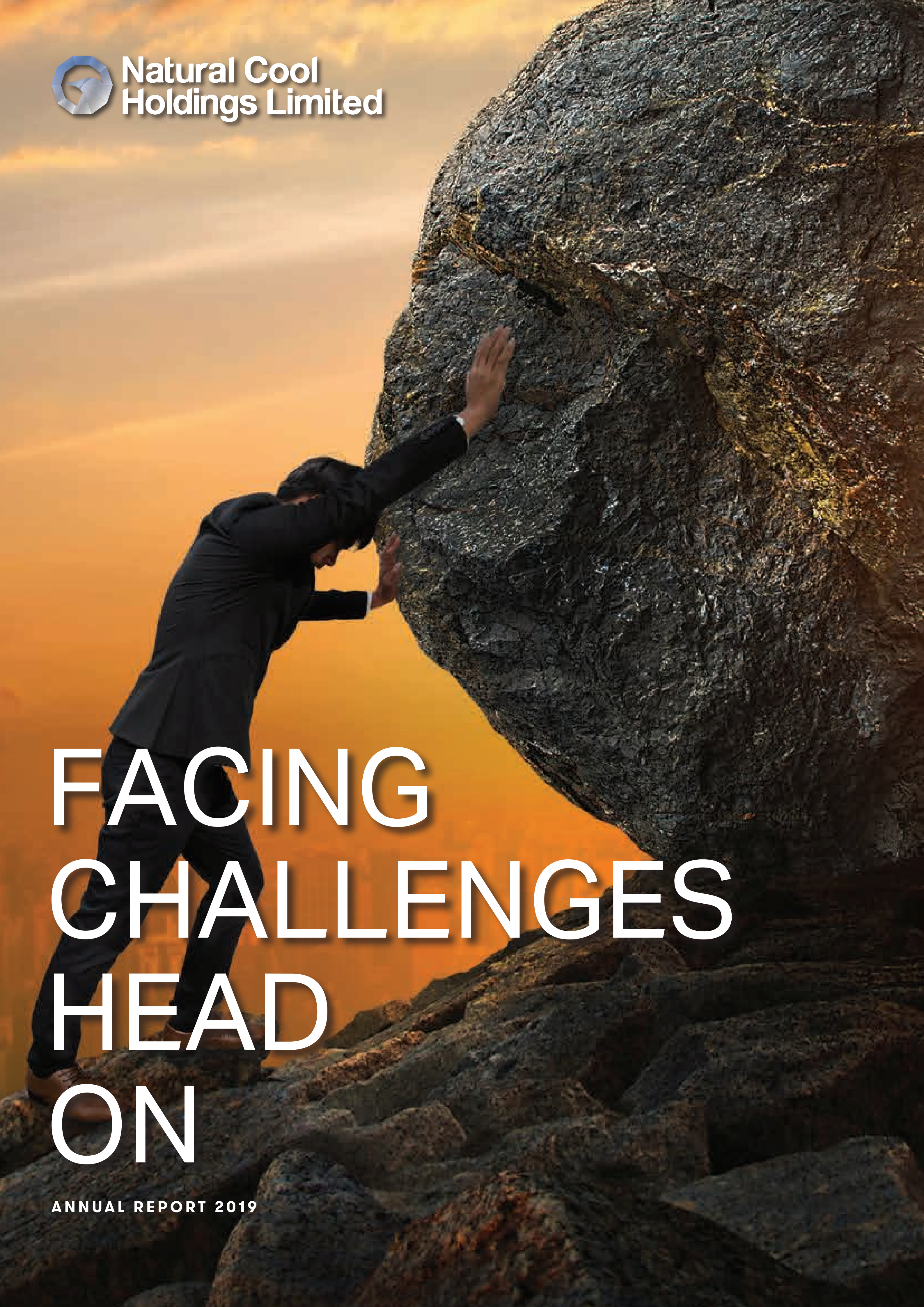


Natural Cool Holdings Limited

FACING CHALLENGES HEAD ON

ANNUAL REPORT 2019

CONTENTS

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This Annual Report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

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,

2019 has turned out to be a year of contrasts.

What started as on a bright note in the first half of 2019 following our return to profitability in 2018 was eclipsed by the rising global trade tensions and a weaker domestic economy in the second half of the year.

We were also affected by some of the strategic decisions made at our Aircon Division, in particular our high containment engineering business, as well as integration and start-up costs incurred at our newly acquired Food Division.

Our flagship Aircon Division saw a more modest 3.9% growth in revenues in 2019 compared with the previous year. Notable was a substantial jump in contribution from our Mechanical and Electrical Department which saw an 80% increase in revenues from the year before, contributed mainly from a breakthrough into the datacentre market. Our Regional Business Division also saw a substantial increase in revenue compared with 2018. Our other Aircon Division's units, however, recorded lower or flat revenues compared with the previous year.

While profitability at most of our Aircon Division's units remain satisfactory, we suffered from a decision to scale up the business of our high containment engineering business too aggressively in the first half of the year, resulting in lower segmental profits in 2019. Thankfully, the management team recognised this quickly, and reversed the trend by cutting back on its staffing and other costs. These steps appear to have taken root, and we are hopeful the turnaround will be sustained this year.

Nevertheless, our Aircon Division's order books remain healthy, and our customer and supplier relationships strong.

Our Paint Division turned in a commendable performance in 2019, recording an increase in revenues and further narrowing the losses from the year before. Moving forward, we have plans to grow our Paint Division's product offering to cater to a wider market in the consumer, commercial and industrial segments. Profit margins at this division also improved this year, partially as a result of our decision to make changes to the paint production processes. Impressively, this division has turned free cash flow positive in the year.

While our Investment Division enjoyed higher occupancy and rental rates in 2019 compared with the previous year, this was insufficient to overcome the costs incurred by the division. Nevertheless, we are heartened to note that losses in this segment has almost halved compared with the year before. We signed a fresh 5-year lease that is effective later this year, and hope that the performance of this division will improve in the near future.

We continue to look for opportunities to unlock value for the Company in respect of our investment in HMK Energy Pte. Ltd.. In addition, we hope our recent investment in SPHomes Pte. Ltd. will provide us with business synergies and a longer-term returns.

The maiden contribution from our newly acquired Food Division has been very encouraging. Due to initial business integration costs, and start-up costs at our first restaurant in Sembawang, this division recorded a loss in 2019. However, we are very heartened with the success of the Food Division's Chinese New Year Pen Cai campaign in early 2020 which saw us delivering more than 800 sets of this traditional new year dish over a 15-day period, the fruits of this which we will only record this year. There are also a number of new product and marketing initiatives that this division has planned for 2020.

At the corporate front, we will continue to look for opportunities to grow our businesses, albeit at a more measured pace, and work to return the Group to profitability.

Finally we are, as always, grateful to all our stakeholders including our employees, suppliers, customers and bankers for their unfettered support all these years. We hope we have more than earned your trust for this and for many more years to come.

The combination of the ongoing global trade conflict, and onset of COVID-19 has thrown the world into a perfect storm – one which will pose many challenges for the markets that we serve. We remain confident however, that given the good foundation laid by our business leaders, the Group will be able to face all and any challenges head on.

Your faithfully

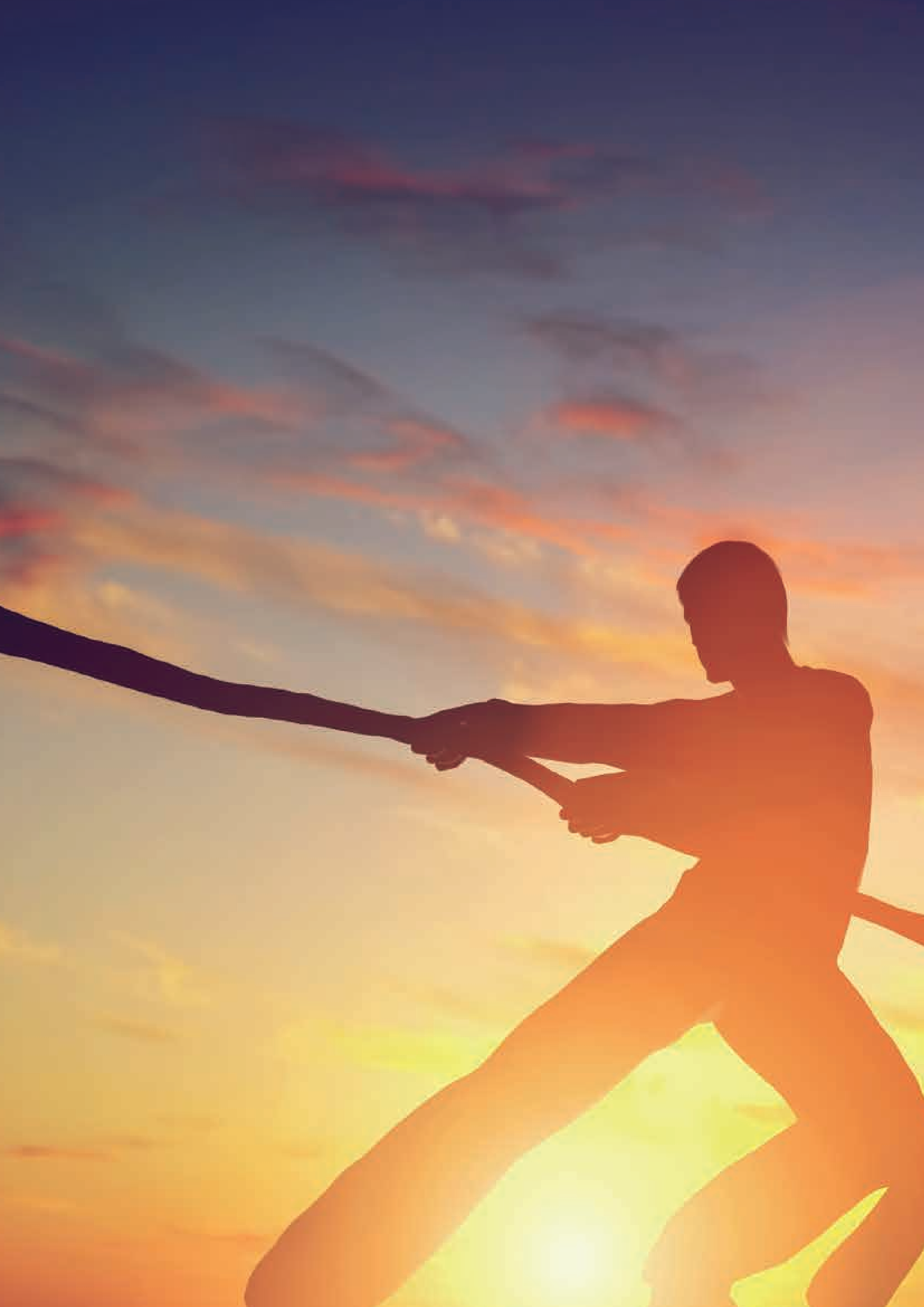
Goh Teck Sia
Independent
Non-Executive Director
and Chairman

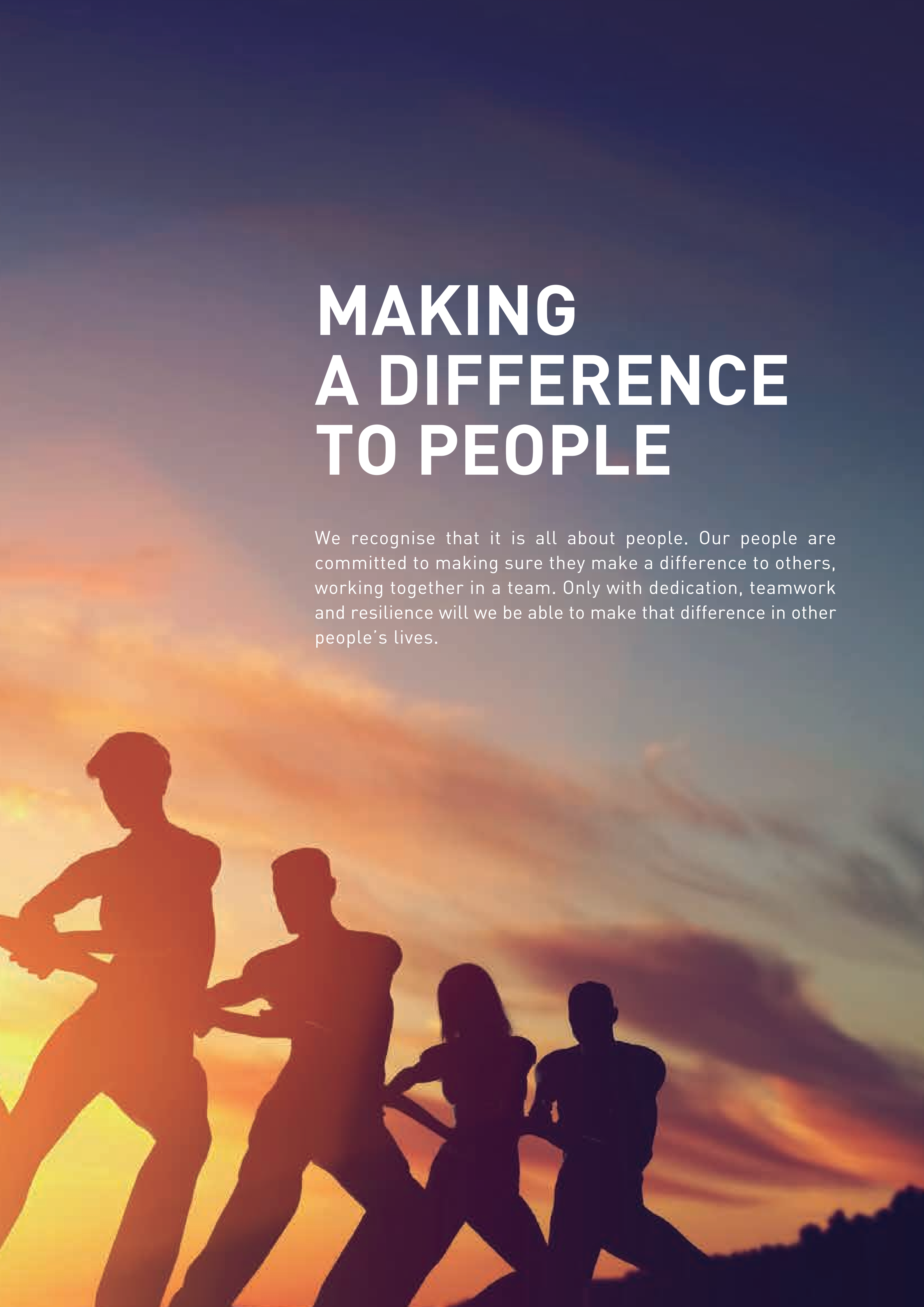
Tsng Joo Peng
Executive Director and
Group Chief Executive Officer

