/write-offs		–	(11)	(8)	(111)	(29)	–	(159)
Reclassification to asset held for sale	8	(6,000)	–	–	–	–	–	(6,000)
Effect of movements in exchange rates		–	–	3	2	3	2	10
At 31 December 2017		30,390	795	1,073	4,465	2,540	4,639	43,902
Accumulated depreciation and impairment losses								
At 1 January 2016		745	436	498	1,960	810	1,888	6,337
Depreciation		549	116	91	125	174	578	1,633
Disposals/write-offs		–	–	–	(872)	(7)	–	(879)
Impairment loss		–	–	102	42	40	771	955
Effect of movements in exchange rates		–	–	(4)	(1)	(2)	(3)	(10)
At 31 December 2016		1,294	552	687	1,254	1,015	3,234	8,036
Depreciation		566	126	88	517	224	391	1,912
Disposals/write-offs		–	(9)	(8)	(108)	(24)	–	(149)
Impairment loss		1,455	6	41	30	127	163	1,822
Reclassification to asset held for sale	8	(1,852)	–	–	–	–	–	(1,852)
Effect of movements in exchange rates		–	–	2	1	2	2	7
At 31 December 2017		1,463	675	810	1,694	1,344	3,790	9,776
Carrying amounts								
At 1 January 2016		17,603	202	266	1,732	861	1,403	22,067
At 31 December 2016		17,054	176	296	2,231	1,145	610	21,512
At 31 December 2017		28,927	120	263	2,771	1,196	849	34,126

4 Property, plant and equipment (Continued)

	Computers	Furniture and fittings	Total
	$'000	$'000	$'000
Company			
Cost			
At 1 January 2016	20	–	20
Additions	15	–	15
At 31 December 2016	35	–	35
Additions	10	4	14
At 31 December 2017	45	4	49
Accumulated depreciation and impairment losses			
At 1 January 2016	4	–	4
Depreciation	8	–	8
At 31 December 2016	12	–	12
Depreciation	12	1	13
At 31 December 2017	24	1	25
Carrying amounts			
At 1 January 2016	16	–	16
At 31 December 2016	23	–	23
At 31 December 2017	21	3	24

Depreciation

The depreciation charge of the Group is recognised in the following line items of the statement of profit or loss:

	2017	2016
	$'000	$'000
Cost of sales	301	365
Other operating expenses	1,611	1,268
	1,912	1,633

Impairment loss

The impairment loss of leasehold property in current year relates to a property of the Paint CGU which was reclassed to asset held for sale. The remaining impairment loss of $367,000 relates to plant and equipment of the Paint CGU (see Note 5).

Majority of the impairment loss in the prior year related to the renovation of Natural Cool Lifestyle Hub building (see Note 18).

The impairment loss was recorded in 'other expenses' in the profit and loss.

4 Property, plant and equipment (Continued)

Leased assets

During the financial year, the Group acquired plant and equipment under finance leases amounting to $286,000 (2016: $323,000). As at the reporting date, the net book value of plant and equipment which were held under finance leases is as follows:

	2017	2016
	$'000	$'000
Motor vehicles	1,110	257

Securities

As at the reporting date, the leasehold properties are pledged as security to secure banking facilities as set out in Note 15.

Sources of estimation uncertainty

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

5 Intangible assets and goodwill

	Goodwill	Customer relationships	Trademark	Computer software	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Cost					
At 1 January 2016	1,580	118	383	277	2,358
Additions	27	–	–	158	185
Write-offs	–	–	–	(4)	(4)
At 31 December 2016	1,607	118	383	431	2,539
Additions	–	–	–	139	139
Write-offs	–	–	–	(2)	(2)
At 31 December 2017	1,607	118	383	568	2,676
Accumulated amortisation and impairment losses					
At 1 January 2016	–	–	–	187	187
Amortisation	–	6	19	61	86
Impairment loss	1,580	–	–	–	1,580
Write-offs	–	–	–	(4)	(4)
At 31 December 2016	1,580	6	19	244	1,849
Amortisation	–	6	19	81	106
Impairment loss	–	27	89	3	119
Write-offs	–	–	–	(2)	(2)
At 31 December 2017	1,580	39	127	326	2,072

5 Intangible assets and goodwill (Continued)

	Goodwill	Customer relationships	Trademark	Computer software	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Carrying amounts					
At 1 January 2016	1,580	118	383	90	2,171
At 31 December 2016	27	112	364	187	690
At 31 December 2017	27	79	256	242	604

	Computer software
	$'000
Company	
Cost	
At 1 January 2016	49
Additions	4
At 31 December 2016 and 31 December 2017	53
Accumulated amortisation	
At 1 January 2016	4
Amortisation	16
At 31 December 2016	20
Amortisation	17
At 31 December 2017	37
Carrying amounts	
At 1 January 2016	45
At 31 December 2016	33
At 31 December 2017	16

Amortisation

The amortisation of customer relationships, trademark and computer software are included in 'administrative expenses' in profit or loss.

Impairment assessment for CGU containing goodwill

For the purpose of impairment testing, goodwill has been allocated to the Group's operating divisions, representing 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 27.

Goodwill of $1,580,000 was recognised from the acquisition of 100% equity interest in Loh & Sons Paints Co (S) Pte Ltd in 2015 and was allocated to the Paint CGU.

In 2016, the goodwill related to the Paint CGU was fully impaired and the impairment loss was included in 'other expenses' in the profit or loss. In 2017, impairment losses of $119,000 and $367,000 were recognised for the Paint CGU's intangible assets and plant and equipment respectively. The impairment losses were included in 'other expenses' in the profit or loss.

5 Intangible assets and goodwill (Continued)

Impairment assessment for CGU containing goodwill (Continued)

The recoverable amount of the Paint CGU was based on its value in use. 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 prepared a 5-year cash flows forecast derived from the most recent financial budgets approved by the Directors of the Group.

Key assumptions used in the estimation of value in use calculation were as follows:

- Revenue growth of 10.6% (2016: 10.5%) in the following financial year and with 2.5% (2016: 2.0%) annual growth assumed for the subsequent years;

- Pre-tax discount rate of 10.0% (2016: 10.9%) has been applied to the pre-tax cash flow projections; and

- The terminal value was estimated using the cash flows forecast at the fifth year with a perpetual growth rate of 2.5% (2016: 2.0%).

The values assigned to the key assumptions, which represent management's assessment of future trends in the industry, are not greater than the industry long term growth.

Sources of estimation uncertainty

In estimating the recoverable amounts of CGUs using value in use, the Group assumed revenue growth rates throughout the cash flow forecast periods, terminal values at the end of the cash flow forecast period and discount rate applied to the cash flow projections. The assumed revenue growth rates and terminal values, however, continue to be subject to estimation uncertainties that may result in material adjustments on Paint CGU's recoverable amounts in future periods.

6 Subsidiaries

	Company	
	2017	**2016**
	$'000	**$'000**
Unquoted equity investments, at cost	7,052	6,899
Impairment loss	(200)	–
	6,852	6,899

The change in impairment losses in respect of the investments in subsidiaries during the year is as follows:

	Company	
	2017	**2016**
	$'000	**$'000**
At 1 January	–	–
Impairment losses recognised	200	–
At 31 December	200	–

6 Subsidiaries (Continued)

The impairment test of the investment in a subsidiary was triggered because of the continuing poor financial performance of the subsidiary. Management assessed the recoverable amount of the subsidiary to be $nil (2016: $200,000), which is based on the net asset position of the subsidiary. Accordingly, the Company recognised an impairment loss on investment in the subsidiary of $200,000 in profit and loss.

Details of significant subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Ownership interest 2017	2016
			%	%
Held by the Company				
Natural Cool Airconditioning & Engineering Pte Ltd [(1)]	Trading and supplying air-conditioners and parts including the manufacturing of air-conditioner ducts and the installation, repair and maintenance of air-conditioners	Singapore	100	100
Natural Cool Investments Pte. Ltd. ("NCI") [(1)]	Investment holding company and holding of investment property	Singapore	100	100
Held by NCI				
Cougar Paint Industries Sdn. Bhd. [(2)]	Manufacture of paints and basic chemicals	Malaysia	100	100

(1) KPMG LLP is the auditor of all significant Singapore incorporated subsidiaries.

(2) ASQ PLT is the auditor of the significant Malaysia incorporated subsidiary.

Sources of estimation uncertainty

When a subsidiary is in a net liability position and/or has suffered recurring losses, the Company's management will undertake an impairment assessment to determine the estimated recoverable amount of the investment in the subsidiary. This determination requires significant judgement. An estimate is made of the future profitability, the financial health of and near-term business outlook for the subsidiary, including factors such as industry and sector performance, and operating and financing cash flows. The recoverable amount of the subsidiary will change significantly as a result of changes in market conditions and the assumptions used in determining the recoverable amount.

7 Other investments

	Group and Company 2017	2016
	$'000	$'000
Non-current assets		
Available-for-sale financial assets:		
- Unquoted equity securities	3,750	3,750
Impairment loss	(3,750)	(3,750)
	–	–
Financial assets designated at fair value through profit or loss:		
- Zero-coupon convertible bonds	–	928
	–	928
Current assets		
Financial assets designated at fair value through profit or loss:		
- Zero-coupon convertible bonds	688	–
	688	928

7 Other investments (Continued)

The zero-coupon convertible bonds ('bonds') are convertible in full into 240,000 ordinary shares of the issuer at the option of the bond holders, at US$7 per share. The unconverted bonds were to be redeemed and repayable by the issuer at the initial principal amount in August 2018. The bonds have been designated at fair value through profit or loss because the embedded derivative in the instrument is equity instrument whose fair value does not have a quoted market price and cannot be reliably measured.

The Group and the Company's exposure to credit risk is disclosed in Note 19.

Sources of estimation uncertainty

When an investment has suffered recurring losses and/or is operating in an industry which is facing challenging conditions, the Company's management will undertake an impairment assessment to determine the estimated recoverable amount of the investment. This determination requires significant judgement. An estimate is made of the future profitability of the investee, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operating and financing cash flows. In 2016, an impairment loss of $3,750,000 was recognised in 'other expenses' in profit or loss. The fair value of the investment will change significantly as a result of changes in market conditions and the assumptions used. The fair value is determined using the market approach.

8 Asset held for sale - Group

In November 2017, management committed to sell a leasehold property within Paint CGU. Accordingly, the leasehold property is presented as "asset held for sale" as at 31 December 2017. The leasehold property was previously presented in "property, plant and equipment". Prior to the reclassification, an impairment loss of $1,455,000 to re-measure the leasehold property to its expected fair value less costs to sell was recognised (see Note 4).

9 Inventories

		Group	
	Note	**2017**	**2016**
		$'000	**$'000**
Raw materials		365	–
Work-in-progress		25	–
Finished goods		11,205	11,503
Construction contracts in progress	10	428	208
		12,023	11,711

In 2017, inventories of $75,142,000 (2016: $77,703,000) were recognised as an expense and included in 'cost of sales'.

Sources of estimation uncertainty

Management reviews an ageing analysis at each reporting date, and makes allowance for obsolete and slow-moving inventory items, if any. Management estimates the net realisable value of goods based primarily on the latest selling prices and current market conditions. As at 31 December 2017, the inventories are stated after allowance for inventory obsolescence of $252,000 (2016: $35,000). Adjustments to the carrying amount of inventories could be made in future periods in the event that their carrying amounts may not be recoverable resulting from future loss events.