CORPORATE STRUCTURE

Natural Cool Holdings Limited

- 100% Natural Cool Airconditioning & Engineering Pte Ltd
  - 100% NC Singapore Pte. Ltd.
  - 75% Natural Cool Aircon Distribution Sdn. Bhd.
  - 75% Natural Cool Distribution (JB) Sdn. Bhd.
  - 100 % NC Precision Pte. Ltd.
- 100% Natural Cool Investments Pte. Ltd.
  - 100% Cougar Paint Industries Sdn. Bhd.
- 100% Cougar Paint Pte. Ltd.
  - 100% Loh & Sons Paint Co (S) Pte Ltd
- 51% Natural Cool Asia Pte. Ltd.
- 100% Lifestyle Guru Pte. Ltd.
- 80% SFB Holdings Pte. Ltd.
  - 100% Yummy (S) Pte. Ltd.
- 51% JAD Solutions Pte. Ltd.





MAKING A DIFFERENCE TO PEOPLE

We recognise that it is all about people. Our people are committed to making sure they make a difference to others, working together in a team. Only with dedication, teamwork and resilience will we be able to make that difference in other people’s lives.

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 requests 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.

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 mechanical ventilation systems 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 has also installed chilled water systems and cooling tower system for shopping malls such as One Raffles Place and commercial buildings such as Vision Exchange.

TRADING DEPARTMENT

We operate two One-Stop Aircon Equipment and Materials Distribution Hub, located at Defu Lane 10 and Bukit Batok Street 23. We add value to our contractor customers enabling them to compete effectively in Singapore by best sourcing of Aircon Equipment and Aircon Installation Materials/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, Midea, York, Carrier and many more.

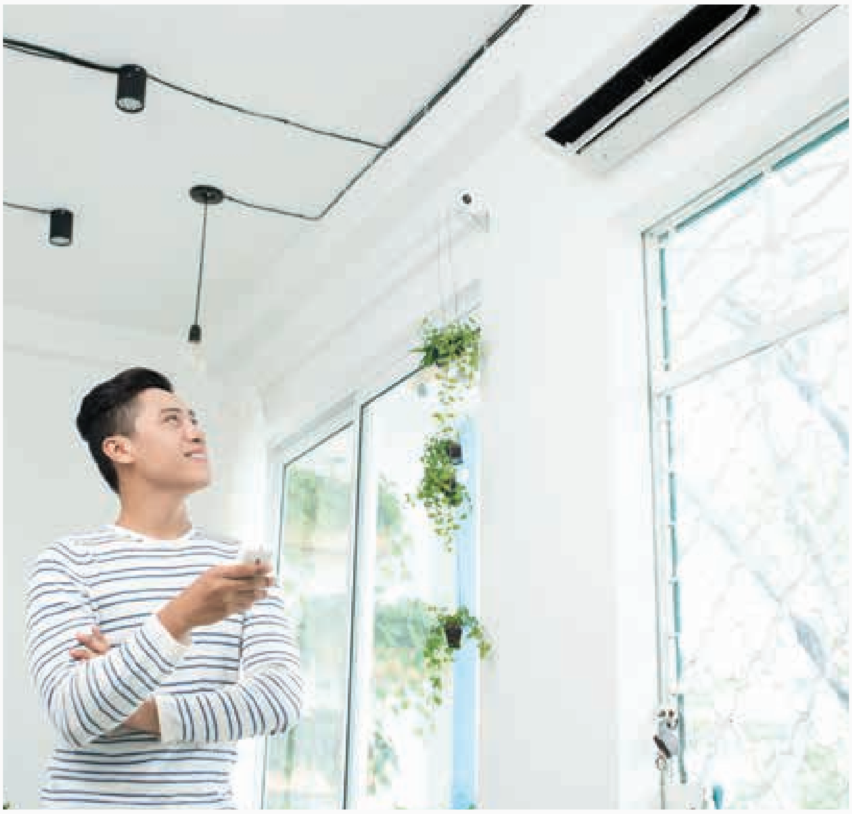
We also supply accessories including Aircon installation materials such as brackets, refrigerant gas, copper coil, wire, insulation, trunking, drain pipe, all other types of pipes and ducts, as well as industrial tools and equipment like electrical drills, drain pumps, screws, bolts and nuts, fasteners, 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.

This capability makes our Trading Department the renowned Aircon Distribution Hub to the Aircon mechanical ventilation industry.

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

BUSINESS PROFILE



required for the further expansion to acquire more MA contracts.

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. We deploy technology to streamline our internal processes, explore new communication channels 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 Department which has successfully entered the datacentre market in 2019.

JAD Solutions Pte. Ltd. ("JAD"), is a high containment facility engineering company that the Group acquired in August 2018 that focuses on the healthcare, bio-medical industry and petrochemical research facilities by providing consultancy, integration of components, installation, testing, commissioning and the final accreditation to such industries.

PAINT DIVISION

Natural Cool's Paint Division has over 20 years of history in the paint business supporting the construction and marine industry through our flagship "Cougar" brand. The division manufactures a complete range of cost-effective products including enamel coatings, epoxy coatings, PU coatings and solvents.

Through the years the company has transformed from a backyard manufacturer to becoming a leading supplier of coatings and solvents.

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.

REGIONAL BUSINESS DIVISION

Natural Cool Asia Pte. Ltd. ("NCA") was formed in August 2017 to spearhead and expand the Group interests into the regional markets for HVAC related products and services.

NCA was appointed Authorised Distributor by Panasonic for its full and complete range of commercial Aircon products for the regional markets including Bangladesh, Myanmar, Cambodia, Maldives and Nepal.

FOOD AND BEVERAGE DIVISION

SFB Holdings Pte. Ltd. ("SFB") and Yummy (S) Pte. Ltd. ("Yummy") are two newly established food and beverage subsidiaries in 2019 that will allow our Group to foray into the food and beverage business as a means to build a new source of revenue and profits.

SFB is engaged in the business of manufacturing, distribution and retail of soy bean beverages through our Halal certified "Tobo" brand.

Yummy is engaged in the business of manufacturing, distribution and retail of cooked-food snacks preparations, including dim sum products, pumpkin cakes, and traditional Chinese dumplings. Yummy conducts its business through our retail outlets "Dao Xiang" located at Bendemeer and Tampines, as well as direct wholesale from its factory in Woodlands.

During the year, the division opened its first dine-in restaurant "Abang Recipes" located at Sembawang Shopping Centre. The restaurant serves Halal Nyonya and Teppanyaki cuisines.

CROSSING THE DESERT… TO SCALE HIGHER PEAKS

Even in the best of time, nothing is easy. We push ourselves beyond boundaries, overcoming adversity and beating the odds. For it is only through this way that we will be able to find our next peak, and the one after that.

OPERATIONS REVIEW

COMMERCIAL INSTALLATION DEPARTMENT

2019 was a challenging year for us at Commercial Installation. The slowdown in Singapore's economy has caused the department performance to decline. However, despite this situation, our Commercial Installation Department still managed to secure both public and private sector projects, some of them are as mentioned below.

Punggol Town Hub @ Punggol Drive

Worth about S$11.6 million in project value, we were involved in the additions & alterations works for a 6-storey building the Punggol Town Hub, where we installed the Aircon and Mechanical Ventilation ("ACMV") Chilled Water Systems and Integrated Building Management System ("IBMS") for the entire project.

For this project, there are 3 water cooled chiller systems, 5 cooling towers, 2 condensate water collection system and etc being installed.

This project will be completed in April 2021.

OPERATIONS REVIEW

National University of Singapore ("NUS") @ Com 3

Worth about S$5.1 million in project value, we were involved in the new erection of a block of 2-storey building in NUS and additions & alterations works to the existing Com 2 building, where we installed the aircon system, water cooled chiller system, cooling tower and condensate water collection system for the entire project.

For this project, there are 3 water cooled chiller systems, 5 cooling towers, 2 condensate water collection system and etc being installed.

This project will be completed in August 2020.

Defu City at Defu South

Following the above projects, we also won a role in the new Defu City project worth about S$17 million and the work commenced 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 are responsible for the installation of ACMV, a smoke purging system, and engineered smoke control system for the entire project.

Currently the construction is still in the progress and expected to complete by 2021.

OPERATIONS REVIEW

TRADING DEPARTMENT

2019 was a challenging year due to the protracted trade tension between the US and China. It had resulted a prolonged uncertainty for the market and the tit-for-tat tariffs imposed between US and China had significantly affected the business sentiments and growth in Singapore. The negative impact left many Aircon wholesalers and contractors in Singapore to face the headwinds of the weaker market with Aircon sales figures continuing to be in the doldrums in 2019, a likely scenario for 2020 as well. Trading Department however managed to persevere through the difficult year with creative promotions and marketing initiatives to attract sales from our Aircon wholesalers and contractors in this very competitive market.

ARMACELL Authorised Dealer

We entered into a business negotiation with Armacell Asia Pte. Ltd. in late 2019 and are pleased to announce that we have been appointed as an Authorised Dealer of ARMACELL thermal and acoustic solutions in Singapore for the year 2020.

Gala Dinners @ Defu and Bukit Batok Outlets

We organised two major Gala Dinners cum networking sessions at our Defu Lane and Bukit Batok outlets which were attended by around 600 and 400 Aircon manufacturers/suppliers and contractors respectively to appreciate their continual support, and to share technical advices and feedbacks.

Environmental Sustainability

Over the recent years, our Trading Department had been stepping up effort to advocate and increase customers' awareness of the Energy Efficient Initiative led by National Environment Agency. We have made effort to promote more environmentally friendly "5-tick" air-conditioners to contractor customers to install for Singapore households. For FY2019, "5-tick" air-conditioners accounted for close to 70% of our Trading Department's total sales.

We have also accelerated the number of technical training sessions for our contractor customers supported by the air-conditioner brands. In 2019, we organised more than 10 such trainings ranging from more productive and efficient installation practices to improve installers' productivity. We also provided training on the installation of R32 refrigerant air-conditioners and introduced Daikin's new Super Multi HW. This system recycles heat generated from the aircon unit to heating water.

The two Gala Dinners organised in 2019 replaced the weekly Friday No Horse Run ("NHR") breakfast networking sessions organised in 2018, in tandem with the Group's effort to reduce carbon emissions, which otherwise would have been contributed weekly by our guests' vehicles traveling to the outlets.

Furthermore, existing fluorescent tube lightings at Defu Lane outlet were replaced with new LED Tubes/ Batten Lights at Defu Lane to further reduce electricity consumption.

MECHANICAL & ELECTRICAL DEPARTMENT

The Mechanical & Electrical Department continue to build and position ourselves to compete with our peers. We record even higher revenue growth in 2019 despite the slowing Singapore economy.

Our Commercial Service Team has fully developed a full spectrum of skills sets required in our industry and are ready to respond to a more sophisticated market.

Our Retail Service Team has earned more fruitful results and market share since we launched our "Lifestyle Guru" website serving as a platform for the consumers to reach us for services with ease.

Our Fire Protection Team had since made some major advancement. We have experience in dealing with the following fire protection systems:

1. FM 200 System
2. VESDA System
3. Novac 123 System
4. Addressable Fire Alarm System
5. Dry Pendent
6. Pre Action System
7. Deluge System
8. Automatic Sprinkler System
9. Hosereel System
10. Transfer System

We have also been successfully appointed as the Base Main Contractor for a large telecommunications company to support their data centre projects. Works include builder's work, mechanical & electrical work from 2019 to 2021. This department had in 2019 secured and completed more than S$9 million worth of projects for this client.

OPERATIONS REVIEW

PAINT DIVISION

2019 was a fruitful year for the Paint Division having achieved stronger sales revenues as compared to 2018 despite challenging markets conditions.

There has been significant growth in this business sector which is expected to continue with the projection of total construction demand (value of construction contracts to be awarded) by the Building and Construction Authority ("BCA") to remain strong in 2020. Some notable projects awarded to the paint group includes a noise barrier works for a transportation infrastructure project as well as the development of Aztech Group's manufacturing facility in Setia Business Park, Johor Bahru Malaysia. Our customized Cougar brand professional series product range has also been fast maturing and capturing the demands of this evolving market.

Moving forward, the Paint Division will continually streamline our operational processes and more importantly invest in our people asset as we firmly believe in this sustainable approach to bringing greater value to all our customers and stakeholders.