10 Construction contracts in progress

	Note	Group 2017	Group 2016
		$'000	$'000
Costs incurred		119,104	102,980
Attributable profits		13,685	11,520
		132,789	114,500
Progress billings		(144,388)	(128,336)
		(11,599)	(13,836)
Comprising:			
Construction contracts in progress	9	428	208
Retention sums included in accrued revenue (Note 11)		5,324	6,073
Excess of progress billings over construction contracts in progress	17	(17,351)	(20,117)
		(11,599)	(13,836)

11 Trade and other receivables

	Group 2017	Group 2016	Company 2017	Company 2016
	$'000	$'000	$'000	$'000
Trade receivables due from third parties	11,547	11,185	–	–
Amounts due from subsidiaries				
- Trade	–	–	1,676	1,751
- Non-trade	–	–	9,611	9,635
Accrued discount receivables	804	854	–	–
Deposits	1,961	455	295	–
GST receivables	1,222	–	–	–
Other receivables	111	450	6	11
	15,645	12,944	11,588	11,397
Impairment losses	(675)	(467)	(10,936)	–
Loans and receivables	14,970	12,477	652	11,397
Accrued revenue	6,112	6,368	–	–
Prepayments	381	582	38	37
	21,463	19,427	690	11,434

All outstanding balances due from subsidiaries are unsecured, interest-free and repayable on demand. In 2017, impairment losses of amounts due from subsidiaries amounting to $10,936,000 (2016: $nil) was recognised in profit or loss.

Accrued revenue for the Group includes retention sums related to construction contracts in progress of $5,324,000 (2016: $6,073,000) and completed projects of $60,000 (2016: $3,000).

GST receivables relate to the purchase of a leasehold property during the year.

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

11 Trade and other receivables (Continued)

Sources of estimation uncertainty

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

12 Cash and cash equivalents

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	11,674	24,516	695	3,080
Fixed deposits	11	512	–	–
	11,685	25,028	695	3,080

13 Share capital

	Ordinary shares			
	2017		**2016**	
	No. of shares '000	**$'000**	**No. of shares '000**	**$'000**
Company				
In issue at 1 January	250,448	36,412	205,448	31,957
Exercise of convertible loan notes	–	–	18,000	2,700
Issued for cash	–	–	27,000	1,755
In issue at 31 December	250,448	36,412	250,448	36,412

All issued shares are fully paid, with no par value.

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.

Issue of ordinary shares

In May 2016, 18,000,000 ordinary shares were issued as a result of the exercise of conversion option of the convertible loan notes. Option was exercised at a price of $0.15 per share.

Pursuant to the general meeting of shareholders held in April 2016, 27,000,000 ordinary shares were issued at an exercise price of $0.065 per share.

Dividends

Total of $16,758,000 of exempt (one-tier) dividends ($0.075 per qualifying ordinary share) were declared and paid by the Group and the Company during the year ended 31 December 2016.

14 Reserves

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Capital reserve	(3,078)	(3,078)	300	300
Translation reserve	(361)	(398)	–	–
	(3,439)	(3,476)	300	300

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

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

15 Loans and borrowings

	Group	
	2017	2016
	$'000	$'000
Non-current liabilities		
Unsecured		
Term loans	–	574
Secured		
Bank loans	19,248	11,286
Finance lease liabilities	264	237
	19,512	11,523
Total non-current liabilities	19,512	12,097
Current liabilities		
Unsecured		
Term loans	–	191
Secured		
Loan associated with asset held for sale	4,252	–
Bank loans	855	763
Finance lease liabilities	191	46
	1,046	809
Total current liabilities	5,298	1,000
Total loans and borrowings	24,810	13,097

Information about the Group and the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 19.

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	2017 Face value	2017 Carrying amount	2016 Face value	2016 Carrying amount
	%		$'000	$'000	$'000	$'000
Group						
S$ floating rate loans	From 0% to 4.17% below prime rate	2017–2035	24,355	24,355	12,049	12,049
S$ fixed rate term loan	3.50%	2017	–	–	765	765
Finance lease liabilities	1.88% – 4.25%	2017–2023	513	455	340	283

As at the reporting date, certain banking facilities are secured with the Group's leasehold properties (including asset held for sale) with net carrying amount of $31,199,000 (2016: $17,054,000).

The Group's banking facilities are subject to the fulfilment of covenants related to certain financial ratios, minimum paid-up capital of its subsidiaries 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 was to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. As at the reporting date, none of the covenants related to drawn down facilities had been breached.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2017			2016		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Within 1 year	214	22	192	68	22	46
Between 1 year and 5 years	260	35	225	272	35	237
More than 5 years	39	1	38	–	–	–
	513	58	455	340	57	283

15 Loans and borrowings (Continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		
	Loans and borrowings	Finance lease liabilities	Total
	$'000	$'000	$'000
Balance at 1 January 2017	12,814	283	13,097
Changes from financing cash flows			
Interest paid	(357)	(23)	(380)
Proceeds from borrowings	14,875	–	14,875
Repayment of borrowings	(3,334)	–	(3,334)
Payment of finance lease liabilities	–	(114)	(114)
Total changes from financing cash flows	11,184	(137)	11,047
Other changes			
Liability-related			
New finance leases	–	286	286
Interest expenses	357	23	380
Total liability-related other changes	357	309	666
Balance at 31 December 2017	24,355	455	24,810

16 Deferred tax assets and liabilities

Movement in temporary differences (prior to offsetting of balances) during the year are as follows:

	Balance as at 1 January 2016	Recognised in profit or loss (Note 24)	Other	Balance as at 31 December 2016	Recognised in profit or loss (Note 24)	Other	Balance as at 31 December 2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Deferred tax assets							
Deferred revenue	(1,023)	–	221	(802)	–	221	(581)
Deferred tax liabilities							
Property, plant and equipment	1,405	22	–	1,427	(970)	–	457

16 Deferred tax assets and liabilities (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the statements of financial position are as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Group				
Property, plant and equipment	–	–	457	1,427
Deferred revenue	(581)	(802)	–	–
Net deferred tax (assets)/liabilities	(581)	(802)	457	1,427

Unrecognised deferred tax assets

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Unabsorbed capital allowances	407	4	4	4
Unutilised tax losses	9,702	7,212	8,808	7,212
	10,109	7,216	8,812	7,216

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations including satisfactory outcome over changes in shareholders and the shareholding test. The tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised by the Group and the Company in respect of these items because it is uncertain that future taxable profits will be available against which the Group and the Company can utilise the benefits therefrom.

17 Trade and other payables

		Group		Company	
	Note	2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Trade payables due to third party		7,383	7,832	75	226
Amount due to subsidiaries:					
- Trade		–	–	4	–
- Non-trade		–	–	46	–
Bill payables		617	582	–	–
Excess of progress billings over construction contracts in progress	10	17,351	20,117	–	–
Deposits received		905	647	–	–
Deferred revenue	(i)	4,115	5,441	–	–
Accrued expenses	(ii)	5,018	1,726	1,465	292
Other payables	(ii)	280	461	4	–
		35,669	36,806	1,594	518

17 Trade and other payables (Continued)

(i) Includes deferred revenue of $3,418,000 (2016: $4,718,000) representing the excess of selling price over the fair value, i.e. market value at the date of disposal for the property located at 29 Tai Seng Avenue, Singapore 534119, which was disposed under a sale and leaseback arrangement. The deferred revenue is amortised on a straight-line basis over the leaseback period of 10 years. As at the reporting date, deferred tax assets amounting to $581,000 (2016: $802,000) in respect of the deferred revenue have been recognised.

(ii) Includes unpaid invoices for acquisition of plant and equipment of $51,000 (2016: $51,000) and computer software of $21,000 (2016: $88,000).

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

The weighted average effective interest rate of bill payables of the Group at the end of the financial year is 2.53% (2016: 2.65%) per annum.

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

18 Provisions

	Onerous contract	Restoration	Total
	$'000	$'000	$'000
Group			
At 1 January 2016	–	–	–
Provision made	1,993	–	1,993
At 31 December 2016	1,993	–	1,993
Provision made	535	654	1,189
Provision utilised	(422)	–	(422)
Unwind of discount	188	–	188
At 31 December 2017	2,294	654	2,948
2017			
Non-current	1,580	654	2,234
Current	714	–	714
	2,294	654	2,948
2016			
Non-current	1,570	–	1,570
Current	423	–	423
	1,993	–	1,993

Onerous contract

In 2010, the Group entered into a non-cancellable sales and leaseback transaction for its Natural Cool Lifestyle Hub building for a period of 10 years whereby rental expenses are committed for the leaseback period up to year 2020. Due to changes in market conditions, estimated rental income is expected to be lower than the committed rental expenses under the sales and leaseback arrangement. The discounted future losses have been provided for as onerous contract.

18 Provisions (Continued)

Restoration

A provision of $654,000 was made during the financial year in respect of the Group's obligation to restore a building at the end of its useful life.

Sources of estimation uncertainty

Determining the estimated rental income and future related property expenses involve making assumptions on increase in future rental income and expenses, and changes in occupancy rates. Any adverse changes in the assumptions could result in the revision of the provisions.

19 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

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

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

Risk management framework

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

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

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 of which 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 amounts of financial assets in the statements of financial position represent the Group and the Company's respective maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of their financial assets.

19 Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

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

		Group		Company	
	Note	2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Other investments	7	688	928	688	928
Loans and receivables	11	14,970	12,477	652	11,397
Cash and cash equivalents	12	11,685	25,028	695	3,080
Recognised financial assets		27,343	38,433	2,035	15,405
Intra-group financial guarantees	29	–	–	24,972	13,396
		27,343	38,433	27,007	28,801

Intra-group financial guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. The maximum exposure of the Company in respect of the intra-group financial guarantee at the reporting date is $24,972,000 (2016: $13,396,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantees.

Other investments

Risk management policy

Other investments are made through studies of different markets and their environment by the directors.

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.

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.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of loans and receivables. The main components of this allowance are a specific loss component that relates to individually significant exposure 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.

19 Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Loans and receivables (Continued)

Exposure to credit risk

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

	2017	2016
	$'000	$'000
Group		
Commercial	5,701	3,805
Retail	295	291
Trading	8,974	8,381
	14,970	12,477
Company		
Commercial	652	11,397

The Group's most significant receivable accounted for approximately $1,605,000 (2016: $1,083,000) of the loans and receivables carrying amount as at 31 December 2017.

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

	Gross 2017	Impairment losses 2017	Gross 2016	Impairment losses 2016
	$'000	$'000	$'000	$'000
Group				
Not past due	9,463	–	7,336	–
Past due 0 – 30 days	3,700	–	2,841	–
Past due 31 – 120 days	1,522	–	1,833	(138)
Past due 121 – 365 days	317	(32)	640	(126)
More than one year	643	(643)	294	(203)
	15,645	(675)	12,944	(467)
Company				
Not past due	9,913	(9,597)	9,513	–
Past due 0 – 30 days	94	(88)	97	–
Past due 31 – 120 days	253	(253)	192	–
Past due 121 – 365 days	676	(676)	857	–
More than one year	652	(322)	738	–
	11,588	(10,936)	11,397	–

19 Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Loans and receivables (Continued)

Exposure to credit risk

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
At 1 January	467	181	–	–
Impairment loss recognised in profit or loss	208	288	10,936	–
Impairment loss utilised	–	(2)	–	–
At 31 December	675	467	10,936	–

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

The allowance accounts in respect of loans and receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written-off against the financial assets directly. At 31 December 2017, the Group and the Company do not have any collective impairment on its loans and receivables (2016: nil).

Cash and cash equivalents

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

(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.

At the reporting date, the Group maintains $3,383,000 (2016: $4,000,000) 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.