Food retail outlet at Bendemeer

REGIONAL BUSINESS DIVISION

Natural Cool Asia Pte. Ltd. ("NCA") in its second year of operation had grown steadily in its sales of Aircon related products and services to the regional markets. The subsidiary achieved sales revenue of almost S$9 million for 2019 which is 160% of previous year's sales result.

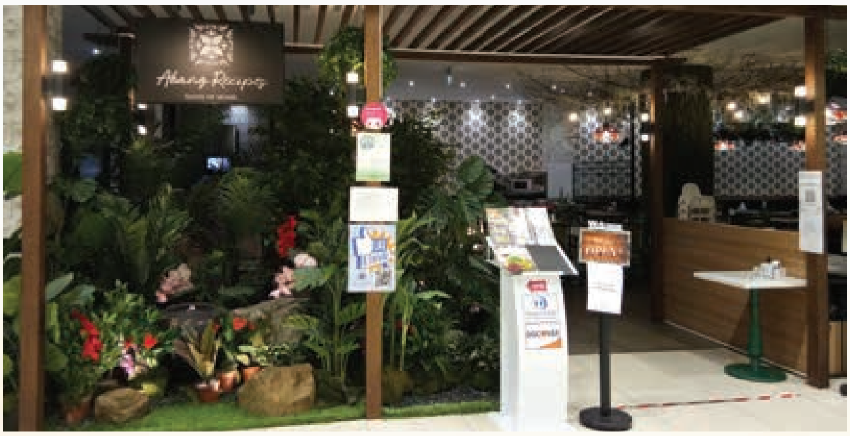
With more than S$5 million backlog confirmed orders on hand and several highly potential sizable projects on negotiation, we believe the regional division will continue to grow steadily in 2020.

NCA had also expanded its range of products to include water chillers and airside products (AHU and FCUs) and this enable the division to provide a complete range of air conditioning products for its regional customers.

FOOD AND BEVERAGE DIVISION

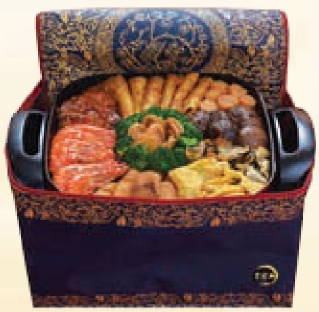
The maiden revenue contribution of S$0.9 million from our newly acquired Food Division has been very encouraging. Currently, we are operating two retail outlets, one dine-in restaurant and a central kitchen to serve our wholesale business.

Despite this division recording a loss in 2019 due to its initial business integration costs, and start-up costs at our first restaurant in Sembawang, we are very heartened with the success of the division's Chinese New Year Pen Cai campaign in early 2020.

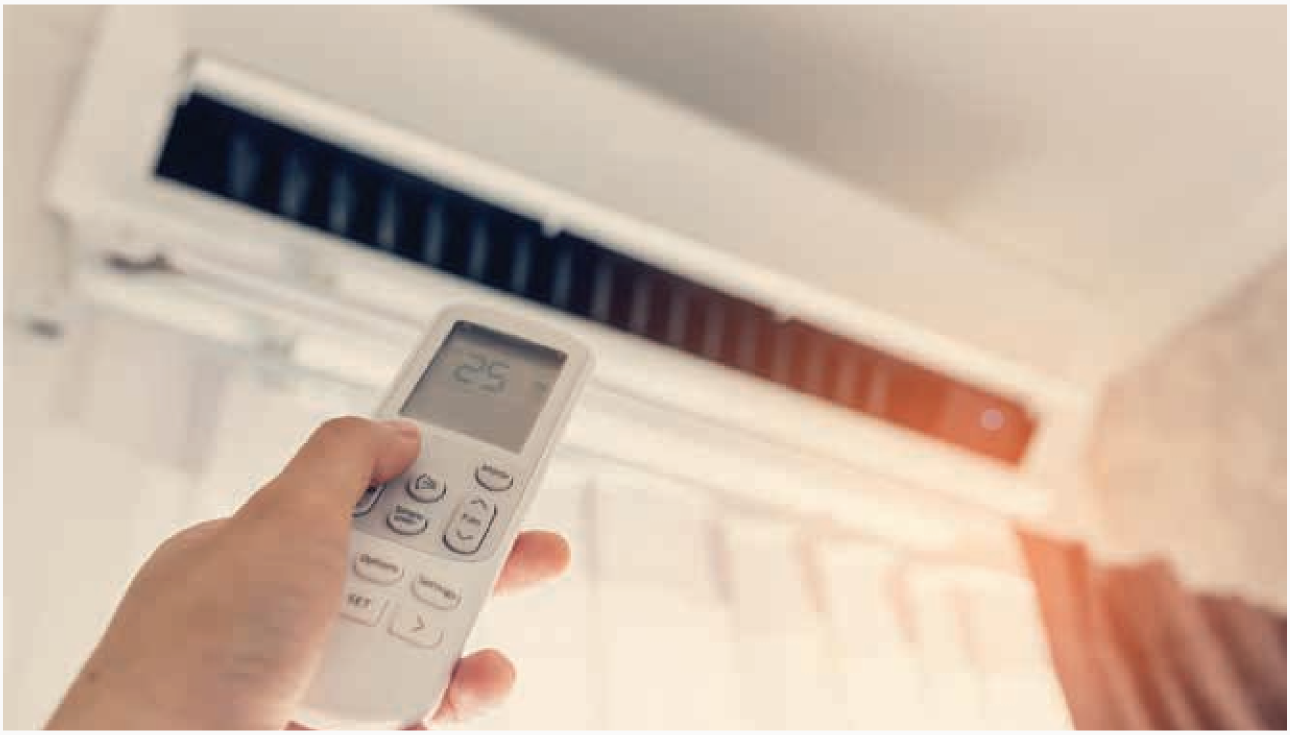


"Abang Recipe" Restaurant at Sembawang Shopping Centre

CNY Pen Cai



FINANCIAL REVIEW



REVIEW OF INCOME STATEMENT

Our Group generated revenue of S$143.7 million for the financial year ended 31 December 2019 ("FY2019"), an increase of S$7.0 million, or 5.1% compared to S$136.7 million in the financial year ended 31 December 2018 ("FY2018").

Our Aircon Division reported an increase in revenue of S$5.1 million, or 3.9% compared to FY2018. This increase in revenue was mainly due to higher revenue contribution from the division's regional sales unit which increased from S$5.6 million in FY2018 to S$8.9 million in FY2019. Our servicing department also recorded an increase in revenue in FY2019, while our commercial installation department and the trading department both recorded a drop in the revenue. Our Paint Division also reported an increase in revenue of S$0.7 million, or 18.8% compared to FY2018. During FY2019, our newly acquired Food Division contributed S$0.9 million in revenue.

Gross profit margins were 15.1% in FY2019, 1.1 percentage points higher than FY2018. Gross profit margins improved at our Aircon Division's commercial installation department, Paint Division and our Investment Division. However, the increase was offset by decline in gross profit margin in our Aircon Division's servicing department.

Other income decreased by S$0.8 million or 72.2% in FY2019 mainly due to a decline in sponsorship income of S$0.2 million, the absence of insurance claim receipts of S$0.3 million, and the absence of stock obsolesce reversals in FY2019.

Distribution expenses increased by S$0.4 million or 16.8% in FY2019 mainly due to higher advertisement expenses of S$0.1 million (attributable primarily to spending by our newly acquired Food Division and our Aircon Division's retail department) and higher travelling expenses of S$0.2 million, as a result of increased business development efforts.

Administrative expenses increased by S$2.0 million or 11.7% in FY2019 mainly due to higher staff costs of S$2.0 million, rental expenses of S$0.2 million and insurance expenses of S$0.2 million. However, we recorded lower professional fees of S$0.2 million, lower upkeep costs of S$0.1 million and lower amortisation expenses of S$0.1 million. The higher staff cost is a result of the increased headcount from the recent acquisition of our Food Division (which is also the reason for the higher rental expenses), as well as from taking in a full financial year impact of JAD Solutions Pte. Ltd.'s operating expenses in FY2019. JAD Solutions Pte. Ltd. was acquired on 31 July 2018.

Other expenses increased by S$0.7 million mainly due to change in fair value of financial asset.

Finance costs increased by S$0.5 million or 57.7% in FY2019 mainly due to the recognition of interest expense on lease liabilities of S$0.6 million following the implementation

FINANCIAL REVIEW

of SFRS(I) 16 in FY2019, an increase in the usage of trade financing that resulted in S$0.1 million more in trade finance interest expenses, and a re-pricing of the term loan that also gave rise to an additional S$0.1 million of term loan interest expenses. Conversely in FY2018, we recorded S$0.2 million charge relating to the unwinding of discount on onerous contract which did not recur in FY2019.

The Group has provided an income tax of S$0.5 million in FY2019.

Arising from the above, we reported a loss after income tax of S$2.64 million in FY2019 including the losses absorbed by the non-controlling interests of S$0.7 million.

REVIEW OF STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment increased by S$33.0 million in FY2019 mainly due to recognition of right of use assets – properties of S$35.8 million as a result of the implementation of the SFRS(I) 16. Furthermore, we also purchased motor vehicles for S$2.1 million, incurred renovation expenditure of S$1.0 million, and purchased plant and machinery, and furniture and fittings for S$1.0 million. On the other hand, we recorded total depreciation of S$6.4 million for the year and disposed of S$0.5 million in property, plant and equipment.

Other investments decreased by S$0.1 million mainly due to change in fair value of investment in HMK Energy Pte. Ltd. of S$0.7 million. On the other hand, the Group has made additional investment of S$0.6 million in SPHomes Pte. Ltd..

Inventories decreased by S$1.2 million due to better inventory management in reducing the stocks on hand.

Contract assets decreased by S$0.3 million as the level of contract activities was lower in FY2019 and some projects were completed during the year.

Trade and other receivables (current and non-current) increased by S$5.8 million mainly as a result of higher sales contributed by our Aircon Division towards the end of FY2019 but not due for collection. Non-current other receivables comprise keyman insurance policy of S$0.8 million.

Loans and borrowings (current and non-current) increased by S$37.8 million. Due to the implementation of SFRS(I) 16, we have recorded an increase in net lease liabilities of S$33.7 million in respect of such lease commitments of our leased properties in FY2019. Moreover, we also increased our usage of bank facilities for our business operations and investment purposes, and this increase amounted to S$4.1 million as at 31 December 2019.

Provisions (current and non-current) decreased by S$1.9 million mainly as a result of adopting SFRS(I) 16. Pursuant to this accounting standard, our provision of onerous contract arising from a lease previously recorded in the balance sheet was offset against our right of use assets, resulting in the decrease in provisions of S$1.7 million.

Contract liabilities decreased by S$0.6 million in FY2019 for the same reason our contract assets declined.

Trade and other payables remained constant in FY2019. In the last few months of FY2019, our Aircon Division incurred higher purchases amounted of S$2.1 million. However, due to the adoption of SFRS(I) 16, non-cash deferred revenues arising from a lease of S$2.1 million previously recorded in trade and other payables was used to set off against our right of use assets at its initial recognition, resulting in a corresponding decrease in other payables, rendering trade and other payables unchanged at year end.

The Group is in a net current liability position of S$1.3 million, and this is mainly a result of implementing of SFRS(I) 16. The Group's operating cash flow remains healthy and has sufficient unutilised bank facilities to meet its working capital needs.

REVIEW OF STATEMENT OF CASH FLOWS

In FY2019, we recorded net cash inflow of S$6.6 million before changes in working capital.

We recorded working capital outflows of S$3.0 million mainly attributed to an increase in trade and other receivables of S$5.8 million, set off by an increase in trade and other payables of S$2.1 million (see paragraph above discussing about the trade and other payables in the section "Review of Statements of Financial Position"). These were further offset by the reductions in inventories of S$1.2 million, contract assets of S$0.3 million, and contract liabilities of S$0.6 million.

The increases in trade and other receivables and trade and other payables are generally in line with the increases in our business activities towards the end of FY2019.

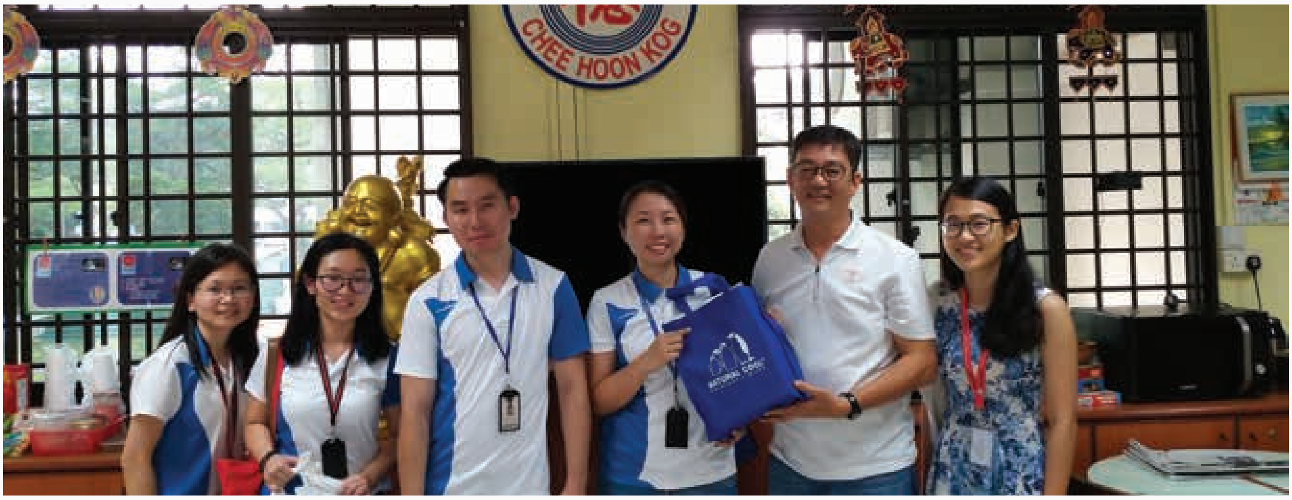
We also made tax payments of S$0.2 million during FY2019.

We recorded net cash used in investing activities of S$2.9 million in FY2019 mainly due to the purchase of plant and equipment of S$1.7 million, acquisition of Food Division of S$1.0 million, and investment in other investment of S$0.6 million. These were offset by the proceeds received from disposal of plant and equipment of S$0.4 million.

We recorded net cash used in financing activities of S$4.8 million in FY2019 mainly due to the payment of lease liabilities, interest and loans repayment which were offset by an increase in bills payables.

As a result, our cash and cash equivalents decreased by S$4.3 million in FY2019.

CORPORATE SOCIAL RESPONSIBILITIES



Community investment also represents a milestone in 2019. Our Social Responsibility Team put in order a charity event to work with social workers from a reputable NGO to grant wishes for 6 families. They are mostly the elderly and children from low-income families. Food and other necessities are provided. In 2019, we continued our participation in the Blood Donation Drive organised by Neo Group.

PROJECT "GRANT A WISH" COLLABORATION WITH THK FAMILY SERVICE CENTRE

Our first-ever collaboration with Thye Hua Kwan Family Service Centre – Bedok North to offer support to 6 families and more than 20 people. During this event, we contributed food, groceries, stationeries and other necessities from each family's wish list.

BLOOD DONATION DRIVE ORGANISED BY NEO GROUP

A total of 35 staff gave 20 units of blood at a Blood Donation Drive at 1 Kaki Bukit Enterprise One on 6 November 2019. This yearly initiative is part of our Corporate Social Responsibility efforts to assist Singapore Red Cross Society in growing the number of blood donations and donors nationally, to save precious lives during accidents and emergencies, as well as to sustain the lives of people with medical conditions.

BOARD OF DIRECTORS

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

Mr Goh was appointed as 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.

On 23 March 2019, Mr Goh was appointed as the Vice-President of the Singapore Police Retirees Association (''SPRA'').

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 1 August 2005 (Date of last re-appointment as Director: 26 April 2018) and he was appointed as our Group Chief Executive Officer ("CEO") on 31 October 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 Airconditioning & Engineering Pte Ltd, a subsidiary of the Company since 1993. Prior to joining our Group, 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

BOARD OF DIRECTORS

MR CHOY BING CHOONG
EXECUTIVE DIRECTOR AND GROUP CHIEF OPERATING OFFICER

Mr Choy joined the Company as Chief Investment Officer in July 2014 and assumed the position of Group Chief Operating Officer in March 2020 while joining the Board at the same time. He is responsible for execution of the Company's business strategies and plans, overseeing financial, administrative, human resources, investor relations, regulatory and compliance functions, as well as charting the growth of the Group through identification of merger and acquisition opportunities and management of the Group's investments.

Mr Choy has 29 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 served 3 years in the Corporate and Capital Markets Group at Rajah & Tann. Apart from his home base in Singapore, he has also worked in China, the United Kingdom and Indonesia.

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

Past directorships in listed companies (For last three years)	Present directorships in listed companies (Other than the Company)
None	Hiap Tong Corporation Ltd. Hoe Leong Corporation Ltd. Zhongmin Baihui Retail Group Ltd.

MS LAU LEE HUA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Lau was appointed as 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 also became a partner in Wong, Lee & Associates LLP, another public accounting firm in 2018. 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 and the "Dedicated Service Award" when she retired from MINDS board recently.

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

MR MAHTANI BHAGWANDAS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Mahtani was appointed as an Independent Non-Executive Director of the Company on 9 December 2018. He is the Chairman of our Nominating Committee and a member of the Company's Audit and Remuneration Committees.

Mr Mahtani is a lawyer by profession and commenced practice as an Advocate and Solicitor of the Supreme Court of Singapore since 1993. Currently, he is a Senior Partner with LegalStandard LLP, a law firm in Singapore that specialises in commercial practice including commercial litigation work, and is currently also an Independent Director of SGX-listed GRP Limited and HK-listed Hon Corporation Limited. Formerly, he was an Independent Director of Alliance Mineral Assets Limited, SBI Offshore Limited and GKE Corporation Limited, Singapore. Mr Mahtani also holds several directorships in privately-held companies. Mr Mahtani graduated from the National University of Singapore with a Bachelor of Law (Honours) degree in 1992.

Past directorships in listed companies (For last three years)	Present directorships in listed companies (Other than the Company)
Alliance Mineral Assets Limited SBI Offshore Limited GKE Corporation Limited	GRP Limited Hon Corporation Limited

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.

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 a Director of our Trading Department and was appointed as a 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 Bukit Batok 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.

MS TENG GEK CHUI
FINANCIAL CONTROLLER

Ms Teng joined the Group in February 2008 and was promoted to the position of Financial Controller in May 2019. As Financial Controller, she is responsible for reporting, compliance matters, budgeting and overseeing full spectrum of financial activities of the Group.

Prior to joining the Group, she was an auditor at BDO Raffles and Ernst & Young, where she was involved in the statutory audit of companies. Ms Teng is a Chartered Accountant (Singapore) of the Institute of Singapore Chartered Accountants.

CORPORATE INFORMATION

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

Mr Tsng Joo Peng
Executive Director and Group Chief Executive Officer

Mr Choy Bing Choong
Executive Director and Group Chief Operating Officer

Ms Lau Lee Hua
Independent Non-Executive Director

Mr Mahtani Bhagwandas
Independent Non-Executive Director

AUDIT COMMITTEE
Ms Lau Lee Hua
Chairman

Mr Mahtani Bhagwandas
Member

Mr Goh Teck Sia
Member

NOMINATING COMMITTEE
Mr Mahtani Bhagwandas
Chairman

Ms Lau Lee Hua
Member

Mr Goh Teck Sia
Member

REMUNERATION COMMITTEE
Mr Goh Teck Sia
Chairman

Ms Lau Lee Hua
Member

Mr Mahtani Bhagwandas
Member

COMPANY SECRETARY
Ms Yeoh Kar Choo Sharon

AUDITOR
KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Partner-in-charge
Ms Tan Yek Lee Doreen
(With effect from financial year 2019)

CATALIST CONTINUING SPONSOR
PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

REGISTERED OFFICE
29 Tai Seng Avenue
#07-01 Natural Cool Lifestyle Hub
Singapore 534119
Tel: (65) 6454 5775
Fax: (65) 6454 6776
Website: www.natcool.com

SHARE REGISTRAR
B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

PRINCIPAL BANKERS
United Overseas Bank

INVESTOR RELATIONS
Email: corporateaffairs@natcool.com

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 2019.

In our opinion:

(a) the financial statements set out on pages 29 to 104 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 2019 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, Singapore Financial Reporting Standards (International) and International 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	Independent Non-Executive Chairman
Tsng Joo Peng	Executive Director and Group Chief Executive Officer
Choy Bing Choong	Executive Director and Group Chief Operating Officer (Appointed on 1 March 2020)
Lau Lee Hua	Independent Director
Mahtani Bhagwandas	Independent Director

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	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 (Resigned on 4 January 2020)		
– deemed interest	23,200,000	23,200,000

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 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 2020.

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
- Mahtani Bhagwandas, 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 two 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.

DIRECTORS' STATEMENT

The Audit Committee also reviewed the following:

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

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

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

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

Auditors

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

On behalf of the Board of Directors

Tsng Joo Peng
Director

Choy Bing Choong
Director

31 March 2020

INDEPENDENT AUDITOR'S REPORT

MEMBERS OF THE COMPANY
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 2019, 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 29 to 104.

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 Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs) 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 2019 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 '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *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 these requirements and 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.

INDEPENDENT AUDITOR'S REPORT

Valuation of non-financial assets
(Refer to Notes 4 and 5 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
As at 31 December 2019, the Group's market capitalisation was below its net assets. This is an indication that the Group's non-financial assets may be impaired. The Group performed an impairment assessment of its non-financial assets by estimating the recoverable amounts of its cash generating units ("CGUs"). The recoverable amounts of the CGUs have been derived based on their values in use from the respective cash flow forecasts or based on its fair value less costs to sell. Forecasting future cash flows is a judgemental process which involves making assumptions relating to estimates on revenue growth, gross profit margin, operating expenses and the discount rates. Fair value less costs to sell determined by independent external valuer using the market comparison approach is sensitive to the key assumptions applied.	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 retrospective review to areas for significant management biasness by comparing prior year's budgets to actual outcomes. 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 evaluated the qualifications, objectivity and competency of the external valuer, and also the appropriateness of the key assumptions applied, taking into consideration recent transactions adjusted for comparability. We assessed whether the disclosures were appropriate. *Our findings* We found the estimates used in the cash flow forecasts and valuation report to be balanced. The disclosures in the notes to the financial statements are appropriate.

INDEPENDENT AUDITOR'S REPORT

MEMBERS OF THE COMPANY
NATURAL COOL HOLDINGS LIMITED

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 SFRS(I)s and IFRSs, 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.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

MEMBERS OF THE COMPANY
NATURAL COOL HOLDINGS LIMITED

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 Tan Yek Lee Doreen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Assets					
Property, plant and equipment	4	**65,614**	32,658	**20**	16
Intangible assets and goodwill	5	**1,982**	1,977	**–**	1
Subsidiaries	6	**–**	–	**7,932**	6,952
Other investments	7	**600**	688	**600**	688
Other receivables	9	**762**	–	**830**	–
Deferred tax assets	14	**–**	360	**–**	–
Non-current assets		**68,958**	35,683	**9,382**	7,657
Inventories	8	**10,752**	11,927	**–**	–
Contract assets	19	**1,737**	2,032	**–**	–
Trade and other receivables	9	**24,932**	19,862	**1,192**	807
Cash and cash equivalents	10	**7,463**	11,757	**220**	208
Current assets		**44,884**	45,578	**1,412**	1,015
Total assets		**113,842**	81,261	**10,794**	8,672
Equity					
Share capital	11	**36,412**	36,412	**36,412**	36,412
Reserves	12	**(3,038)**	(3,037)	**300**	300
Accumulated losses		**(14,402)**	(12,422)	**(31,927)**	(29,508)
Equity attributable to owners of the Company		**18,972**	20,953	**4,785**	7,204
Non-controlling interests		**(128)**	509	**–**	–
Total equity		**18,844**	21,462	**4,785**	7,204
Liabilities					
Loans and borrowings	13	**47,996**	19,246	**–**	–
Deferred tax liabilities	14	**361**	396	**–**	–
Provisions	16	**502**	1,533	**–**	–
Non-current liabilities		**48,859**	21,175	**–**	–
Loans and borrowings	13	**13,637**	4,607	**–**	–
Contract liabilities	19	**12,589**	13,222	**–**	–
Trade and other payables	15	**19,404**	19,423	**6,009**	1,468
Provisions	16	**–**	819	**–**	–
Current tax liabilities		**509**	553	**–**	–
Current liabilities		**46,139**	38,624	**6,009**	1,468
Total liabilities		**94,998**	59,799	**6,009**	1,468
Total equity and liabilities		**113,842**	81,261	**10,794**	8,672

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	19	**143,654**	136,660
Cost of sales		**(121,952)**	(117,534)
Gross profit		**21,702**	19,126
Other income	20	**317**	1,139
Distribution expenses		**(2,654)**	(2,273)
Administrative expenses		**(19,287)**	(17,271)
Net reversal of impairment loss on trade receivables and contract assets		**17**	455
Other expenses	21	**(858)**	(139)
Results from operating activities		**(763)**	1,037
Finance costs	22	**(1,411)**	(895)
(Loss)/Profit before tax		**(2,174)**	142
Tax (expense)/credit	23	**(462)**	18
(Loss)/Profit for the year	24	**(2,636)**	160
(Loss)/Profit attributable to:			
Owners of the Company		**(1,980)**	266
Non-controlling interests		**(656)**	(106)
(Loss)/Profit for the year		**(2,636)**	160
(Loss)/Earnings per share			
Basic and diluted (loss)/earnings per share (cents)	25	**(0.79)**	0.11

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 $'000	2018 $'000
(Loss)/Profit for the year	**(2,636)**	160
Other comprehensive (loss)/income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences from translation of foreign operations	**(2)**	6
Other comprehensive (loss)/income for the year	**(2)**	6
Total comprehensive (loss)/income for the year	**(2,638)**	166
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(1,981)**	270
Non-controlling interests	**(657)**	(104)
Total comprehensive (loss)/income for the year	**(2,638)**	166

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group								
At 1 January 2018		36,412	(3,078)	37	(12,688)	20,683	52	20,735
Total comprehensive income for the year								
Profit for the year		–	–	–	266	266	(106)	160
Other comprehensive income								
Foreign currency translation differences from translation of foreign operations		–	–	4	–	4	2	6
Total comprehensive income for the year		–	–	4	266	270	(104)	166
Transactions with owners, recognised directly in equity								
Acquisition of subsidiary	30	–	–	–	–	–	71	71
Capital injection by non-controlling interest of a subsidiary		–	–	–	–	–	490	490
Total transactions with owners		–	–	–	–	–	561	561
At 31 December 2018		36,412	(3,078)	41	(12,422)	20,953	509	21,462