19 Financial instruments (Continued)

Risk management framework (Continued)

(ii) Liquidity risk (Continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments:

		Contractual undiscounted cash flows			
	Carrying amount	Total	Within 1 year	Within 2 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
Group					
2017					
Non-derivative financial liabilities					
Variable interest rate loans	24,355	(28,339)	(5,604)	(4,916)	(17,819)
Finance lease liabilities	455	(513)	(214)	(260)	(39)
Trade and other payables*	14,203	(14,207)	(14,207)	–	–
	39,013	(43,059)	(20,025)	(5,176)	(17,858)
2016					
Non-derivative financial liabilities					
Variable interest rate loans	12,049	(15,987)	(1,036)	(6,647)	(8,304)
Fixed interest rate loans	765	(862)	(235)	(627)	–
Finance lease liabilities	283	(340)	(68)	(272)	–
Trade and other payables*	11,248	(11,248)	(11,248)	–	–
	24,345	(28,437)	(12,587)	(7,546)	(8,304)
Company					
2017					
Non-derivative financial liabilities					
Trade and other payables	1,594	(1,594)	(1,594)	–	–
Intra-group financial guarantees	–	(24,972)	(24,972)	–	–
	1,594	(26,566)	(26,566)	–	–
2016					
Non-derivative financial liabilities					
Trade and other payables	518	(518)	(518)	–	–
Intra-group financial guarantees	–	(13,396)	(13,396)	–	–
	518	(13,914)	(13,914)	–	–

* *Exclude deferred revenue and excess of progress billings over construction contracts in progress*

19 Financial instruments (Continued)

Risk management framework (Continued)

(ii) Liquidity risk (Continued)

Exposure to liquidity risk

The maturity analysis shows the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. Except for the cash flow arising from the intra-group financial guarantees, 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

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

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

Foreign currency risk

Risk management policy

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

Exposure to foreign currency risk

The Group and the Company are not significantly exposed to foreign currency risk.

Interest rate risk

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to management, was as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Fixed rate instruments		
Loans and borrowings	(455)	(1,048)
Bill payables	(617)	(582)
Fixed deposits	11	512
	(1,061)	(1,118)
Variable rate instruments		
Loans and borrowings	(24,355)	(12,049)

19 Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis for variable rate instruments

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

	2017		2016	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	$'000	$'000	$'000	$'000
Group				
Profit before tax				
Variable rate instruments	(244)	244	(120)	120

Capital management

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

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

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

19 Financial instruments (Continued)

Accounting classifications and fair values

Fair values versus carrying amounts

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					Fair value			
Group	Note	Designated at fair value	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2017										
Financial assets measured at fair value										
Other investments:										
- Zero-coupon convertible bonds	7	688	–	–	–	688	–	–	688	688
Financial assets not measured at fair value										
Trade and other receivables	11	–	14,970	–	–	14,970				
Cash and cash equivalents	12	–	11,685	–	–	11,685				
		–	26,655	–	–	26,655				
Financial liabilities not measured at fair value										
Variable interest rate loans	15	–	–	–	24,355	24,355	–	24,355	–	24,355
Finance lease liabilities	15	–	–	–	455	455	–	445	–	445
Trade and other payables*	17	–	–	–	14,203	14,203				
		–	–	–	39,013	39,013				
31 December 2016										
Financial assets measured at fair value										
Other investments:										
- Zero-coupon convertible bonds	7	928	–	–	–	928	–	–	928	928
Financial assets not measured at fair value										
Trade and other receivables	11	–	12,477	–	–	12,477				
Cash and cash equivalents	12	–	25,028	–	–	25,028				
		–	37,505	–	–	37,505				
Financial liabilities not measured at fair value										
Variable interest rate loans	15	–	–	–	12,049	12,049	–	12,049	–	12,049
Fixed interest rate loans	15	–	–	–	765	765	–	759	–	759
Finance lease liabilities	15	–	–	–	283	283	–	280	–	280
Trade and other payables*	17	–	–	–	11,248	11,248				
		–	–	–	24,345	24,345				

* *Exclude deferred revenue and excess of progress billings over construction contracts in progress*

19 Financial instruments (Continued)

		Carrying amount					Fair value			
Company	Note	Designated at fair value	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2017										
Financial assets measured at fair value										
Other investments:										
- Zero-coupon convertible bonds	7	688	–	–	–	688	–	–	688	688
Financial assets not measured at fair value										
Trade and other receivables	11	–	652	–	–	652				
Cash and cash equivalents	12	–	695	–	–	695				
		–	1,347	–	–	1,347				
Financial liabilities not measured at fair value										
Trade and other payables	17	–	–	–	1,594	1,594				
31 December 2016										
Financial assets measured at fair value										
Other investments:										
- Zero-coupon convertible bonds	7	928	–	–	–	928	–	–	928	928
Financial assets not measured at fair value										
Trade and other receivables	11	–	11,397	–	–	11,397				
Cash and cash equivalents	12	–	3,080	–	–	3,080				
		–	14,477	–	–	14,477				
Financial liabilities not measured at fair value										
Trade and other payables	17	–	–	–	518	518				

19 Financial instruments (Continued)

Level 3 fair value

The following table shows a reconciliation from the opening balance to the ending balance for Level 3 fair value:

	Unquoted equity securities	Zero-coupon convertible bonds
	$'000	$'000
Group and Company		
At 1 January 2016	3,750	2,268
Fair value loss recognised in profit or loss	–	(1,340)
Impairment loss recognised in profit or loss	(3,750)	–
At 31 December 2016	–	928
Fair value loss recognised in profit or loss	–	(240)
At 31 December 2017	–	688

20 Measurement 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

The fair values of non-derivative financial liabilities which are determined for disclosure purposes, are 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.

Other non-derivative financial assets and liabilities

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

Other investments

The following table shows the valuation technique used in measuring the Level 3 fair value as well as the significant unobservable inputs used for other investments:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable input and fair value measurement
Group and Company			
Other investments	The fair values of financial assets designated at fair value through profit or loss and available-for-sale investments which are not traded in active markets are determined using recoverable amount based on fair value less costs to sell.	Selling price of the Production Sharing Contract ('PSC')	The fair value of the instrument will increase/(decrease) if the selling price of the PSC was higher/(lower).

20 Measurement of fair values

Other investments (Continued)

Sensitivity analysis

Management considers that changing the significant unobservable inputs used to other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

21 Revenue

	Group	
	2017	**2016**
	$'000	**$'000**
Sale of goods	78,632	73,332
Revenue from construction contracts	26,624	46,900
Revenue from services rendered	8,185	5,287
Rental income	3,965	3,451
	117,406	128,970

Sources of estimation uncertainty

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

22 Other income

	Group	
	2017	**2016**
	$'000	**$'000**
Gain on disposal of property, plant and equipment	13	173
Government grants	251	439
Interest income	14	160
Maintenance service income	72	144
Reversal of payables	–	453
Others	239	316
	589	1,685

23 Finance costs

	Group 2017	Group 2016
	$'000	$'000
Interest expenses:		
- bank loans	357	496
- convertible loan notes	–	54
- finance leases	23	44
Unwind of the discount on provisions	188	–
	568	594

24 Tax credit

	Group 2017	Group 2016
	$'000	$'000
Current tax expense/(credit)		
Current year	120	11
Under/(Over) provision in respect of prior years	–	(41)
	120	(30)
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(205)	90
Overprovision in respect of prior years	(765)	(68)
	(970)	22
Tax credit	(850)	(8)

	Group 2017	Group 2016
	$'000	$'000
Reconciliation of effective tax rate		
Loss before tax	(6,257)	(11,238)
Tax using Singapore tax rate at 17% (2016: 17%)	(1,064)	(1,910)
Effect of different tax rates in other countries	(15)	(19)
Tax incentives	(444)	(314)
Non-deductible expenses	946	2,250
Over provision in respect of prior years	(765)	(109)
Deferred tax assets not recognised	492	94
	(850)	(8)

25 Loss for the year

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

	Note	Group 2017 $'000	Group 2016 $'000
Amortisation of deferred revenue		(1,300)	(1,300)
Amortisation of intangible assets	5	106	86
Audit fees paid to:			
- auditors of the Company		200	230
- other auditors		14	7
Non-audit fees paid to auditors of the Company		25	26
Depreciation of property, plant and equipment	4	1,912	1,633
Operating lease expenses		6,002	6,427
Staff costs		16,135	15,474
Contributions to defined contribution plans, included in staff costs		908	890
Included in other expenses are:			
Allowance for inventory obsolescence		217	43
Bad debts written-off		18	168
Foreign exchange loss – net		33	33
Plant and equipment written-off		3	9
Impairment loss on available-for-sale investment		–	3,750
Impairment loss on intangible assets		119	–
Impairment loss on goodwill		–	1,580
Impairment loss on trade and other receivables – net		208	288
Impairment loss on plant and equipment		1,822	955
Net change in fair value of zero-coupon convertible bonds		240	1,340
Provisions	18	535	1,993

26 Loss per share

Basic and diluted loss per share

The calculation of basic and diluted loss per share was based on weighted average number of ordinary shares outstanding of 250,448,000 (2016: 219,120,000), calculated as follows:

Weighted-average number of ordinary shares

	Note	2017 '000	2016 '000
Group			
Issued ordinary shares at 1 January	13	250,448	205,448
Effect of convertible loan option exercised		–	10,869
Effect of shares issued in November 2016		–	2,803
Weighted-average number of ordinary shares during the year		250,448	219,120

26 Loss per share (Continued)

The Company does not have any dilutive potential ordinary shares in existence for the current year.

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.

27 Operating segments

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

Air-conditioning (Aircon)	:	trading of air-conditioners, air-condition components, systems and units, air-condition installation, servicing and re-conditioning.
Investment	:	properties investment holding.
Paint	:	manufacturing and distribution of paints and chemicals.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports review by the CEO and CCO. 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	Investment	Paint	Total
	$'000	$'000	$'000	$'000
Revenue and expenses				
2017				
Total revenue from external customers	110,079	3,965	3,362	117,406
Inter-segment revenue	43	544	21	608
Total revenue of reportable segments	110,122	4,509	3,383	118,014
Finance income	(5)	(16)	(9)	(30)
Finance costs	218	195	178	591
Depreciation and amortisation	1,303	275	410	1,988
Reportable segment profit/(loss) before tax	2,780	(2,162)	(3,503)	(2,885)
Other material non-cash items:				
- Allowance for inventory obsolescence	110	–	107	217
- Amortisation of deferred revenue	–	(1,300)	–	(1,300)
- Bad debts written-off	3	7	8	18
- Impairment loss on trade and other receivables - net	208	–	–	208
- Impairment loss on plant and equipment	–	–	1,822	1,822
- Impairment loss on intangible assets	–	–	119	119
- Provisions	–	535	–	535
Reportable segment assets	72,781	6,452	6,799	86,032
Capital expenditure	19,585	232	156	19,973
Reportable segment liabilities	50,197	14,951	11,606	76,754

27 Operating segments (Continued)

Information about reportable segments (Continued)

	Aircon $'000	Investment $'000	Paint $'000	Total $'000
Revenue and expenses				
2016				
Total revenue from external customers	121,521	3,911	3,538	128,970
Inter-segment revenue	32	548	3	583
Total revenue of reportable segments	121,553	4,459	3,541	129,553
Finance income	(23)	–	(11)	(34)
Finance costs	327	–	213	540
Depreciation and amortisation	897	418	381	1,696
Reportable segment profit/(loss) before tax	2,271	(4,658)	(2,542)	(4,929)
Other material non-cash items:				
- Allowance for inventory obsolescence	43	–	–	43
- Amortisation of deferred revenue	–	(1,300)	–	(1,300)
- Bad debts written-off	148	20	–	168
- Impairment loss on goodwill	–	–	1,580	1,580
- Impairment loss on trade and other receivables - net	107	97	84	288
- Impairment loss on plant and equipment	–	687	268	955
- Provisions	–	1,993	–	1,993
Reportable segment assets	58,687	10,283	9,813	78,783
Capital expenditure	748	344	1,138	2,230
Reportable segment liabilities	38,298	16,044	11,153	65,495