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group							
At 1 January 2019	**36,412**	**(3,078)**	**41**	**(12,422)**	**20,953**	**509**	**21,462**
Total comprehensive loss for the year							
Loss for the year	–	–	–	(1,980)	(1,980)	(656)	(2,636)
Other comprehensive loss							
Foreign currency translation differences from translation of foreign operations	–	–	(1)	–	(1)	(1)	(2)
Total comprehensive loss for the year	–	–	(1)	(1,980)	(1,981)	(657)	(2,638)
Transactions with owners, recognised directly in equity							
Capital injection by non-controlling interest of a subsidiary	–	–	–	–	–	20	20
Total transactions with owners	–	–	–	–	–	20	20
At 31 December 2019	**36,412**	**(3,078)**	**40**	**(14,402)**	**18,972**	**(128)**	**18,844**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019 **$'000**	**2018** **$'000**
Cash flows from operating activities			
(Loss)/Profit for the year		**(2,636)**	160
Adjustments for:			
Amortisation of deferred revenue		**–**	(1,300)
Amortisation of intangible assets		**176**	264
Depreciation of property, plant and equipment		**6,417**	2,291
Loss/(Gain) on disposal of property, plant and equipment		**112**	(25)
Change in fair value of financial asset at fair value through profit or loss (FVTPL)		**688**	–
Interest expenses		**1,411**	895
Interest income		**(1)**	(8)
Property, plant and equipment written-off		**9**	16
Tax expense/(credit)		**462**	(18)
		6,638	2,275
Changes in:			
Inventories		**1,204**	(332)
Trade and other receivables		**(5,821)**	(1,300)
Contract assets		**295**	(1,604)
Trade and other payables		**2,099**	1,809
Provisions		**(152)**	(824)
Contract liabilities		**(633)**	561
Cash generated from operations		**3,630**	585
Tax paid		**(181)**	–
Net cash generated from operating activities		**3,449**	585
Cash flows from investing activities			
Acquisition of business	30	**(980)**	–
Acquisition of subsidiary, net of cash acquired	31	**–**	(1,493)
Interest received		**1**	8
Investment in other investment		**(600)**	–
Proceeds from disposal of property, plant and equipment		**399**	3,857
Purchase of intangible assets		**(3)**	(43)
Purchase of property, plant and equipment		**(1,732)**	(3,933)
Proceeds from sale of asset held for sale		**–**	4,148
Net cash (used in)/generated from investing activities		**(2,915)**	2,544

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from financing activities			
Interest paid		**(1,411)**	(667)
Proceeds from borrowings		**668**	–
Repayment of borrowings		**(864)**	(5,478)
Changes in bills payable		**3,147**	2,864
Payment of lease liabilities		**(6,386)**	(273)
Capital injection by non-controlling interest of a subsidiary		**20**	490
Net cash used in financing activities		**(4,826)**	(3,064)
Net (decrease)/increase in cash and cash equivalents		**(4,292)**	65
Cash and cash equivalents at beginning of year		**11,757**	11,685
Effect of foreign exchange fluctuations on cash held		**(2)**	7
Cash and cash equivalents at end of year	10	**7,463**	11,757

Significant non-cash transactions

During the financial year, the Group acquired plant and equipment amounting to $3,335,000 (2018: $4,332,000), of which $1,603,000 (2018: $450,000) was acquired under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2020.

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 are as follows:

- Air-conditioning: trading of air-conditioning units and spare parts, installation services for commercial air-conditioning systems and mechanical ventilation, and maintenance services;
- Investment: property investment holding;
- Paint: manufacturing, and trading of paint and basic chemicals; and
- Food and beverages ("F&B"): operator of restaurants, manufacture and wholesale of F&B products.

The financial statements of the Group as at and for the year ended 31 December 2019 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 Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRSs). SFRS(I)s are issued by the Accounting Standards Council, which comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board.

All references to SFRS(I)s and IFRSs are subsequently referred to as SFRS(I)s in these financial statements unless otherwise specified.

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 2.5.

2.2 Basis of measurement

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

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 SFRS(I) 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 estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Notes 4 and 5 – impairment assessment of property, plant and equipment, intangible assets and goodwill: key assumptions underlying the recoverable amounts;
- Note 6 – measurement of recoverable amounts of interests in subsidiaries;
- Note 8 – measurement of net realisable value on inventories;
- Note 17 – measurement of expected credit loss ("ECL") allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate; and
- Note 19 – revenue recognition: estimate of expected returns and total contract costs to complete.

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 SFRS(I), 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.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

2.4 Use of estimates and judgements (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 fall into 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 18 – Measurement of fair values.

2.5 Changes in significant accounting policies

The Group applied SFRS(I) 16 *Leases* from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

2.5 Changes in significant accounting policies (Continued)

B. As a lessee

As a lessee, the Group leases many assets including properties and equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

i Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

– did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);

– excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

– used hindsight when determining the lease term.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2 Basis of preparation (Continued)

2.5 Changes in significant accounting policies (Continued)

B. As a lessee (Continued)

ii. Leases classified as finance leases under SFRS(I) 1-17

The Group leases a number of items of motor vehicle. These leases were classified as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

C. As a lessor

The Group leases out its properties, including own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases some of its properties. Under SFRS(I) 1-17, the head lease and sub-lease contracts were classified as operating leases. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under SFRS(I) 16.

D. Impact on financial statements

Impact on transition

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019 $'000
Increase/(Decrease)	
Right-of-use assets – property, plant and equipment	**14,969**
Trade and other payables	**(2,118)**
Lease liabilities	**18,785**
Provision	**(1,698)**
Deferred tax assets	**(360)**

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

2.5 Changes in significant accounting policies (Continued)

D. Impact on financial statements (Continued)

Impact on transition (Continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.42%.

	1 January 2019 $'000
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's financial statements	23,001
Discounted using the incremental borrowing rate at 1 January 2019	19,095
Finance lease liabilities recognised as at 31 December 2018	941
Recognition exemption for leases with less than 12 months of lease term at transition	(310)
Lease liabilities recognised at 1 January 2019	19,726

2.6 Going concern

The financial statements have been prepared on the going concern basis notwithstanding the net current liabilities of the Group and the Company of $1,255,000 and $4,597,000 respectively as at 31 December 2019. As at the reporting date, the Group has unutilised banking facilities of $9,693,000 that can be drawn down to meet its short-term trade and financing needs. Accordingly, the Group and the Company expect to be able to pay its debts as and when they fall due.

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

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests (NCI) 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

(i) Business combinations (Continued)

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

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.

NCI 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 NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(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 NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI 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 year 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(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) Subsidiaries in the separate financial statements

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

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated 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 translated 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 translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.2 Foreign currency (Continued)

(ii) Foreign operations (Continued)

Foreign currency differences are recognised in other comprehensive income ("OCI"), 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 NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade and other receivables (excluding prepayments) and debt instruments are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets (Continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment (Continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.3 Financial instruments (Continued)

(iii) Derecognition (Continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) 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, 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.

(vi) 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.

(vii) 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 guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing 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.

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

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

• Leasehold properties	37 years
• Computers	3 years
• Furniture, fittings and office equipment	5 years
• Motor vehicles	5 – 10 years
• Tools and machineries	5 – 10 years
• Renovation	5 – 10 years

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

3.5 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1(i).

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 Significant accounting policies (Continued)

3.5 Intangible assets and goodwill (Continued)

(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) Order backlogs

Order backlogs are sales contracts that are acquired in a business combination by the Group. They 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 one year.

(v) Subsequent expenditure

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

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.6 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.6 Leases (Continued)

Policy applicable from 1 January 2019 (Continued)

i. As a lessee (Continued)

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments; and

– the exercise price under a renewal option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 Significant accounting policies (Continued)

3.6 Leases (Continued)

Policy applicable from 1 January 2019 (Continued)

ii. As a lessor (Continued)

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rental income'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.6 Leases (Continued)

Policy applicable before 1 January 2019 (Continued)

i. As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

ii. As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

3.7 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, 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 Significant accounting policies (Continued)

3.8 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for ECL on:

- financial assets measured at amortised costs; and
- contract assets.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 Significant accounting policies (Continued)

3.8 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

General approach (Continued)

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 Significant accounting policies (Continued)

3.8 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract assets 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.8 Impairment (Continued)

(ii) Non-financial assets (Continued)

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.

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.

3.9 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.

3.10 Provisions

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

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 Significant accounting policies (Continued)

3.10 Provisions (Continued)

(ii) Restoration

In accordance with a tenancy agreement, a provision for restoration in respect of a building held under operating lease is recognised.

3.11 Revenue

(i) Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual stand-alone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(ii) Rental income

Rental income is recognised as 'revenue' on a straight-line basis over the term of the lease.

3.12 Government grants

An 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.13 Finance costs

Finance costs comprise interest expense on loans, lease liabilities 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.

3.14 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. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries to the extent that it is probable that 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.14 Tax (Continued)

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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

3.15 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.

3.16 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 Operating Officer (COO) 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 COO 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.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (Continued)

3.17 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statement and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

4 Property, plant and equipment

	Note	Leasehold properties $'000	Computers $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Tools and machineries $'000	Renovation $'000	Right-of-use – motor vehicles $'000	Right-of-use – properties $'000	Total $'000
Group										
Cost										
At 1 January 2018		30,390	795	1,073	4,465	2,540	4,639	–	–	43,902
Additions		–	30	101	830	378	2,993	–	–	4,332
Acquisition through business combination	31	–	–	33	307	–	–	–	–	340
Disposals/write-offs		(4,300)	(15)	(114)	(452)	(14)	(453)	–	–	(5,348)
Effect of movements in exchange rates		–	(1)	–	–	–	–	–	–	(1)
At 31 December 2018		26,090	809	1,093	5,150	2,904	7,179	–	–	43,225
Adjustment on the recognition of right-of-use on initial application of SFRS(I) 16		–	–	(52)	(2,245)	–	–	2,297	14,969	14,969
Adjusted balance at 1 January 2019		**26,090**	**809**	**1,041**	**2,905**	**2,904**	**7,179**	**2,297**	**14,969**	**58,194**
Additions		**–**	**84**	**292**	**103**	**67**	**837**	**1,952**	**20,827**	**24,162**
Disposals/write-offs		**–**	**(9)**	**(28)**	**(1,479)**	**(6)**	**(6)**	**(212)**	**–**	**(1,740)**
Acquisition through business combination	30	**–**	**–**	**–**	**–**	**600**	**162**	**–**	**–**	**762**
At 31 December 2019		**26,090**	**884**	**1,305**	**1,529**	**3,565**	**8,172**	**4,037**	**35,796**	**81,378**
Accumulated depreciation and impairment losses										
At 1 January 2018		1,463	675	810	1,694	1,344	3,790	–	–	9,776
Depreciation		809	70	98	643	247	424	–	–	2,291
Disposals/write-offs		(591)	(14)	(112)	(328)	(14)	(441)	–	–	(1,500)
At 31 December 2018		1,681	731	796	2,009	1,577	3,773	–	–	10,567
Adjustment on the recognition of right-of-use on initial application of SFRS(I) 16		–	–	(23)	(440)	–	–	463	–	–
Adjusted balance at 1 January 2019		**1,681**	**731**	**773**	**1,569**	**1,577**	**3,773**	**463**	**–**	**10,567**
Depreciation		**766**	**80**	**154**	**278**	**347**	**369**	**631**	**3,792**	**6,417**
Disposals/write-offs		**–**	**(7)**	**(17)**	**(1,098)**	**(1)**	**(4)**	**(93)**	**–**	**(1,220)**
At 31 December 2019		**2,447**	**804**	**910**	**749**	**1,923**	**4,138**	**1,001**	**3,792**	**15,764**
Carrying amounts										
At 1 January 2018		28,927	120	263	2,771	1,196	849	–	–	34,126
At 31 December 2018		24,409	78	297	3,141	1,327	3,406	–	–	32,658
At 31 December 2019		**23,643**	**80**	**395**	**780**	**1,642**	**4,034**	**3,036**	**32,004**	**65,614**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

4 **Property, plant and equipment** (Continued)

	Computers $'000	Furniture and fittings $'000	Total $'000
Company			
Cost			
At 1 January 2018	45	4	49
Additions	3	–	3
At 31 December 2018	48	4	52
Additions	**15**	**–**	**15**
At 31 December 2019	**63**	**4**	**67**
Accumulated depreciation			
At 1 January 2018	24	1	25
Depreciation	8	3	11
At 31 December 2018	32	4	36
Depreciation	**11**	**–**	**11**
At 31 December 2019	**43**	**4**	**47**
Carrying amounts			
At 1 January 2018	21	3	24
At 31 December 2018	16	–	16
At 31 December 2019	**20**	**–**	**20**

Depreciation

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

	2019 $'000	2018 $'000
Cost of sales	**4,162**	324
Other operating expenses	**2,255**	1,967
	6,417	2,291

Leased plant and equipment (classified as finance lease under SFRS(I) 1-17)

During 2018, the Group acquired plant and equipment with a carrying amount of $450,000 under finance leases (see Note 13).

Securities

At 31 December 2019, several leasehold properties are pledged as security to secure bank loans (see Note 13).

NOTES TO THE FINANCIAL STATEMENTS

5 Intangible assets and goodwill

	Note	Goodwill $'000	Order backlogs $'000	Customer relationships $'000	Trademark $'000	Computer software $'000	Total $'000
Group							
Cost							
At 1 January 2018		1,607	–	118	383	568	2,676
Additions		–	–	–	–	22	22
Acquisition through business combination	31	1,427	188	–	–	–	1,615
Write-offs		–	–	–	–	(11)	(11)
At 31 December 2018		3,034	188	118	383	579	4,302
Additions		**–**	**–**	**–**	**–**	**3**	**3**
Write-offs		**–**	**–**	**–**	**–**	**(7)**	**(7)**
Acquisition through business combination	30	**178**	**–**	**–**	**–**	**–**	**178**
At 31 December 2019		**3,212**	**188**	**118**	**383**	**575**	**4,476**
Accumulated amortisation and impairment losses							
At 1 January 2018		1,580	–	39	127	326	2,072
Amortisation		–	128	6	19	111	264
Write-offs		–	–	–	–	(11)	(11)
At 31 December 2018		1,580	128	45	146	426	2,325
Amortisation		**–**	**60**	**6**	**19**	**91**	**176**
Write-offs		**–**	**–**	**–**	**–**	**(7)**	**(7)**
At 31 December 2019		**1,580**	**188**	**51**	**165**	**510**	**2,494**
Carrying amounts							
At 1 January 2018		27	–	79	256	242	604
At 31 December 2018		1,454	60	73	237	153	1,977
At 31 December 2019		**1,632**	**–**	**67**	**218**	**65**	**1,982**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 Intangible assets and goodwill (Continued)

	Computer software $'000
Company	
Cost	
At 1 January 2018, 31 December 2018 and 31 December 2019	**53**
Accumulated amortisation	
At 1 January 2018	37
Amortisation	15
At 31 December 2018	52
Amortisation	**1**
At 31 December 2019	**53**
Carrying amounts	
At 1 January 2018	16
At 31 December 2018	1
At 31 December 2019	**–**

Amortisation

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

Impairment assessment for Goodwill

The goodwill comprises mainly of $1,427,000 arising from the acquisition of 51% equity interest in JAD Solutions Pte. Ltd. ("JAD") and was allocated to the Aircon CGU.

The recoverable amount of the Aircon CGU is based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU.

The Group prepared a 5-year cash flow forecast derived from the most recent financial budgets approved by the Directors of the Group. Key assumptions used in the estimation of the value in use calculation are as set out below:

- Revenue growth rates ranging from 1.0% in the following financial year and of 1.6% to 2.5% annual growth assumed for the subsequent years;
- Pre-tax discount rate of 11.1% has been applied to the pre-tax cash flow projections; and
- The terminal value was estimated using the cash flow forecast at the fifth year with a perpetual growth rate of 1.9%.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 **Intangible assets and goodwill** (Continued)

Impairment assessment for Goodwill (Continued)

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

Management believes that any reasonable change in the above key assumptions will not materially cause the recoverable value to be lower than the carrying amount.

Sources of estimation uncertainty

In estimating the recoverable amounts of the CGUs using value in use from the respective cash flow forecasts or based on its fair value less costs to sell. 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 fair value less costs to sell determined by independent external valuer using the market comparison approach is sensitive to the key assumptions applied. These assumptions continue to be subjected to estimation uncertainties that may result in material adjustments on the recoverable amounts in future periods.

6 **Subsidiaries**

	Company	
	2019	**2018**
	$'000	**$'000**
Unquoted equity investments, at cost	**9,242**	7,152
Impairment loss	**(2,310)**	(200)
	6,932	6,952
Loan to a subsidiary	**1,000**	–
	7,932	6,952

The loan to a subsidiary is unsecured, interest-free and repayable only at the discretion of the subsidiary.

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

	Company	
	2019	**2018**
	$'000	**$'000**
At 1 January	**200**	200
Impairment loss recognised	**2,110**	–
At 31 December	**2,310**	200

In 2019, the impairment test of the investment in a subsidiary was triggered because of the continuing poor financial performance of the subsidiaries. Management assessed the recoverable amounts of the subsidiaries to be $nil, which are based on the values in use of the subsidiaries. Accordingly, the Company recognised an impairment loss on investments in the subsidiaries of $2,110,000 in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

6 Subsidiaries (Continued)

Details of significant subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Ownership interest 2019	Ownership interest 2018
			%	%
Held by the Company				
Natural Cool Airconditioning & Engineering Pte Ltd[1]	Trading of air-conditioning units and spare parts, installation services and maintenance services	Singapore	**100**	100
Natural Cool Investments Pte. Ltd.[1]	Sub-lease of leased property	Singapore	**100**	100

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

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 2019 $'000	Group and Company 2018 $'000
Non-current investments		
Zero-coupon convertible bonds – at FVTPL	**–**	688
Unquoted equity investments – at FVTPL	**600**	–
	600	688
Current investments		
Zero-coupon convertible bonds – at FVTPL	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

7 Other investments (Continued)

Zero-coupon convertible bonds

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 2020. During the year, the fair value of the bonds is determined to be $nil.

Unquoted equity investments

The Group and the Company have an equity investment of $3,750,000 which is accounted for as FVTPL investment and have been fully impaired in prior year.

During the year, the Group and the Company acquired a new investment in an unlisted entity amounting to $600,000.

The Group's and the Company's exposure to credit risk is disclosed in Note 17.

8 Inventories

	Group	
	2019	**2018**
	$'000	**$'000**
Raw materials	**258**	280
Finished goods	**10,494**	11,647
	10,752	11,927

In 2019, inventories of $93,044,000 (2018: $93,047,000) were recognised as an expense during the year and included in 'cost of sales'.

Sources of estimation uncertainty

Management reviews the 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 2019, the inventories are stated after allowance for inventory obsolescence of $53,000 (2018: $53,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

9 Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	**20,995**	14,800	**–**	–
Unbilled trade receivables	**1,317**	1,730	**–**	–
Non-trade amounts due from subsidiaries	**–**	–	**1,597**	331
Accrued discount receivables	**957**	1,648	**–**	–
Deposits	**996**	1,233	**6**	379
Other receivables	**384**	112	**392**	60
Financial assets	**24,649**	19,523	**1,995**	770
Prepayments	**1,045**	339	**27**	37
	25,694	19,862	**2,022**	807
Non-current	**762**	–	**830**	–
Current	**24,932**	19,862	**1,192**	807
	25,694	19,862	**2,022**	807

Non-trade balances due from subsidiaries are unsecured, interest-free and repayable on demand. As $830,000 of the non-trade amounts due from subsidiaries is not expected to be recalled within the next 12 months, the amount has been classified as non-current. As at 31 December 2019, the impairment losses on amounts due from subsidiaries amounting to $13,034,000 (2018: $10,936,000).

The Group's and the Company's exposure to credit risk and impairment losses for trade and other receivables are disclosed in Note 17.

Sources of estimation uncertainty

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates to be applied for the respective category of the financial assets and contract assets. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation including evaluation of the Group's historical loss rates, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

10 Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash at bank and in hand	**7,451**	11,745	**220**	208
Fixed deposits	**12**	12	**–**	–
	7,463	11,757	**220**	208

11 Share capital

	Ordinary shares			
	2019		2018	
	No. of shares '000	$'000	No. of shares '000	$'000
Company				
In issue at 1 January and 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.

12 Reserves

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Capital reserve	**(3,078)**	(3,078)	**300**	300
Translation reserve	**40**	41	**–**	–
	(3,038)	(3,037)	**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 all foreign currency differences arising from the translation of the financial statements of foreign operations.

NOTES TO THE FINANCIAL STATEMENTS

13 Loans and borrowings

	Group 2019 $'000	Group 2018 $'000
Non-current liabilities		
Bank loans (Unsecured)	**–**	73
Bank loans (Secured)	**18,276**	18,484
Lease liabilities (2018: finance lease liabilities)	**29,720**	689
	47,996	19,246
Current liabilities		
Bank loans (Unsecured)	**73**	104
Bank loans (Secured)	**886**	770
Lease liabilities (2018: finance lease liabilities)	**6,050**	252
Bills payable	**6,628**	3,481
	13,637	4,607
Total loans and borrowings	**61,633**	23,853

Information about the Group's exposure to interest rate risk and liquidity risks is included in Note 17.

Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	2019 Face value $'000	2019 Carrying amount $'000	2018 Face value $'000	2018 Carrying amount $'000
Group						
S$ floating rate loans	From 2.38% to 6.25% below prime rate	2019 to 2037	**19,235**	**19,235**	19,431	19,431
Bills payable	3.01% to 3.44%	2019 to 2020	**6,628**	**6,628**	3,481	3,481
Lease liabilities	1.88% to 6.70%	2019 to 2050	**40,588**	**35,770**	1,060	941
			66,451	**61,633**	23,972	23,853

The secured bank loans of the Group are secured over leasehold properties with carrying amounts of $23,643,000 (2018: $24,409,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

13 Loans and borrowings (Continued)

Finance lease liabilities

Finance lease liabilities were payable as follows:

	2018		
	Future minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000
Group			
Within 1 year	296	44	252
Between 1 year and 5 years	760	74	686
More than 5 years	4	1	3
	1,060	119	941

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

	Bills payable $'000	Other loans and borrowings $'000	Finance lease liabilities $'000	Total $'000
Balance at 1 January 2018	617	24,355	455	25,427
Changes from financing cash flows				
Interest paid	(45)	(574)	(48)	(667)
Repayment of borrowings	–	(5,478)	–	(5,478)
Changes in bills payable	2,864	–	–	2,864
Payment of finance lease liabilities	–	–	(273)	(273)
Total changes from financing cash flows	2,819	(6,052)	(321)	(3,554)
Other changes				
New finance leases	–	–	450	450
Interest expenses	45	574	48	667
Acquisition through business combination	–	554	309	863
Total other changes	45	1,128	807	1,980
Balance at 31 December 2018	3,481	19,431	941	23,853

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

13 Loans and borrowings (Continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities (Continued)

	Bills payable $'000	Other loans and borrowings $'000	Lease liabilities $'000	Total $'000
Restated balance at 1 January 2019	3,481	19,431	19,726*	42,638
Changes from financing cash flows				
Interest paid	(163)	(661)	(587)	(1,411)
Proceeds from borrowings	–	668	–	668
Repayment of borrowings	–	(864)	–	(864)
Changes in bills payable	3,147	–	–	3,147
Payment of lease liabilities	–	–	(6,386)	(6,386)
Total changes from financing cash flows	2,984	(857)	(6,973)	(4,846)
Other changes				
New leases	–	–	22,430	22,430
Interest expenses	163	661	587	1,411
Total liability-related other changes	163	661	23,017	23,841
Balance at 31 December 2019	6,628	19,235	35,770	61,633

* *Restated – see Note 2.5.*

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Group				
Property, plant and equipment	–	–	361	396
Deferred revenue	–	(360)	–	–
Net deferred tax (assets)/liabilities	–	(360)	361	396

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

14 Deferred tax assets and liabilities (Continued)

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

	Balance as at 1 January 2018 $'000	Recognised in profit or loss (Note 23) $'000	Other $'000	Balance as at 31 December 2018 $'000	Recognised in profit or loss (Note 23) $'000	Other $'000	Balance as at 31 December 2019 $'000
Group							
Deferred tax assets							
Deferred revenue	(581)	–	221	(360)	**–**	**360**	**–**
Deferred tax liabilities							
Property, plant and equipment	457	(61)	–	396	**(35)**	**–**	**361**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Unabsorbed capital allowances	**374**	302	**–**	–
Unutilised tax losses	**8,452**	8,320	**7,141**	7,141
	8,826	8,622	**7,141**	7,141

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations including satisfactory outcomes over changes in shareholders and the shareholding test. The tax losses and unabsorbed capital allowances do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

15 Trade and other payables

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade payables		**12,074**	11,035	**35**	15
Amount due to subsidiaries:					
– Trade		**–**	–	**93**	69
– Non-trade		**–**	–	**5,632**	1,157
Deposits received		**1,111**	1,023	**1**	1
GST payable		**435**	548	**24**	22
Deferred revenue	(i)	**82**	2,160	**–**	–
Accrued expenses		**5,082**	4,271	**224**	204
Other payables		**620**	386	**–**	–
		19,404	19,423	**6,009**	1,468

(i) In 2018, the deferred revenue of $2,118,000 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. Accordingly, the deferred tax assets amounting to $360,000 in respect of the deferred revenue have been recognised. These amounts have been offset against the right-of-use asset recognised upon the adoption of SFRS(I) 16 *Leases* on 1 January 2019.

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

The Group's and the Company's exposure to liquidity risk related to trade and other payables are disclosed in Note 17.

16 Provisions

	Onerous contract $'000	Restoration $'000	Total $'000
Group			
At 1 January 2018	2,294	654	2,948
Provision used during the year	(824)	–	(824)
Unwind of discount	228	–	228
At 31 December 2018	1,698	654	2,352
At 1 January 2019	**1,698**	**654**	**2,352**
Adjustment on initial application of SFRS(I) 16	**(1,698)**	**–**	**(1,698)**
Adjusted balance at 1 January 2019	**–**	**654**	**654**
Provision reversed during the year	**–**	**(152)**	**(152)**
At 31 December 2019	**–**	**502**	**502**
31 December 2019			
Non-current	**–**	**502**	**502**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

17 Financial instruments

Financial risk management

Overview

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

(i) credit risk

(ii) liquidity risk

(iii) market risk

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

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 or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's and the Company's receivables from customers and debt investments and the Company's non-trade amounts due from subsidiaries.

The carrying amounts of financial assets and contract assets represent the Group's and the Company's 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

17 **Financial instruments** (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Trade receivables and contract assets

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. Details of concentration of revenue are included in Note 19.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information and industry information. Sale limits are established for each customer, which represents the maximum open amount without requiring approval from the Board; these limits are reviewed on an ongoing basis.

Exposure to credit risk

The Group's and the Company's exposure to credit risk for trade and other receivables and contract assets is concentrated in Singapore.