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

	2017 $'000	2016 $'000
Revenue		
Total revenue for reportable segments	118,014	129,553
Elimination of inter-segment revenue	(608)	(583)
Consolidated revenue	117,406	128,970
Profit or loss before tax		
Total loss before tax for reportable segments	(2,885)	(4,929)
Other losses	(3,372)	(6,309)
Consolidated loss before tax	(6,257)	(11,238)
Assets		
Total assets for reportable segments	86,032	78,783
Other assets	1,746	4,029
Elimination of inter-segment assets	(2,460)	(2,714)
Consolidated total assets	85,318	80,098
Liabilities		
Total liabilities for reportable segments	76,754	65,495
Other liabilities	1,527	523
Elimination of inter-segment liabilities	(13,698)	(11,880)
Consolidated total liabilities	64,583	54,138

27 Operating segments (Continued)

Other material items

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
2017			
Finance income	(30)	16	(14)
Finance costs	591	(23)	568
Depreciation and amortisation	1,988	30	2,018
Allowance for inventory obsolescence	217	–	217
Amortisation of deferred revenue	(1,300)	–	(1,300)
Bad debts written-off	18	–	18
Impairment loss on trade and other receivables – net	208	–	208
Impairment loss on plant and equipment	1,822	–	1,822
Impairment loss on intangible assets	119	–	119
Provisions	535	–	535
Net change in fair value of zero-coupon convertible bonds	–	240	240
Capital expenditure	19,973	15	19,988
2016			
Finance income	(34)	(126)	(160)
Finance costs	540	54	594
Depreciation and amortisation	1,696	23	1,719
Allowance for inventory obsolescence	43	–	43
Amortisation of deferred revenue	(1,300)	–	(1,300)
Bad debts written-off	168	–	168
Impairment loss on goodwill	1,580	–	1,580
Impairment loss on trade and other receivables – net	288	–	288
Impairment loss on plant and equipment	955	–	955
Provisions	1,993	–	1,993
Impairment loss on available-for-sale investment	–	3,750	3,750
Net change in fair value of zero-coupon convertible bonds	–	1,340	1,340
Capital expenditure	2,230	18	2,248

Geographical information

The Group operates primarily in Singapore. The reportable revenue is primarily generated from Singapore and the segment assets are based in Singapore.

Major customer

Revenue from one customer of the Group's Aircon segment represents approximately $6,300,000 (2016: $18,930,000) of the Group's total revenue.

28 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Within one year	5,779	5,998
Between one and five years	9,395	15,184
	15,174	21,182

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

Leases as lessor

The Group's leased properties are subleased to external customers. The leases contain an initial non-cancellable period of 1 year to 3 years. Subsequent renewals are negotiated with the lessees at market rates. None of the leases include contingent rentals.

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

	Group	
	2017	**2016**
	$'000	**$'000**
Within one year	2,472	2,640
Between one and five years	1,528	2,054
	4,000	4,694

29 Contingencies

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Corporate guarantees				
Banking facilities for subsidiaries	–	–	24,972	13,396

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.

29 Contingencies (Continued)

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

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

Continuing financial support

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. As at 31 December 2017, the net current liabilities of these subsidiaries amounted to approximately $10,824,000 (2016: $6,423,000).

30 Commitment

The Group is committed to incur a capital expenditure of $1,353,000 (2016: $nil). This commitment is expected to be settled in 2018.

31 Related parties

Key management personnel compensation

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

Key management personnel compensation, included in staff costs comprised:

	Group	
	2017	**2016**
	$'000	**$'000**
Short-term employee benefits	3,175	3,513
Post-employment benefits (including CPF)	112	87
	3,287	3,600

Included in key management personnel compensation is directors' remuneration of the Company of $1,413,000 (2016: $2,333,000).

Key management personnel and director transactions

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

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

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.

31 Related parties (Continued)

Other related party transactions

	Group	
	2017	**2016**
	$'000	**$'000**
Related parties		
Sale of goods	(276)	(275)
Purchase of services	47	–

32 Subsequent event

On 9 March 2018, the Group granted an option to a third party to purchase a property for a consideration of $1,920,000. The purchaser has exercised the option on 22 March 2018. As at 31 December 2017, the net book value of the property was $1,876,000.

On 26 March 2018, the Group granted an option to another party to purchase another property for a consideration of $1,820,000. The purchaser is expected to exercise the option in April 2018. As at 31 December 2017, the net book value of the property was $1,876,000.

BOARD MATTERS

The Board of Directors (the "Board") of Natural Cool Holdings Limited (the "Company" and together with its subsidiaries, the "Group") are committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2017 ("FY2017"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "Code") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "SGX-ST") in January 2015 (the "Guide").

The Board is pleased to confirm that the Company has generally adhered to the framework as outlined in the Code and deviations from any guideline of the Code and/or the Guide are explained in this report.

The Board's Conduct of Affairs

Principle 1: Effective Board to Lead and Control the Company

The Code advocates that every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.

Guideline 1.1 Roles of Board

As at the date of this Annual Report, the Board comprises of five Directors, three of whom are independent. The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board's principle functions are:

a) protect and enhance long-term shareholder value;

b) review management's performance;

c) identify key stakeholder groups and recognise that their perceptions affect the Company's reputation;

d) set the Company's values and standards and ensure that obligations to shareholders and other stakeholders are understood and met;

e) develops the overall strategy for the Group and supervises its management; and

f) providing leadership, developing its strategic direction, establishing risk policy and goals for the Management as well as monitoring the achievement of these goals.

From 1 January 2017 to 8 February 2017, the Board comprised the following members:

Name of Director		Designation
1	Joseph Ang Choon Cheng (1)	Executive Chairman
2	Tsng Joo Peng	Executive Director and Chief Executive Officer
3	Eric Ang Choon Beng (1)	Executive Director
4	Lim Siang Kai (1)	Lead Independent Director
5	Wu Chiaw Ching (1)	Independent Director
6	William Da Silva (1)	Independent Director

Notes:-

(1) Messrs Joseph Ang Choon Cheng, Eric Ang Choon Beng, Lim Siang Kai, Wu Chiaw Ching and William Da Silva were removed by shareholders via ordinary resolutions passed at an Extraordinary General Meeting ("EGM") held on 8 February 2017 (the "Removal of Directors"). Mr Tsng Joo Peng remains as director of the Company following the Removal of Directors. Please see the following table for the reconstituted Board.

From 8 February 2017, the Board comprises the following members:

Name of Director		Designation
1	Goh Teck Sia (1)	Independent Non-Executive Chairman
2	Tsng Joo Peng	Executive Director and Chief Executive Officer
3	Wong Leon Keat (2)	Executive Director, Chief Corporate Officer and Managing Director
4	Lau Lee Hua (1)	Independent Director
5	Ronnie Tan Siew Bin (1)	Independent Director

Notes:-
(1) Mr Goh Teck Sia, Ms Lau Lee Hua and Mr Ronnie Tan Siew Bin were appointed by shareholders during an EGM held on 8 February 2017.
(2) Mr Wong Leon Keat was appointed as Executive Director by shareholders during an EGM held on 8 February 2017. He was appointed as Chief Corporate Officer with effect from 20 March 2017. Subsequently, he was appointed as Managing Director with effect from 28 April 2017.

Guideline 1.2 Objective Decision Making

The Board exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

Guideline 1.3 Delegation of Authority to Board Committees

The Board has delegated certain responsibilities to the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nominating Committee (the "NC") (collectively, the "Board Committees"). The composition of the Board Committees are as follows:

	AC (1)	NC (2)	RC (3)
Chairman	Lau Lee Hua	Ronnie Tan Siew Bin	Goh Teck Sia
Member	Goh Teck Sia	Goh Teck Sia	Lau Lee Hua
Member	Ronnie Tan Siew Bin	Lau Lee Hua	Ronnie Tan Siew Bin

Notes:-
(1) The AC comprises 3 members, all of whom, including the Chairman, are independent.
(2) The NC comprises 3 members, all of whom, including the Chairman, are independent.
(3) The RC comprises 3 members, all of whom, including the Chairman, are independent.

Guideline 1.4 Meetings of Board and Board Committees

The Board meets on a half yearly basis and as and when circumstances require. There were no Board and Board Committee meeting held from 1 January 2017 to 7 February 2017, prior to the reconstitution of the Board. The number of the Board and Board Committee meetings held and the attendance of each new Board member in FY2017 are as follows:

	Board	AC	NC	RC
Number of Meetings Held	2	3	1	1
Name of Director	**Number of Meetings Attended**			
Goh Teck Sia (1)	1	2	0	0
Tsng Joo Peng	2	3*	1*	1*
Wong Leon Keat (1)	2	3*	1*	1*
Lau Lee Hua (1)	2	3	1	1
Ronnie Tan Siew Bin (1)	2	3	1	1

Notes:-
* By Invitation
(1) Appointed with effect from 8 February 2017

The Company's Constitution allow for meetings to be held through audio visual communication equipment. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions by way of passing resolutions in writing in accordance with the Company's Constitution.

Guideline 1.5 Internal Guidelines on Matters Requiring Board Approval

Specifically, matters that require the Board's approval include, amongst others, the following:

- approval of the Group's strategic objectives;
- approval of the annual operating and capital expenditure budgets and any material changes to them;
- changes relating to the Group's capital structure including reduction of capital, share issuance and share buy backs;
- major changes to the Group's corporate structure, including, but not limited to acquisitions and disposals;
- changes to the Group's Management and control structure;
- approval of the half-yearly/full year's results announcements; annual reports and accounts, including the corporate governance report;
- approval of the dividend policy, declaration of the interim dividend and recommendation of the final dividend;
- approval of any significant changes in accounting policies or practices;
- approval of major capital projects;
- contracts regarding acquisitions or disposals of fixed assets (including intangible assets such as intellectual property) and substantial bank borrowings;
- approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting including approval of all circulars, prospectuses;
- approval of press releases concerning matters decided by the Board;
- approval of policies, including code of conduct, share dealing code, whistle blowing policy, environment and sustainability policy, and corporate social responsibility policy; and
- any decision likely to have a material impact on the Group from any perspective, including, but not limited to, financial, operational, strategic or reputational.

Guideline 1.6 Continuous Training & Development of Directors

All newly appointed directors will undergo an orientation programme where the director would be briefed on the Group's structure, business and governance policies as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel.

Briefings, updates and trainings for the directors in FY2017 include:

- The External Auditors had briefed the AC on changes or amendments to the financial reporting standards during AC meetings;
- The Company Secretary had briefed the Board on updates on relevant regulations issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("ACRA");
- The Chief Executive Officer ("CEO") updates the Board at each board meeting on business and strategic developments of the Group; and

- Training session conducted by TMF Singapore H Pte. Ltd. on 21 March 2017 in relation to Compliance Framework by Listed Company covering the following items were attended by Mr Goh Teck Sia, Mr Wong Leon Keat and some key management staffs:

  (i) Companies Act, Cap. 50 – Directors' Duties

  (ii) Securities & Futures Act, Cap. 289 – Disclosure of Interest

  (iii) Code on Takeovers and Mergers

  (iv) Code of Corporate Governance 2012

  (v) Catalist Rules – Chapter 7, 8 , 9, 10 & 12

The Company is also responsible for arranging and funding the trainings of directors. During FY2017, the Board has received appropriate training for the necessary discharge of their duties. All directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops.

Guideline 1.7 Letter to Directors on Appointment

Every newly-appointed director will be furnished a formal letter setting out the roles, duties, obligation and responsibilities as a member of the Board. A copy of the respective terms of reference will also be provided to directors who are appointed to the Board Committees.

Board Composition and Guidance

Principle 2: Independent Element on the Board

The Code advocates that there should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders[(1)]. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guideline 2.1 Independent Element of the Board

Guideline 2.1 of the Code is met as the Independent Directors make up 3/5 of the Board.

Guidance 2.2 Composition of Independent Director on the Board

The Board believes there is a strong element of independence and that no individual or small group of individuals dominates the Board's decision making. The Board exercises independent judgment on corporate affairs and provides Management with a diverse, professional and objective perspective on issues.

The Chairman of the Board is an Independent Director and Independent Directors make up a majority of the Board.

Guideline 2.3 Independence of Directors

The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.

Guideline 2.4 Independence of Directors Who Have Served on the Board beyond Nine Years

There are no Independent Directors that had served the Board for more than nine years.

Note:
(1) 10% shareholder shall refer to a person who has an interests in one or more voting share in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company voting shares exclude treasury shares.

Guideline 2.5 Composition and Size of the Board

The Board is of the opinion that it would be most effective to draw on the wealth of experience from the longer serving director while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required.

The Board would conduct regular reviews on its existing Board members' competencies which includes considering factors such as the expertise, skills and experiences so as to ensure that the Board dynamics remain optimal to meet ongoing challenges in the industry and in key countries such as Singapore and Malaysia which the Group operates in.

Guideline 2.6 Competency of the Board

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, gender, core competencies and experiences for the Group.

The following table shows the diversity of skills, experiences and knowledge possessed by the current Board members:

	Number of Directors	Proportion of Board (%)
Core Competencies		
Accounting or finance	2	40
Business management	4	80
Legal or corporate governance	4	80
Relevant industry knowledge or experience	1	20
Strategic planning experience	5	100
Customer based experience or knowledge	2	40

The Board has taken the following steps to maintain or enhance its balance and diversity:

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and to enhance the efficacy of the Board; and

- Annual evaluation of the skill sets of each director, with a view to understand the type of expertise which is lacking by the Board.

The NC will consider the results of these reviews in its recommendation for appointment of new directors, re-election and/or the re-appointment of incumbent directors.

Guideline 2.7 Role of Non-Executive Directors

Non-Executive Directors whom are all independent, constructively challenge and help develop the Group's proposals on business strategies. Management's progress in implementing the agreed business strategies are monitored by the Non-Executive Directors through regular updates by the Management via emails as well as at the Board and Board Committees' meetings.

Guideline 2.8 Regular Meetings of Non-Executive Directors

The Independent Non-Executive Directors have met informally at least once in absence of the key management personnel during FY2017.

Chairman and CEO

Principle 3: Clear Division of Responsibilities and Balance of Power and Authority

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power.

Guideline 3.1 Common Role of Chairman and CEO

The roles of the Independent Non-Executive Chairman and CEO are separate to ensure clear division of their responsibilities, increase accountability and greater capacity of the Board for independent decision making. As Non-Executive Chairman of the Board, Mr. Goh Teck Sia ("Mr Goh") bears responsibility for the function of the Board. Mr. Tsng Joo Peng ("Mr Tsng"), as CEO, bears the responsibilities for running the daily operations of the Group's business. There is no familial relationship between the Chairman, Mr. Goh and the CEO, Mr. Tsng.

As Managing Director ("MD") and Chief Corporate Office, Mr Wong Leon Keat ("Mr Wong") works with the CEO, Mr Tsng to oversee financial, administrative, human resource, regulatory and compliance functions of the Group.

Guideline 3.2 Role and Responsibilities of Chairman

The Independent Non-Executive Chairman, leads the Board to ensure effectiveness on all aspects of its role. With assistance from the Company Secretary who co-ordinates with Management and CEO, the Independent Non-Executive Chairman sets the meeting agenda and ensures that the Directors are provided with complete, adequate and timely information. Board papers are sent to the Directors at least five days in advance in order for Directors to be adequately prepared for the meetings. The Independent Non-Executive Chairman ensures effective communication with shareholders and encourages constructive relations within the Board and between the Board and Management by promoting a culture of transparency and openness. Key personnel who can provide additional insight into matters to be discussed at the Board and/or Board Committees' meetings are invited to carry out presentations or attend the Board and/or Board Committees' meetings at the relevant time. The Independent Non-Executive Chairman also facilitates the effective contribution of Non-Executive Directors and promotes high standards of corporate governance within the Group.

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

Guideline 3.3 Appointment of Lead Independent Director

Mr Goh is an Independent Non-Executive Director who is also the Chairman of the Board. Hence, the Board is of the view that there is no need to appoint a lead independent director for the time being.

Guideline 3.4 Independent Directors to Meet Periodically

The Independent Directors have met up informally at least once in the absence of other Directors in FY2017.

Board Membership

Principle 4: Formal and Transparent Process for the Appointment and Re-appointment of Directors to the Board

The Code advocates that there should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Guideline 4.1 NC Membership and Key Terms of Reference

The NC is guided by key terms of reference as follows:

(a) evaluate and review nominations for appointment and re-appointment to the Board and the various Board Committees;

(b) nominate director(s) for re-election at the Annual General Meeting ("AGM"), having regard to the directors' contribution and performance;

(c) determine annually whether or not a director is independent as set out in the Code;

(d) recommend to the Board the process of evaluating the performance of the Board, the Board Committees and individual directors and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each director and annual assessment of the effectiveness of the Board;

(e) decide whether a director who has multiple board representations is able to and has been adequately carrying out his/her duties as a director of the Company;

(f) review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Non-Executive Chairman/CEO) and senior management personnel; and

(g) review of training and professional development programmes for the Board.

The NC holds at least one (1) meeting in each financial year.

Guideline 4.2 Responsibilities of NC

The responsibilities of the NC include making recommendations to the Board on succession planning, all Board appointments, re-election and/or re-appointments of directors, taking into consideration the composition of the Board and progressive renewal of the Board, how the director fits into the overall competency matrix of the Board as well as the directors' contribution and performance at Board and/or Board Committees' meetings, including attendance, preparedness and participation at the Board and/or Board Committees' meetings and training and professional development programmes for the Board.

Guideline 4.3 NC to Determine Directors' Independence

Mr Goh, Independent Non-Executive Chairman of the Company, had been appointed as an advisor to the Company with effect from 20 March 2017, with specific and ad-hoc responsibilities to advise the Company on, inter alia, law enforcement matters arising from amongst other things, the internal investigation review commissioned by the AC and other commercial security matters of the Group. The total advisory fees paid in FY2017 was S$47,258. Mr Goh has stepped down as advisor as at 31 December 2017. Mr Goh had previously confirmed that his appointment as an advisor to the Company will not prejudice his independence as an Independent Non-Executive Director and Chairman of the Company and further confirmed that he remains independent in accordance with Guidelines 2.3 of the Code.

The Board (with the exception of Mr Goh) have taken into consideration the recommendation from the NC and had considered Mr Goh to be independent based on the ad-hoc nature of Mr Goh's responsibilities, specific skills and knowledge that Mr Goh possesses, term of his appointment, quantum of payment which is below S$200,000 and the declaration on his independence.

The NC has also reviewed the independence of the Mr Ronnie Tan Siew Bin and Ms Lau Lee Hua and considered them to be independent based on their declaration of their independence, which are in accordance with Guidelines 2.3 of the Code.

Guideline 4.4 Commitments of Directors with Multiple Board Representations

The Board has not capped the maximum number of listed company board representations that each director may hold.

The NC is of the view that directors which serves on multiple boards are able to devote sufficient time and attention to the Company's affairs in light of other commitments held by them. However, a director who holds more than six board representations should be rigorously assessed by the Board to ensure that sufficient time and attention is given to the affairs of each company and he/she is able to and has been adequately carrying his/her duties as a director of the Company.

The considerations in assessing the adequacy of the directors' commitments include the following:

- Expected and/or competing time commitments of directors;
- Geographical location of directors;
- Size and composition of the Board; and
- Nature and scope of the Group's operations and size.

The measure and evaluation tools put in place to assess the performance time commitments of the directors include the following:

- Declarations by individual directors of board directorships and principal commitments in other company(ies);
- Annual confirmations by each director on his/her ability to devote sufficient time and attention to the Company's affairs, having regard to his/her other commitments; and
- Assessment of the individual directors' performance based on the criteria as set out in page 95 of this Annual Report.

The NC has reviewed and is of the view that each of the directors have given sufficient time and attention to the Company's affairs and is satisfied that all directors have discharged their duties adequately in FY2017.

Guideline 4.5 Appointment of Alternate Director

Alternate directors will be appointed as and when the Board deems necessary. Circumstances which warrant such appointments may include health, age related concerns as well as Management's succession plans.

As of the date of this Annual Report, the Company does not have any alternate directors.

Guideline 4.6 Process for the Selection and Appointment and Re-appointment of Directors to the Board

The Board has confirmed generally the following:

Process for the Selection and Appointment of New Directors		
1.	Determination of selection criteria	The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills, experience and knowledge to complement and strengthen the Board.
2.	Search for suitable candidates	The NC would consider candidates proposed by the directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.
3.	Assessment of shortlisted candidates	The NC would meet and interview the shortlisted candidates to assess their suitability.
4.	Appointment of Director	The NC would recommend the selected candidate to the Board for consideration and approval.
Process for the Re-electing Incumbent Directors		
1.	Assessment of Director	The NC reviews and ensures that the director to be re-nominated or appointed is able to contribute to the on-going effectiveness of the Board, has the ability to exercise sound business judgment, and has demonstrated leadership experience, high levels of professional skills and appropriate personal qualities.
2.	Re-appointment of Director	Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval. Each NC member shall abstain from voting on any resolutions in respect of his/her re-nomination and re-election. The directors to be re-elected and re-appointed at the forthcoming AGM has been listed under page 112 of this Annual Report.

Pursuant to Regulation 101 of the Company's Constitution, at least one-third of the directors for the time being (or if their number is not multiple of three, the nearest to but not less than one-third) shall retire from office by rotation at each AGM of the Company and all directors shall retire from office once every three years. The Company's Constitution further states that a retiring director shall be eligible for re-election at the AGM of the Company. Regulation 105 of the Company's Constitution provides that any director appointed to fulfil a casual vacancy shall hold office until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of directors who are to retire by rotation at the next AGM.

The NC has reviewed and recommended the re-nomination and re-election of Mr Tsng and Mr Ronnie Tan Siew Bin ("Mr Ronnie Tan") who will be retiring as Directors at the forthcoming AGM pursuant to Regulation 101 of the Constitution. The two Directors have offered themselves for re-election. The Board has accepted the recommendation of the NC.

Mr Tsng will upon re-election as a Director of the Company, remain as an Executive Director and CEO of the Company. Mr Tsng is a substantial shareholder of the Company holding 6.93% interest in the company shares.

Mr Ronnie Tan will upon re-election as a Director of the Company, remain as an Independent Director of the Company, Chairman of the NC and member of the AC and RC. The Board considers Mr Ronnie Tan to be independent in accordance with Guidelines 2.3 of the Code as well as for the purposes of Rule 704(7) of the Catalist Rules.

Guideline 4.7 Key Information of Directors

The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out on pages 17 to 18 of this Annual Report.

Board Performance

Principle 5: Assessment of the Effectiveness of the Board

The Code advocates that there should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.

Guideline 5.1 Board Performance
Guideline 5.2 Performance Criteria for Board Evaluation

The following table sets out the performance assessment criteria as recommended by the NC and approved by the Board, to be relied upon to assess the effectiveness of the Board and its Board Committees as a whole on an annual basis and the contribution by each Director to the effectiveness of the Board.

Each Director completes a board assessment questionnaire and the responses are presented to the NC for review, following which the NC will recommend to the Board key areas for improvement and follow-up actions.