The exposure to credit risk for trade and other receivables (excluding prepayments), and contract assets at the reporting date by type of counterparty was as follows:

	2019 $'000	**2018 $'000**
Group		
Commercial	**14,961**	12,114
Trading	**11,425**	9,441
	26,386	21,555
Company		
Commercial	**1,995**	770

The carrying amount of the Group's most significant receivable from one customer is $6,164,000 (2018: $2,154,000) as at 31 December 2019. The Company has no other concentration of customers' credit risk.

Expected credit loss assessment for individual customers

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from individual customers, which comprise a very large number of small balances. As the Group's past default experience does not show significantly different loss patterns for different customer segments, the allowance matrix is not further distinguished between the different customer bases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

17 Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Expected credit loss assessment for individual customers (Continued)

Loss rates are based on actual credit loss experience over the past four years adjusted for current conditions and the Group's view of economic conditions over the expected lives of the trade receivables only if these factors have a significant impact to the credit loss.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for individual customers as at 31 December 2019:

	Group			
	Weighted average loss rate %	**Gross carrying amount $'000**	**Impairment loss allowance $'000**	**Credit impaired**
31 December 2019				
Current (not past due)	**0.08**	**15,216**	**(12)**	**No**
1 – 30 days past due	**0.10**	**4,760**	**(5)**	**No**
31 – 60 days past due	**0.30**	**1,506**	**(5)**	**No**
61 – 90 days past due	**1.02**	**719**	**(7)**	**No**
More than 90 days past due	**2.40**	**1,962**	**(85)**	**Yes**
		24,163	**(114)**	
31 December 2018				
Current (not past due)	0.11	10,756	(11)	No
1 – 30 days past due	0.14	4,613	(6)	No
31 – 60 days past due	0.40	1,727	(7)	No
61 – 90 days past due	1.34	374	(5)	No
More than 90 days past due	3.17	1,227	(106)	Yes
		18,697	(135)	

Management believe that there is no indication that any macro-economic factor will have a significant direct and immediate impact on the credit quality of the Group's trade receivables and contract assets.

Loss rates for trade receivables due from the Company's subsidiaries has been measured as an amount equal to lifetime expected losses ECL. The ECL on trade receivables are estimated based on past default experiences of the subsidiaries and an analysis of the subsidiaries' economic conditions. The Company has recognised a loss allowance of 100% against all trade receivables because historical experience has indicated that these receivables are generally not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

17 **Financial instruments** (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Movements in allowance for impairment in respect of trade receivables and contract assets

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

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Balance at 1 January	**135**	675	**1,339**	1,339
Impairment loss recognised	**6**	–	**696**	–
Reversal of impairment loss	**(27)**	(455)	**–**	–
Impairment loss utilised	**–**	(85)	**–**	–
Balance at 31 December	**114**	135	**2,035**	1,339

Sources of estimation uncertainty

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates to be applied for the respective category of the financial assets and contract assets. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation including evaluation of the Group's historical loss rates, existing market conditions as well as forward looking estimates at the end of each reporting period.

Non-trade amounts due from subsidiaries

The Company has recognised a loss allowance of $13,034,000 (2018: $10,936,000) on the non-trade amounts due from subsidiaries because historical experience has indicated that these receivables are generally not recoverable.

Other receivables

Impairment on accrued discount receivables, deposits and other receivables has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. Other receivables are considered to have low credit risk as they are not due for payment at the end of reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. The amount of the allowance on other receivables was negligible.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

17 Financial instruments (Continued)

Risk management framework (Continued)

(i) Credit risk (Continued)

Sources of estimation uncertainty (Continued)

Cash and cash equivalents

The Group and the Company held cash and cash equivalents with bank and financial institution counterparties which are rated A- to AA-, based on rating agency Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

(ii) Liquidity risk

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 has unutilised banking facilities of $9,693,000 that can be drawn down to meet its short-term trade and financing needs. Accordingly, the Group and the Company expect to be able to pay its debts as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS

17 **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 $'000	Total $'000	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group					
31 December 2019					
Non-derivative financial liabilities					
Variable interest rate loans	**19,235**	**(23,103)**	**(1,421)**	**(5,365)**	**(16,317)**
Bills payable	**6,628**	**(6,856)**	**(6,856)**	**–**	**–**
Lease liabilities	**35,770**	**(40,588)**	**(6,555)**	**(20,805)**	**(13,228)**
Trade and other payables*	**19,322**	**(19,322)**	**(19,322)**	**–**	**–**
	80,955	**(89,869)**	**(34,154)**	**(26,170)**	**(29,545)**
31 December 2018					
Non-derivative financial liabilities					
Variable interest rate loans	19,431	(23,196)	(1,254)	(5,016)	(16,926)
Bills payable	3,481	(3,507)	(3,507)	–	–
Finance lease liabilities	941	(1,060)	(296)	(760)	(4)
Trade and other payables*	17,263	(17,263)	(17,263)	–	–
	41,116	(45,026)	(22,320)	(5,776)	(16,930)

* *Exclude deferred revenue*

		Contractual undiscounted cash flows	
	Carrying amount $'000	Total $'000	Within 1 year $'000
Company			
31 December 2019			
Non-derivative financial liabilities			
Trade and other payables	**6,009**	**(6,009)**	**(6,009)**
Intra-group financial guarantees	**–**	**(36,250)**	**(36,250)**
	6,009	**(42,259)**	**(42,259)**
31 December 2018			
Non-derivative financial liabilities			
Trade and other payables	1,468	(1,468)	(1,468)
Intra-group financial guarantees	–	(28,972)	(28,972)
	1,468	(30,440)	(30,440)

NOTES TO THE FINANCIAL STATEMENTS

17 Financial instruments (Continued)

Risk management framework (Continued)

(ii) Liquidity risk (Continued)

Exposure to liquidity risk (Continued)

The maturity analysis shows the contractual undiscounted cash flows of the Group's 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 (see Note 28), 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.

Foreign currency risk

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").

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:

	2019 $'000	2018 $'000
Group		
Fixed rate instruments		
Loans and borrowings	**(42,398)**	(4,422)
Fixed deposits	**12**	12
	(42,386)	(4,410)
Variable rate instruments		
Loans and borrowings	**(19,235)**	(19,431)

NOTES TO THE FINANCIAL STATEMENTS

17 Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk (Continued)

Interest rate risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instrument a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	2019		2018	
	Profit or loss			
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group				
Profit before tax				
Variable rate instruments	**(192)**	**192**	(194)	194

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 and accumulated losses 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 attributable to owners of the Company, 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.

17 Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk (Continued)

Accounting classifications and fair values

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. Further, for the current year the fair value disclosure of lease liabilities is also not required.

		Carrying amount				Fair value			
Group	**Note**	**Mandatorily at fair value through profit or loss $'000**	**Financial assets at amortised cost $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
31 December 2019									
Financial assets measured at fair value									
Other investments:									
– Equity investment at FVTPL	7	600	–	–	600	–	600	–	600
Financial assets not measured at fair value									
Trade and other receivables#	9	–	24,649	–	24,649				
Cash and cash equivalents	10	–	7,463	–	7,463				
		–	32,112	–	32,112				
Financial liabilities not measured at fair value									
Variable interest rate loans	13	–	–	19,235	19,235				
Bills payable	13	–	–	6,628	6,628				
Trade and other payables*	15	–	–	19,322	19,322				
		–	–	45,185	45,185				

17 Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk (Continued)

Accounting classifications and fair values (Continued)

Group	Note	Carrying amount: Mandatorily at fair value through profit or loss $'000	Carrying amount: Financial assets at amortised cost $'000	Carrying amount: Other financial liabilities $'000	Carrying amount: Total $'000	Fair value: Level 1 $'000	Fair value: Level 2 $'000	Fair value: Level 3 $'000	Fair value: Total $'000
31 December 2018									
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#	9	–	19,523	–	19,523				
Cash and cash equivalents	10	–	11,757	–	11,757				
		–	31,280	–	31,280				
Financial liabilities not measured at fair value									
Variable interest rate loans	13	–	–	19,431	19,431				
Bills payable	13	–	–	3,481	3,481				
Finance lease liabilities	13	–	–	941	941	–	1,060	–	1,060
Trade and other payables*	15	–	–	17,263	17,263				
		–	–	41,116	41,116				

Exclude prepayments
* *Exclude deferred revenue*

NOTES TO THE FINANCIAL STATEMENTS

17 Financial instruments (Continued)

Risk management framework (Continued)

(iii) Market risk (Continued)

Accounting classifications and fair values (Continued)

		Carrying amount				Fair value			
Company	**Note**	**Mandatorily at fair value through profit or loss $'000**	**Financial assets at amortised cost $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
31 December 2019									
Financial assets measured at fair value									
Other investments:									
– Equity investment at FVTPL	7	**600**	**–**	**–**	**600**	**–**	**600**	**–**	**600**
Financial assets not measured at fair value									
Trade and other receivables#	9	**–**	**1,995**	**–**	**1,995**				
Cash and cash equivalents	10	**–**	**220**	**–**	**220**				
		–	**2,215**	**–**	**2,215**				
Financial liabilities not measured at fair value									
Trade and other payables	15	**–**	**–**	**6,009**	**6,009**				
31 December 2018									
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#	9	–	770	–	770				
Cash and cash equivalents	10	–	208	–	208				
		–	978	–	978				
Financial liabilities not measured at fair value									
Trade and other payables	15	–	–	1,468	1,468				

Exclude prepayments

NOTES TO THE FINANCIAL STATEMENTS

17 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:

	Zero-coupon convertible bonds $'000
Group and Company	
At 1 January 2019	688
Fair value loss recognised in profit or loss	(688)
At 31 December 2019	–

18 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.

Other investments – equity investment at FVTPL

The fair value of financial assets designated at FVTPL is determined based on the latest purchase price of the equity investment.

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 was 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.

NOTES TO THE FINANCIAL STATEMENTS

18 Measurement of fair values (Continued)

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 – zero-coupon convertible bonds	The fair values of financial assets designated at FVTPL 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).

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.

19 Revenue

	Group	
	2019	**2018**
	$'000	**$'000**
Revenue from contracts with customers	**138,551**	132,497
Rental income	**5,103**	4,163
	143,654	136,660

NOTES TO THE FINANCIAL STATEMENTS

19 Revenue (Continued)

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payments terms, and the related revenue recognition policies:

Trading

Nature of goods or services	The Group sells air-conditioning units, spare parts, paints and foods and beverages.
When revenue is recognised	Revenue is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.
Significant payment terms	For air-conditioning units, spare parts and paints, invoices are issued upon delivery of goods. Payment terms range from cash on delivery to 60 days after invoice date. For F&B restaurant business, payment term is cash. For wholesale business, payment terms ranging from cash on delivery to 60 days after invoice date.
Obligations for warranties	Air-conditioning units sold by the Group come with a standard warranty term ranging from one to five years. The warranty is directly covered by the suppliers. Accordingly, the Group has no warranty obligations relating to the air-conditioning units. There is no warranty for paint products and foods and beverages.

Servicing

Nature of goods or services	The Group provides maintenance services such as inspection and cleaning of air-conditioning and ventilation systems to residential and commercial market.
When revenue is recognised	Revenue is recognised when services are provided to the customer and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices are issued upon completion of services. Residential customers are required to make payments in advance of services rendered or cash on delivery. Commercial customers are given a credit term ranging from 30 to 60 days after invoice date.
Obligations for warranties	There is no warranty.

Installation

Nature of goods or services	The Group provides installation services for commercial air-conditioning systems and mechanical ventilation.
When revenue is recognised	The Group has assessed that these installation services qualify for over time revenue recognition. The Group has the enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. If the value of the installation services rendered exceeds payments received from the customer, a contract asset is recognised.
Obligations for warranties	The contracts are covered under defect liability period ranging from one to two years.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

19 Revenue (Continued)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by revenue streams and timing of revenue recognition.

	Paint		Aircon		F&B		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue streams										
Trading	**4,512**	3,797	**87,801**	91,183	**932**	–	**–**	–	**93,245**	94,980
Installation	**–**	–	**30,892**	24,762	**–**	–	**–**	–	**30,892**	24,762
Servicing	**–**	–	**14,345**	12,666	**–**	–	**69**	89	**14,414**	12,755
	4,512	3,797	**133,038**	128,611	**932**	–	**69**	89	**138,551**	132,497
Timing of revenue recognition										
Products and services transferred over time	**–**	–	**30,892**	24,762	**–**	–	**–**	–	**30,892**	24,762
Products transferred at a point in time	**4,512**	3,797	**102,146**	103,849	**932**	–	**69**	89	**107,659**	107,735
	4,512	3,797	**133,038**	128,611	**932**	–	**69**	89	**138,551**	132,497

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

		Group	
	Note	2019	2018
		$'000	$'000
Trade receivables	9	**20,995**	14,800
Contract assets		**1,737**	2,032
Contract liabilities		**(12,589)**	(13,222)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on installation of air-conditioning systems and mechanical ventilation. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract liabilities primarily relate to consideration received from customers exceeding progress of installations and advance considerations received from customers for maintenance services.

NOTES TO THE FINANCIAL STATEMENTS

19 Revenue (Continued)

Contract balances (Continued)

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract assets		Contract liabilities	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	–	**7,639**	8,472
Increases due to cash received and progress billings, excluding amounts recognised as revenue during the year	**–**	–	**(7,006)**	(9,033)
Transfer from contract assets recognised at the beginning of the year to receivables	**(1,527)**	(142)	**–**	–
Recognition of revenue, net of recognised in receivables	**1,232**	1,746	**–**	–

Sources of estimation uncertainty

Revenue recognition on installation are dependent on estimating the total completion cost of the construction contract. Actual total costs may be higher or lower than estimated at the reporting date, which would affect the revenue recognised in future years. As at the reporting date, management considered that all costs to complete and revenue can be reliably estimated.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date.