Performance Criteria	Board and Board Committees	Individual Directors
Qualitative	1. Size and composition 2. Board processes and conduct of meetings 3. Access to information 4. Board processes 5. CEO and succession planning 6. Board accountability 7. Risk management and internal control 8. Remuneration 9. Financial Reporting 10. Communication with shareholders 11. Standard of conduct	1. Commitment of time 2. Knowledge and abilities 3. Teamwork 4. Independence 5. Overall effectiveness
Quantitative	1. Measuring and monitoring performance	Attendance at Board and Board Committee meetings

The NC would review the criteria on a periodic basis to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders' value and thereafter, to propose amendments, if any, to the Board for approval.

No changes have been proposed by the NC on the criteria for FY2017 as compared to the previous financial year as the economic climate and the Group's principal business activities remained the same since FY2016.

For FY2017, the NC is of the view that the Board has fared well against the performance criteria and the NC is satisfied with the performance of the Board.

Guideline 5.3 Evaluation of Individual Directors

The review of the performance of each director is conducted annually in accordance with the performance criteria as set out in the table under Guideline 5.2. The performance of each director will be taken into account during re-nomination and re-election.

For FY2017, the NC is of the view that the performance of each individual Director is satisfactory.

Access to Information

Principle 6: Access to Complete, Adequate and Timely Information

The Code advocates that in order for directors to fulfil their responsibilities, they should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Guideline 6.1 Board's Access to Information
Guideline 6.2 Provision of Information to the Board
Guideline 6.5 Access to Independent Professional Advice

It is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects.

The Management supports the Board and Board Committees by providing complete and adequate information of the Group, including but not limited to operational and financial performance of the Group, which aids the directors in identifying challenges and opportunities for the Group.

The Management recognises the importance of circulating information on a timely basis to ensure that the Board and Board Committees have adequate time to review the meeting materials to facilitate constructive and effective discussions during the scheduled meetings.

The Management further endeavours to circulate information for the Board and/or Board Committees' meetings at least five days prior to these meetings to allow sufficient time for the directors' review.

Key Management personnel will also provide any additional material(s) or information that are requested by directors or that is necessary to enable the Board and/or Board Committees to make a balanced and informed assessment of the Group's performance, position and prospects.

The types of information which are provided by Management to the Directors are set out in the table below:

	Information	Frequency
1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Half yearly
2.	Updates to the Group's operations and the markets in which the Group operates in	Half yearly
3.	Management accounts (with financial ratios analysis)	Half yearly
4.	Reports on on-going or planned corporate actions	Ad hoc
5.	Enterprise risk framework and assessment	Yearly
6.	Financial results announcements	Half yearly
7.	Shareholding statistics	Yearly

The Group practices open communication where the Board and Board Committees have access to independent professional advice as and when required, at the expenses of the Company.

Guideline 6.3 Board's Access to the Company Secretary
Guideline 6.4 Appointment and Removal of the Company Secretary

The key roles of the Company Secretary are as follows:

- assist the Chairman and the Chairman of each Board committees in the development of the agendas for the various Board and Board committees meetings;

- administers and attends all Board and Board Committees' meetings of the Company and prepares minutes of meetings;

- ensuring that Board procedures are observed and that relevant rules and regulations, including requirements of the Company's Constitution, Singapore Companies Act ("Companies Act"), Securities and Futures Act and the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules") are complied with; and

- advising the Board on all governance matters as well as facilitating orientation and assisting with professional developments as directed by the Chairman.

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

Directors have separate and independent access to the Company Secretary through email, telephone and face-to-face meetings. In FY2017, the Company Secretary attended all meetings of the Board and Board Committees and the minutes of such meetings were promptly circulated to all Board and Board Committees as appropriate.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Code advocates that there should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his/her own remuneration.

Guideline 7.1 RC
Guideline 7.3 RC Access to Advice on Remuneration Matters

The RC primary function is to develop a formal and transparent policies for remuneration of the Board, key management personnel and employees who are related to the controlling shareholders, directors and CEO. The RC also reviews and ensures that the Company's remuneration system is appropriate to attract, retain and motivate the required talent to run the Company successfully. The overriding principle is that no directors should be involved in deciding his/her own remuneration.

The RC is guided by key terms of reference as follows:

(a) reviews and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each director (executive and independent) as well as for the key management personnel;

(b) ensuring that a formal and transparent procedure is in place for developing policy on executive remuneration and for determining the remuneration packages of individual directors and key management personnel; and

(c) reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment and recommending for remuneration and bonus.

Guideline 7.2 Remuneration Framework
Guideline 7.4 Employment Contracts of Executive Directors and Key Management Personnel

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual directors and key management personnel. All respects of the remuneration framework, including but not limited to directors' fees, salaries, allowances, bonuses, the awards to be granted under the performance share plan, options to be issued under the employee share option scheme as well as other benefits-in-kinds are reviewed by the RC. The recommendations of the RC are recommended to the Board for approval. The procedure is reviewed periodically to ensure they remain competitive and relevant.

The remuneration of employees who have any familial relationships with the directors, key personnel management, CEO and controlling shareholders, will also be reviewed annually by the RC to ensure that their remuneration packages are in line with the employees' remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee(s) under review, he/she will abstain from participating in the review, discussion and approval.

The framework for Non-Executive Directors and Board Committees' fees (per annum basis unless otherwise indicated) are as follows:

Role	Member	Chairman
Board of Directors	S$ 20,000	Additional S$ 10,000
Audit Committee	S$ 10,000	Additional S$ 10,000
Remuneration Committee	S$ 5,000	Additional S$ 5,000
Nominating Committee	S$ 5,000	Additional S$ 5,000

No remuneration consultants were engaged by the Company in FY2017.

The Executive Directors and key management personnel each have an employment contract with the Company which can be terminated by the Company without prejudice to and in addition to any other remedy) by giving not less than six (6) months' notice of termination and vice versa. The appointments of Executive Directors do not have onerous removal clauses contained in their respective employment contracts and will be reviewed to reflect their strategic importance to the Group.

Principle 8: Level and Mix of Remuneration

The Code advocates that the level and structure of remuneration should be aligned with the long-term interest and risk policies of the company and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guideline 8.1 Remuneration of Executive Directors and Key Management Personnel

The Company's remuneration structure for its Executive Directors and key management personnel comprises both fixed and variable components. The variable component is performance related and is linked to the Company's performance as well as individual performance. It is designed to align remuneration with the shareholders' interest and to link rewards with corporate and individual performance to promote long term success of the Group.

For the purpose of assessing the performance of the Executive Directors and key management personnel, specific performance indicators are agreed for each financial year and such indicators comprise both quantitative and qualitative factors.

Executive Directors and key management personnel do not receive directors' fees from the Company or its subsidiaries/associated companies if they are appointed to the Board as stipulated in the Group's remuneration policy.

Guideline 8.2 Long-term Incentive Scheme

The Company has adopted a performance share option plan known as the "Natural Cool Employee Share Option Scheme" ("ESOS"). ESOS provides an opportunity for employees and directors who have contributed significantly to the growth and performance of the Group to participate in the equity of the Company to motivate them to greater dedication, loyalty and higher standards of performance and to give recognition for past contributions and services.

As at the date of this Annual Report, no options have been granted under ESOS.

Guideline 8.3 Remuneration of Non-Executive Directors

The RC and the Board are of the view that the remuneration of the Non-Executive Directors are appropriate, without compromising their independence, in accordance with the market condition and taking into account factors such as effort and time spent and the increasingly onerous responsibilities of the directors.

Guideline 8.4 Contractual Provision to Reclaim Incentive Components of Remuneration

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.

Principle 9: Disclosure on Remuneration

The Code advocates that every company should provide clear disclosure of its remuneration policies, level and mix of remuneration and the procedure for setting remuneration in the company's annual report. Every company should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel and performance.

Guideline 9.1 Remuneration Report

The Management has confirmed that the Group's remuneration policy has been set to align remuneration with the interests of shareholders and link rewards with corporate and individual performance to promote the long-term sustainability of the Group.

Guideline 9.2 Remuneration of Directors

The breakdown for the remuneration of the Directors for FY2017 is as follows:

	Directors' Remuneration					
Name	**Remuneration Band**	**Salary (%)**	**Bonus (%)**	**Benefits-in-kind (%)**	**Directors Fees (%)**	**Total (%)**
Wong Leon Keat (2)	S$500,000 to S$749,999	67	19	14	–	100
Tsng Joo Peng	S$500,000 to S$749,999	71	18	11	–	100
Goh Teck Sia (3)	Below S$250,000	–	–	–	100	100
Lau Lee Hua (3)	Below S$250,000	–	–	–	100	100
Ronnie Tan Siew Bin (3)	Below S$250,000	–	–	–	100	100
Joseph Ang Choon Cheng (1)	Below S$250,000	93	–	7	–	100
Eric Ang Choon Beng (1)	Below S$250,000	87	–	13	–	100
Wu Chiaw Ching (1)	Below S$250,000	–	–	–	100	100
Lim Siang Kai (1)	Below S$250,000	–	–	–	100	100
William da Silva (1)	Below S$250,000	–	–	–	100	100

Notes:-
(1) Removed on 8 February 2017
(2) Appointed on 8 February 2017. Remuneration is based on Mr Wong's service agreement which was entered into on 20 March 2017.
(3) Appointed on 8 February 2017. The Director's fees for FY2017 has been approved by shareholders at the AGM held on 25 April 2017.

After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of specific remuneration of each director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment, commercial sensitivity and confidential nature of remuneration matters.

The Management has confirmed that there are no termination, retirement, post-employment benefits that may be granted to the Directors, CEO and key management personnel.

Guideline 9.3 Remuneration of Key Management Personnel (Other than Executive Directors)

Management has confirmed the breakdown for the remuneration of the Company's key management personnel (who are not Directors/CEO) for FY2017 are as follows:

Name	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
S$250,000 to S$499,999				
Choy Bing Choong	80	20	–	100
Neo Han Cheng	65	29	6	100
Tan Kian Yong	71	27	2	100
Lee Wan Kah	69	29	2	100
Below S$250,000				
Sean Leaw Wei Siang (1)	94	–	6	100

Notes:-
(1) Resigned on 10 August 2017

The total remuneration paid to the top five key management personnel for FY2017 was S$1,728,196.

Guideline 9.4 Remuneration of Employee(s) Related to Directors/CEO

The Group does not have any employee who is an immediate family member of a Director/CEO of the Company and whose remuneration exceeds S$50,000 during FY2017.

Guideline 9.5 Employee Share Option Scheme

The Company has adopted a performance share option plan known as the "Natural Cool Employee Share Option Scheme" ("ESOS"). Please refer to Guideline 8.2 for details. For FY2017, no options have been granted under the ESOS.

Guideline 9.6 Link between Remuneration and Performance

The remuneration received by the Executive Directors and key management personnel takes into consideration his/her individual performance and contribution towards the overall performance of the Group for FY2017. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

The following performance evaluation criteria are set for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term Incentives (such as the ESOS)
Qualitative	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors	None
Quantitative	1. PBT* of at least S$3.5m	None

* PBT means the Group's audited consolidated profit before tax before payment of any bonus. This criteria is pursuant to the service agreements signed between the Executive Directors and the Company and excluding any gains earned from extraordinary and exceptional items.

The RC has reviewed and is satisfied that the performance evaluation criteria were met by the Executive Directors and key management personnel for FY 2017.

ACCOUNTABILITY AND AUDIT

The Board recognises the importance of providing accurate and relevant information on a timely basis. The AC reviews all financial statements and recommends them to the Board for approval. The AC ensures that the Company maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets as well as to manage potential risks.

Principle 10: Presentation of a Balanced and Understandable Assessment of the Company's Performance, Position and Prospects

The Code advocates the Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guideline 10.1 Responsibility to Provide a Balanced and Understandable Assessment

The objectives of the presentation of the annual audited financial statements, half-yearly and full year results to its shareholders are to provide the shareholders with a balanced and understandable assessment of the Group's performance, position and prospects.

The Board reviews and approves the half-yearly and full year financial results announcements as well as any announcements before the release of the same on SGXNet. Shareholders are provided with the half-year and full year results on a timely manner.

Guideline 10.2 Compliance with Legislative and Regulatory Requirements

The Board takes steps to ensure compliance with the Group's policies, operational practices and relevant legislative and regulatory requirements, including but not limited to requirements under the Catalist Rules, where appropriate.

Guideline 10.3 Management Accounts

The Management updates the Board on the Group's business activities and financial performance by providing updates on operational and financial related matters. The Management also highlights key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

The Management will present the Group's financial performance together with notes explaining in detail the operations and trends to the AC, where AC will review and recommend the same to the Board for approval prior to the release of the financial results announcements to the shareholders on SGXNet.

Principle 11: Risk Management and Internal Controls

Guideline 11.1 Risk Management and Internal Controls System

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

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The AC oversees and ensures that such system has been appropriately implemented and monitored.

A summary of the Company's risk management and internal controls system is appended below:

Risk Management

The Group recognises risk management as a collective effort beginning with each business units followed by the operating segments and ultimately the Management and the Board, working as a team. The CEO and Management of the Company assume responsibilities of the risk management function where they regularly assess and review the Group's business and operational environments to identify areas of significant financial, operational, compliance and information technology risks.

The Board has approved the Enterprise Risk Management ("ERM") framework for the identification of key risks of the Group. Key risks of the Group are tabled to the AC and Board for review and undertaking of the necessary actions.

Internal Controls

The Group has implemented policies and procedures to enhance the Group's internal control function in areas such as finance, operations, compliance and information technology. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, financial information are used within the business and information to be published are reliable.

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

Guideline 11.2 Adequacy and Effectiveness of Risk Management and Internal Control Systems

The risk management and internal control systems have been integrated throughout the Group and have been an essential part of the Group's business planning and monitoring process.

On an annual basis, the Management provides updates to the Board and/or Board Committees on the Group's risk profile, risk treatments and results of assurance activities to provide assurance that the processes are operating effectively as planned.

Guideline 11.3 Board's Comment on Adequacy and Effectiveness of Internal Controls

Based on the ERM framework and internal controls established and maintained by the Group, work performed by the Internal Auditors, statutory audit performed by the External Auditors and the written representation from the CEO and Group Finance Manager ("GFM") providing assurance on effectiveness of the Group's risk management and internal control systems and that the financial records have been properly maintained and financial statements give true and fair view of the Company's operations and finances, the Board, with the concurrence of the AC, is of the view that, the Group's risk management and internal control systems were effective and adequate for FY2017 to address the financial, operational, compliance and information technology risks of the Group.

The CEO and GFM of the Company have provided a written confirmation or assurance to the AC and the Board on the integrity of the Company's financial statements and on the adequacy and effectiveness of the Company's risk management and internal control systems addressing financial, operational and compliance risks including information technology risk.

Guideline 11.4 Risk Committee

The responsibilities of overseeing the Group's ERM framework and Assurance Framework and policies are undertaken by the AC with the assistance of the internal and external auditors.

Having considered the Group's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

CORPORATE GOVERNANCE REPORT

Principle 12: Establishment of AC with Written Terms of Reference

The Code advocates that the Board should establish an AC with written terms of reference which clearly set out its authority and duties.

Guideline 12.1 AC Membership

All members of the AC are Independent Non-Executive Directors who do not have any Management and significant business relationships with the Company or any substantial shareholders of the Company. None of the AC members were previous partners or directors of the Company's external audit firm within the last 12 months and none of the AC members hold any financial interest in the Company's external audit firm.

Guideline 12.2 Expertise of AC members

The AC members bring with them invaluable professional expertise in the accounting and financial management field. The Board has ensured that majority of the AC members, having the necessary accounting and/or related financial management experience and expertise, are appropriately qualified to discharge their responsibilities.

Guideline 12.3 Authorities of AC
Guideline 12.4 Roles and Responsibilities of AC

The duties and roles of the AC is guided by the following key terms of reference:

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

(b) review the financial statements including significant financial reporting issues and judgments to ensure the integrity of the financial statements of the Group and any announcements relating to the Company's financial performance, before recommending the same to the Board for approval;

(c) review the internal control procedures, its scope and results and to ensure co-ordination between the External/ Internal Auditors and the Management, review the assistance given by the Management to the External Auditors and discuss problems and concerns, if any, arising from the interim and final audit;

(d) review and report to the Board the effectiveness of the Group's material internal controls, including finance, operational, compliance controls, risk management policies and information technology at least annually;

(e) recommend to the Board the adequacy and effectiveness of the Company's risk management and internal controls systems for disclosure in the Annual Report in accordance with SGX-ST and the Code;

(f) review the effectiveness of the Group's internal audit function;

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

(h) make recommendations to the Board on proposals to shareholders relating to the appointment, re-appointment and removal of the External Auditors;

(i) review interested person transactions (if any) falling within the scope of Chapter 9 of SGX-ST;

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

(k) 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

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

Guideline 12.5 Meeting with the External and Internal Auditors

The AC has met up with the Internal and External Auditors at least once in absence of key management personnel in FY2017.

Guideline 12.6 Independence of External Auditors

The AC has reviewed the non-audit services provided by the External Auditors and is satisfied that the nature and extent of such services would not prejudice the independence of the External Auditors and has recommended the re-appointment of the External Auditors at the forthcoming AGM.

Fees Paid/Payable to the External Auditors for FY2017		
	S$	**% of total**
Audit fees		
- Auditor of the company	199,674	84
- Other auditors (for certain subsidiaries)	13,843	6
Non-audit fees		
- Auditor of the company	25,050	10
Total	**238,567**	**100**

The AC reviews the independence of the External Auditors annually. The AC has conducted an annual review of the volume of non-audit services provided by the External Auditors to ensure 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 and is of the view that the non-audit services rendered in FY2017 in relation to tax compliance were not substantial.

Guideline 12.7 Whistle Blowing Policy

The Company has put in place a whistle blowing policy which has been reviewed, endorsed by the AC and approved by the Board. Under the whistle blowing policy, employees and external parties can, in confidence, raise concerns about improper conduct for investigation. The procedures for whistle blowing policy are made known not just to the employees of the Group but also external parties. In addition, a dedicated secured e-mail address (report.nch@natcool.com) allows whistle blowers to contact the AC Chairman and AC members directly.

There were no reported incidents pertaining to whistle blowing in FY2017.

Guideline 12.8 AC to Keep Abreast of Changes to Accounting Standards

All the AC members receive updates from the External Auditors on updates to accounting standards and issues which have a direct impact on financial statements.

AC has reviewed the Key Audit Matters set out in the Independent Auditors' Report on impairment of non-financial assets of paint cash-generating unit and impairment on other investments respectively.

In ascertaining the value of these investments management made certain assumption and estimates in the assessments which were subject to uncertainties that may result in material adjustments in the recoverable amount in future periods.

AC concurs with the issues raised and the manner by which they were addressed by the management. AC further notes that the External Auditors are satisfied with the management's assessment.

Guideline 12.9 Cooling-Off Period for Partners or Directors of the Company's Auditing Firm

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

Principle 13: Internal Audit

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

Guidelines 13.1, 13.2, 13.3 and 13.4 Internal Audit Function

The AC oversees the Group's internal controls and risk management and its responsibilities are complemented by the work of the internal auditors.

The Group's internal audit function is outsourced to Messrs Mazars LLP that reports directly to the AC Chairman. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit and is responsible for the hiring, removal, evaluation and compensation of the accounting or auditing firm or corporation which the internal audit function of the Group are outsourced to.

The Group's internal audit function is independent of the activities it audits. The Internal Auditor is staffed with professionals with relevant experience and qualifications such as the Certified Internal Auditor qualification with the Institute of Internal Auditors. The Group's engagement with the Internal Auditors as stipulate that its work shall be guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

At the beginning of each year, an annual Internal Audit plan which entails the review of the selected functions or business units of the Group is developed and agreed by the AC. The AC is satisfied that the Company's internal audit function is adequately resourced to perform the work for the Group.

Guideline 13.5 Adequacy and Effectiveness of Internal Audit Function

The AC is satisfied that Internal Auditors are adequately resourced and qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and has the appropriate standing in the Company to discharge its duties effectively.

SHAREHOLDERS' RIGHTS AND RESPONSIBILITY

Principle 14: Shareholder Rights

The Code advocates that companies should treat all shareholders fairly and equitably, recognise, protect and facilitate the exercise of shareholders' rights and continually review and update such governance arrangements.

Guideline 14.1 Sufficient Information to Shareholders

The Company believes in providing sufficient and regular information to its shareholders. In this respect, the Board adopts a comprehensive policy to provide clear, timely and fair disclosure of information about the Company's business developments and financial performance to aid the shareholders in their investment decisions.

The Company also releases timely disclosures of any new material information, where applicable, to the shareholders on SGXNet.

Guideline 14.2 Opportunity to Participate and Vote at General Meetings

Shareholders are entitled to attend the general meetings of the Company and are afforded the opportunity to participate effectively in and vote at general meetings. An independent polling agent is appointed by the Company who will explain the rules, including the voting procedures, that governs the general meetings of the Company to be held.

Guideline 14.3 Proxies for Nominee Companies

Currently, the Constitution of the Company allows all shareholders to appoint up to two proxies to attend the general meetings of the Company and to vote on behalf of the shareholders provided that proxy form(s) are deposited within the stipulated timeline in accordance with the Company's Constitution and Companies Act.

The Companies Act allows shareholders who is a relevant intermediary to appoint more than two proxies to attend, participate and vote in general meetings of companies. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and Central Provident Fund ("CPF") Board which purchase shares on behalf of CPF investors.

Principle 15: Communication with Shareholders

The Code advocates that companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guideline 15.1 Communication with Shareholders

The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders via SGXNet. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.

Guideline 15.2 Timely Information to Shareholders

The Company does not practice selective disclosure of information. In line with the Company's continuous disclosure obligations pursuant to the Catalist Rules and the Companies Act, the Board adopts the policy that all shareholders should be equally and timely informed of all major developments that impact the Group.

Information will first be disseminated to the shareholders through SGXNet and where relevant, followed by press release(s) and the uploading to the Company's website. The Company will also make announcements from time to time to update investors and shareholders on developments that are of interest to them. The Company strives to supply shareholders with reliable and timely information to strengthen the relationship with its shareholders based on trust and accessibility.

Guideline 15.3 Regular Dialogue with Shareholders

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

To enable the stakeholders to contact the Company easily, the contact details of the investor relations have been set out in page 20 of this Annual Report as well as on the Company's website. The Company have put in place procedures to respond to investors' queries.

Guideline 15.4 Soliciting and Understanding Views of Shareholders

To promote a better understanding of shareholders' views, the Board has actively encourage shareholders to participate in the Company's general meetings. These meetings provide excellent platform for the Company to obtain shareholders' feedbacks on value creation.

Guideline 15.5 Dividend Policy

The Company does not have a fixed dividend policy. Nonetheless, Management will review, inter alia, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.

No dividend has been declared for FY2017 as the Company intends to conserve cash for future business growth.

Principle 16: Conduct of Shareholder Meetings

The Code advocates that companies should encourage greater shareholder participation at general meetings and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guideline 16.1 Shareholders' Participation at General Meetings

The Company encourages its shareholders to participate at its general meetings and allow shareholders to express their views on various matters affecting the Group.

Guideline 16.2 Proceedings of General Meetings

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. These meetings provide excellent opportunities to build shareholders' understanding of the Group's businesses, and obtain shareholders' feedbacks on value creation.

A shareholder who is entitled to attend and vote at the general meetings of the Company may either vote in person or through the appointment of up to two proxies. Voting in absentia and by electronic mail may only be possible following careful study to ensure that the integrity of the information and authentication of the identity of shareholder via the internet is not compromised. Separate resolutions are proposed on each separate issue at general meetings. Shareholders are encouraged to meet and communicate with the Board and to vote on all resolutions.

Guideline 16.3 Attendees at General Meetings

The Company requires all Directors (including the respective Chairman of the Board Committees) to be present at all general meetings of the Company, except in cases of exigencies. The External Auditors are also required to be present at the AGM to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. Relevant key management personnel will also be present at the general meetings of the Company to respond, if necessary, to operational questions from shareholders.

Guideline 16.4 Minutes of General Meetings

The minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request.

Guideline 16.5 Voting by Poll at General Meetings

In line with the Catalist Rules, resolutions tabled at general meetings of the Company will be passed through a process of voting by poll which procedures will be clearly explained by the scrutineers at the Company's general meetings.

OTHER CORPORATE GOVERNANCE MATTERS

Appointment of Auditors (Rules 712 and 715 or 716 of the Catalist Rules)

The Company confirms its compliance with Rules 712 and 716 of the Catalist Rules.

Material Contracts (Rule 1204(8) of the Catalist Rules)

There were no material contracts entered into by the Group involving the interest of the CEO, Directors or controlling shareholder(s), which are either still subsisting at the end of FY2017, if not then subsisting, entered into since the end of the previous financial year.

Confirmation of Adequacy of Internal Control (Rule 1204(10) of the Catalist Rules)

With due regards to the Company's disclosures in accordance with Guidelines 11.2, 11.3 and 13.5 of the Code, the Board (with concurrence of the AC) is of the opinion that the risk management and internal control systems are adequate and effective to address the financial, operational and compliance risks including information technology risk of the Group as at 31 December 2017.

Interested Person Transactions ("IPT") (Rule 1204(17) of the Catalist Rules)

The Company has established procedures to ensure that all transactions with interested party(ies) are reported on a timely manner to the AC and Board and the transactions are carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders.

The Company confirms that there are no IPTs of S$100,000 or more entered into for financial year under review.

Dealing in Securities (Rule 1204(19) of the Catalist Rules)

The Company has adopted an internal policy which prohibits the directors and officers of the Company from dealing in the securities of the Company while in possession of price-sensitive information.

The Company, its directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning one month before the announcement of the Company's half-year and full-year financial statements respectively, and ending on the date of the announcements of the financial results via SGXNet.

Non-Sponsor Fees (Rule 1204(21) of the Catalist Rules)

No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. in FY2017.

SHAREHOLDINGS STATISTICS

As at 16 March 2018

CLASS OF SHARES
Ordinary Shares

NUMBER OF SHARES
250,447,985

NUMBER OF ORDINARY SHAREHOLDERS
The number of ordinary shareholders as at 16 March 2018 is 1,104

VOTING RIGHTS
1 vote for each Ordinary Share held

TREASURY SHARES
Nil

SUBSIDIARY HOLDINGS
Nil

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information provided and to the best knowledge of the Directors, approximately 50.66% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company are held in the hands of the public as at 16 March 2018. Rule 723 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited has therefore been complied with.

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 16 MARCH 2018

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	89	8.06	1,117	0.00
100 – 1,000	443	40.13	262,559	0.11
1,001 – 10,000	166	15.04	1,078,502	0.43
10,001 – 1,000,000	379	34.33	35,837,854	14.31
1,000,001 AND ABOVE	27	2.44	213,267,953	85.15
	1,104	100.00	250,447,985	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2018

Substantial Shareholder	Shareholdings registered in the name of the substantial shareholder	Shareholdings held by substantial shareholder in the name of nominees	Shareholdings in which the substantial shareholder are deemed to be interested	Total	Percentage of issued shares
Tsng Joo Peng [(1)]	16,300,000	1,048,426	–	17,348,426	6.93%
Wong Leon Keat [(2)]	12,000,000	–	11,200,000	23,200,000	9.26%
Ong Mun Wah	27,523,000	–	–	27,523,000	10.99%
Lim Teck Chuan	28,432,561	–	–	28,432,561	11.35%
Ng Quek Peng	27,000,000	–	–	27,000,000	10.78%

Notes:
(1) Mr Tsng Joo Peng is deemed interested in the 1,048,426 shares held by him in Citibank Nominees Singapore Pte. Ltd..
(2) Mr Wong Leon Keat is deemed to be interested in the 11,200,000 shares held by his spouse, Mdm Edi Ng.

TOP 20 SHAREHOLDERS AS AT 16 MARCH 2018

NO.	NAME	NO. OF SHARES HELD	%
1	LIM TECK CHUAN	28,432,561	11.35
2	ONG MUN WAH	27,523,000	10.99
3	NG QUEK PENG	27,000,000	10.78
4	DBS NOMINEES PTE LTD	18,321,589	7.32
5	TSNG JOO PENG	16,300,000	6.51
6	WONG LEON KEAT (HUANG LIANGJIE)	12,000,000	4.79
7	EDI NG	11,200,000	4.47
8	KHWAJA ASIF RAHMAN	10,000,000	3.99
9	CITIBANK NOMINEES SINGAPORE PTE LTD	8,610,426	3.44
10	CHIA PUAY HWEE	6,919,000	2.76
11	RAFFLES NOMINEES (PTE) LTD	5,882,277	2.35
12	ANG JUI KHOON	4,849,300	1.94
13	TAN AIK KWONG	4,525,500	1.81
14	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	4,433,110	1.77
15	LEE CHEE BOON	2,940,000	1.17
16	PHILLIP SECURITIES PTE LTD	2,537,980	1.01
17	TAN TEONG HOO	2,478,000	0.99
18	TAN LIH LIH	2,440,000	0.97
19	MAYBANK KIM ENG SECURITIES PTE LTD	2,381,610	0.95
20	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,324,300	0.93
		201,098,653	80.29

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 137 Cecil Street #04-01 Shibuya Room Singapore 069537 on Thursday, 26 April 2018 at 10.00 a.m. for the purpose of considering and if thought fit, passing with or without amendment, the ordinary resolutions as set out below:-

Ordinary Business

1 To receive and adopt the Directors' Statements and Audited Financial Statements for the financial year ended 31 December 2017 and the Independent Auditors' Report thereon. **[Resolution 1]**

2 To re-elect Mr Tsng Joo Peng who is retiring by rotation pursuant to Regulation 101 of the Company's Constitution as Director of the Company. **[Resolution 2]**

3 To re-elect Mr Ronnie Tan Siew Bin who is retiring by rotation pursuant to Regulation 101 of the Company's Constitution as Director of the Company. **[Resolution 3]**
[See Explanatory Note (a)]

4 To approve Directors' fees of S$165,000 for the financial year ending 31 December 2018 to be paid quarterly in arrears. (2017: S$150,000) **[Resolution 4]**

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

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

Special Business

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

General mandate to allot and issue new shares

7 "That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Act**") and Rule 806 of the Listing Manual (Section B : Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Constitution of the Company, authority be and is hereby given to the Directors of the Company to:-

(A) (i) allot and 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 and subsidiary holdings (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 and subsidiary holdings (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 and subsidiary holdings shall be calculated based on the total number of issued Shares excluding treasury shares and subsidiary holdings 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 Constitution 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." **[Resolution 6]**
[See Explanatory Note (b)]

General mandate to issue shares under the Natural Cool Employee Share Option Scheme 2017

8 "That pursuant to Section 161 of the Act, the Directors of the Company be authorised and empowered to grant options in accordance with the provisions of the Natural Cool Employee Share Option Scheme 2017 ("**Scheme**") to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that:

(i) the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time;

(ii) unless revoked or varied by the Company in a general meeting, such authority 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 earlier."
[See Explanatory Note (c)] **[Resolution 7]**

By Order of the Board

Sharon Yeoh
Company Secretary
4 April 2018

Singapore

Explanatory Notes:

(a) Mr Ronnie Tan Siew Bin ("Mr Tan"), if re-elected, will remain as a member of the Audit Committee and Remuneration Committee and will also continue to remain as the Chairman of the Nominating Committee. Mr Tan will be considered as an Independent Director, pursuant to Rule 704(7) of the Catalist Rules.

(b) The ordinary resolution 6 set out in item 7 above, if passed, will empower the Directors from the date of this annual general meeting until the date of the next annual general meeting or the date by which the next annual general meeting is required by law to be held or such authority is revoked or varied by the Company in general meeting, whichever is earlier, to allot and issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments up to an aggregate number not exceeding 100% of the total number of issued Shares excluding treasury shares and subsidiary holdings 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 and subsidiary holdings shall be calculated based on the total number of issued Shares excluding treasury shares and subsidiary holdings at the time of this ordinary resolution 6 above is passed after adjusting for new Shares arising from the conversion or exercise of convertible securities, share options or vesting of share awards which are outstanding or subsisting at the time this ordinary resolution 6 above is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(c) The ordinary resolution 7 set out in item 8 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of fully-paid Shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:

1. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the annual general meeting. Where a member appoints more than one proxy, 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.

2. Pursuant to Section 181 of the Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the annual general meeting. Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity; or

   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Future Act (Cap. 289) and holds shares in that capacity; or

   (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund (Cap. 36), in respect of shares purchased on behalf of CPF investors.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies, duly executed, must be deposited together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 not less than forty-eight (48) hours before the time set for holding the annual general meeting.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the annual general meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the annual general meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the annual general meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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NATURAL COOL HOLDINGS LIMITED

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

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting, but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form.)

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

of ____

being a member/members* of NATURAL COOL HOLDINGS LIMITED (the "**Company**") hereby appoint:

Name	NRIC / Passport No. / Registration No.*	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or*

Name	NRIC / Passport No. / Registration No.*	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her *, the Chairman of the Meeting, as my/our* proxy/ proxies* to attend and vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 137 Cecil Street #04-01 Shibuya Room Singapore 069537 on Thursday, 26 April 2018 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy / proxies* to vote "for" or "against" the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

(Voting will be conducted by poll. Please indicate your vote "For" or "Against" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	ORDINARY RESOLUTIONS	For	Against
	Ordinary Business:		
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2	Re-election of Mr Tsng Joo Peng as Director pursuant to Regulation 101		
3	Re-election of Mr Ronnie Tan Siew Bin as Director pursuant to Regulation 101		
4	Approval of Directors' fees amounting to S$165,000 for the financial year ending 31 December 2018 to be paid quarterly in arrears.		
5	Re-appointment of KPMG LLP as auditors		
	Special Business:		
6	Authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual (Section B: Rules of Catalist)		
7	Authority to allot and issue shares under the Natural Cool Employee Share Option Scheme		

* Delete where inapplicable

Dated this ________ day of ________________ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

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

IMPORTANT : PLEASE READ NOTES ON THE REVERSE

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 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. 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 of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the Company's office of the Company's Share Registrar, M&C Services Private Limited at **112 Robinson Road #05-01 Singapore 068902 not less than forty-eight (48) hours** before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services license to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 4 April 2018.

GENERAL

The Company shall be entitled to reject the instrument of proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instruments contained in the instrument. The Company may also reject any instrument of proxy or proxies where the appointor is not shown to have shares in the Company entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by the Central Depository (Pte) Limited to the Company.

Natural Cool Holdings Limited

Company Registration No: 200509967G

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