	2020 $'000	**2021 $'000**	**2022 $'000**	**2023 $'000**	**Total $'000**
Installation servicing	32,051	20,163	6,476	1,848	60,538
Servicing	561	40	2	–	603

Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

The Group's exposure to impairment losses for contract assets is disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

20 Other income

	Group	
	2019 $'000	2018 $'000
Gain on disposal of property, plant and equipment	–	25
Government grants	51	118
Interest income	1	8
Sponsorship from supplier	–	188
Insurance claim recoveries	–	284
Others	265	516
	317	1,139

21 Other expenses

	Group	
	2019 $'000	2018 $'000
Change in fair value of investment in FVTPL	688	–
Loss on disposal of property, plant and equipment	112	–
Loss on foreign exchange adjustment	35	37
Others	23	102
	858	139

22 Finance costs

	Group	
	2019 $'000	2018 $'000
Interest expenses:		
– Bank loans	824	619
– Lease liability interest	587	48
Unwind of discount on provisions	–	228
	1,411	895

NOTES TO THE FINANCIAL STATEMENTS

23 Tax expense/(credit)

	Group	
	2019	**2018**
	$'000	**$'000**
Current tax expense		
Current year	**435**	114
Under/(Over) provided in prior years	**62**	(71)
	497	43
Deferred tax credit		
Origination and reversal of temporary differences	**(35)**	86
Over provided in prior years	**–**	(147)
	(35)	(61)
Tax expense/(credit)	**462**	(18)
Reconciliation of effective tax rate		
(Loss)/Profit before tax	**(2,174)**	142
Tax using Singapore tax rate at 17% (2018: 17%)	**(370)**	24
Effect of tax rates in foreign jurisdictions	**(12)**	(3)
Tax incentives	**(197)**	(408)
Non-taxable income	**(24)**	(49)
Non-deductible expenses	**968**	611
Under/(Over) provided in prior years	**62**	(218)
Deferred tax asset not recognised	**35**	25
	462	(18)

24 (Loss)/Profit for the year

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

		Group	
	Note	**2019**	**2018**
		$'000	**$'000**
Amortisation of deferred revenue		**–**	(1,300)
Amortisation of intangible assets	5	**176**	264
Audit fees paid to:			
– Auditors of the Company		**206**	194
– Other auditors		**47**	23
Non-audit fees paid to auditors of the Company		**30**	24
Depreciation of property, plant and equipment	4	**6,417**	2,291
Operating lease expense		**692**	6,036
Staff costs		**18,724**	16,487
Contributions to defined contribution plans, included in staff costs		**982**	914
Reversal of allowance inventory obsolescence		**–**	(92)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

25 (Loss)/Earnings per share

Basic and diluted (loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share has been based on loss attributable to ordinary shareholders of $1,980,000 (2018: profit of $266,000) and weighted-average number of ordinary shares outstanding of 250,448,000 (2018: 250,448,000). The calculated of weighted-average number of ordinary shares is as follows:

	Note	2019 '000	2018 '000
Group			
Issued ordinary shares at 1 January and 31 December, representing weighted-average number of ordinary shares during the year	11	**250,448**	250,448

The Group does not have any dilutive potential ordinary shares.

26 Operating segments

The Group has four 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 Operating Officer ("COO") review internal management reports on at least a quarterly basis. The following summary describes the operations in each Group's reportable segments:

Air-conditioning	:	trading of air-conditioning units and spare parts, installation services for commercial air-conditioning systems and mechanical ventilation, and maintenance services such as inspection and cleaning of air-conditioning and ventilation systems.
Investment	:	property investment holding.
Paint	:	manufacturing and distribution of paints and chemicals.
Food and beverages	:	operator of restaurants, manufacture and wholesale of F&B products.

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 COO. 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

26 Operating segments (Continued)

Information about reportable segments

	Aircon $'000	Investment $'000	Paint $'000	F&B $'000	Total $'000
2019					
External revenue	**134,228**	**3,982**	**4,512**	**932**	**143,654**
Inter-segment revenue	**10,955**	**498**	**2,786**	**76**	**14,315**
Total revenue of reportable segments	**145,183**	**4,480**	**7,298**	**1,008**	**157,969**
Interest income	**(22)**	**(22)**	**–**	**–**	**(44)**
Finance costs	**1,125**	**273**	**46**	**10**	**1,454**
Depreciation and amortisation	**2,714**	**3,406**	**274**	**186**	**6,580**
Reportable segment profit/(loss) before tax	**432**	**(1,140)**	**(14)**	**(1,155)**	**(1,877)**
Reportable segment assets	**93,271**	**23,654**	**2,624**	**1,968**	**121,517**
Capital expenditure	**2,661**	**306**	**1**	**352**	**3,320**
Reportable segment liabilities	**67,884**	**25,407**	**7,762**	**2,859**	**103,912**

	Aircon $'000	Investment $'000	Paint $'000	Total $'000
2018				
External revenue	129,130	3,733	3,797	136,660
Inter-segment revenue	7,845	545	2,428	10,818
Total revenue of reportable segments	136,975	4,278	6,225	147,478
Interest income	(18)	(22)	–	(40)
Finance costs	491	228	208	927
Depreciation and amortisation	2,018	357	154	2,529
Reportable segment profit/(loss) before tax	1,168	(1,701)	(323)	(856)
Other material non-cash items:				
– Allowance for inventory obsolescence	(92)	–	–	(92)
– Amortisation of deferred revenue	–	(1,300)	–	(1,300)
– Reversal of impairment loss on trade receivables and contract assets	(367)	(88)	–	(455)
Reportable segment assets	79,017	1,462	2,374	82,853
Capital expenditure	4,125	183	15	4,323
Reportable segment liabilities	53,260	5,652	7,478	66,390

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

26 Operating segments (Continued)

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

	2019 $'000	2018 $'000
Revenue		
Total revenue for reportable segments	**157,969**	147,478
Elimination of inter-segment revenue	**(14,315)**	(10,818)
Consolidated revenue	**143,654**	136,660
Profit or loss before tax		
Total loss before tax for reportable segments	**(1,877)**	(856)
Losses for other segments	**(1,297)**	(865)
Elimination of inter-segment profit or loss	**1,000**	1,863
Consolidated (loss)/profit before tax	**(2,174)**	142
Assets		
Total assets for reportable segments	**121,517**	82,853
Assets for other segments	**1,264**	1,389
Elimination of inter-segment assets	**(8,939)**	(2,981)
Consolidated total assets	**113,842**	81,261
Liabilities		
Total liabilities for reportable segments	**103,912**	66,390
Liabilities for other segments	**284**	241
Elimination of inter-segment liabilities	**(9,198)**	(6,832)
Consolidated total liabilities	**94,998**	59,799

Reconciliations of reportable segment other material items

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
2019			
Interest income	**(44)**	**43**	**(1)**
Finance costs	**1,454**	**(43)**	**1,411**
Depreciation and amortisation	**6,580**	**13**	**6,593**
Change in fair value of investment in FVTPL	**–**	**688**	**688**
Capital expenditure	**3,320**	**15**	**3,335**
2018			
Interest income	(40)	32	(8)
Finance costs	927	(32)	895
Depreciation and amortisation	2,529	26	2,555
Reversal of allowance for inventory obsolescence	(92)	–	(92)
Amortisation of deferred revenue	(1,300)	–	(1,300)
Reversal of impairment loss on trade receivables and contract assets	(455)	–	(455)
Capital expenditure	4,323	4	4,327

NOTES TO THE FINANCIAL STATEMENTS

26 Operating segments (Continued)

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 $8,803,000 (2018: $7,100,000) of the Group's total revenue.

27 Leases

A Leases as lessee (SFRS(I) 16)

The Group leases building, warehouse and equipment. The leases typically run for a period ranging from 1 to 30 years, with an option to renew the lease after that date. Lease payments are renegotiated when the contracts end.

During 2019, one of the leased properties has been sub-let by the Group. The lease expires in 2025 and the sub-lease expires in within one to three years depending on the contracts with the tenants.

The Group leases equipment with contract terms of one to two years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

i. Amounts recognised in profit or loss

	$'000
2019 – Leases under SFRS(I) 16	
Interest on lease liabilities	**587**
Income from sub-leasing right-of-use assets presented in revenue	**5,103**
Expenses relating to short-term leases	**692**

ii. Amounts recognised in profit or loss

	$'000
2018 – Operating leases under SFRS(I) 1-17	
Lease expense	6,036
Sub-lease income presented in revenue	4,163

iii. Amounts recognised in statement of cash flows

	2019 $'000
Total cash outflow for leases	**7,181**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

27 Leases (Continued)

A Leases as lessee (SFRS(I) 16) (Continued)

iv. Extension options

Some property leases contain extension options exercisable by the Group up to thirty years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

B Leases as lessor

Operating lease

The Group leases out part of its leasehold properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 4 sets out information about the operating leases of leasehold property.

Rental income recognised by the Group during 2019 was $5,103,000 (2018: $4,163,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	$'000
2019 – Operating leases under SFRS(I) 16	
Less than one year	**1,290**
One to two years	**1,127**
Two to three years	**385**
Total	**2,802**
2018 – Operating leases under SFRS(I) 1-17	
Less than one year	921
Between one and five years	1,322
Total	2,243

NOTES TO THE FINANCIAL STATEMENTS

28 Contingencies

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Corporate guarantees				
Banking facilities for subsidiaries	**–**	–	**36,250**	28,972

At the reporting date, the Company has issued guarantees to banks in respect of bank facilities granted to its subsidiaries. These 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 subsidiaries to which the guarantees were given on behalf of.

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

The intra-group financial guarantees are 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 of balance sheet date, there is no provision made in respect of the obligation.

Continuing financial support

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. As at 31 December 2019, the net current liabilities of these subsidiaries amount to approximately $16,844,000 (2018: $14,260,000).

NOTES TO THE FINANCIAL STATEMENTS

29 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 of the Group and the Company are considered as key management personnel.

Key management personnel compensation comprised:

	Group	
	2019	**2018**
	$'000	**$'000**
Short-term employee benefits	**2,887**	2,727
Post-employment benefits (including CPF)	**120**	99
	3,007	2,826

Included in the above is the total compensation to directors of the Company which amount to $1,216,000 (2018: $1,230,000).

30 Acquisition of business

In February 2019, the Group acquired a F&B business through newly incorporated subsidiaries, and the Group has 80% share interest in the business. For the eleven months ended 31 December 2019, the F&B business contributed revenue of $932,000 to the Group's results.

Acquisition-related costs

The Group incurred acquisition-related costs of $39,000 on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired assumed at the date of acquisition.

	$'000
Plant and equipment	762
Inventories	29
Trade and other receivables	11
Total identifiable net assets	802

NOTES TO THE FINANCIAL STATEMENTS

30 Acquisition of business (Continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$'000
Total consideration transferred in cash	980
Fair value of identifiable net assets	(802)
Goodwill	178

Goodwill is recognised as of the acquisition date measured as the excess of over the consideration transferred which generally requires acquisition-date fair value. None of the goodwill recognised is expected to be deductible for tax purposes.

31 Acquisition of subsidiary

In August 2018, the Group acquired 51% of the shares and voting interests in JAD.

For the five months ended 31 December 2018, JAD contributed revenue of $2,878,000 and profit of $21,000 to the Group's results. If the acquisition had occurred on 1 January 2018, management estimated that consolidated revenue would have been $140,472,000, and consolidated profit for the year would have been $205,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

Acquisition-related costs

The Group incurred acquisition-related costs of $51,000 on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	$'000
Plant and equipment	340
Intangible assets	188
Cash and cash equivalents	7
Trade and other receivables	1,982
Amount due from a director	441
Trade and other payables	(1,919)
Loans and borrowings	(863)
Deferred tax liabilities	(32)
Total identifiable net assets	144

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

31 Acquisition of subsidiary (Continued)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired are as follows:

Assets acquired	Valuation technique
Intangible assets – Order backlogs	Multi-period excess earnings methods

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$'000
Total consideration transferred in cash	1,500
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	71
Fair value of identifiable net assets	(144)
Goodwill	1,427

The goodwill is attributable mainly to the synergies expected to be achieved from integrating JAD into the Group's existing air-conditioning installation business. None of the goodwill recognised is expected to be deductible for tax purposes.

The consideration transferred was as follows:

	$'000
Cash acquired	7
Less: total consideration paid	(1,500)
Net cash outflow from acquisition of subsidiary	(1,493)

CORPORATE GOVERNANCE REPORT

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 2019 ("FY2019"), with specific reference made to the principles of the Code of Corporate Governance 2018 (the "Code 2018") issued on 6 August 2018.

The Board is pleased to confirm that the Company has generally adhered to the framework as outlined in the Code 2018 and deviations from any provision of the Code 2018 and/or the provision are explained in this report.

Principle 1: The Board's Conduct of Affairs

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Provision 1.1: Directors are fiduciaries who act objectively in the best interests of the Company

In FY2019, and 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. When an actual, potential and perceived conflict of interest arises, the concerned Director must recuse himself or herself from discussions and decisions involving the matter and abstain from voting on resolutions regarding the matter.

As at the date of this Annual Report, the Board comprises the following members:

Name of Director		Designation
1	Goh Teck Sia	Independent Non-Executive Chairman
2	Tsng Joo Peng	Executive Director and Chief Executive Officer
3	Wong Leon Keat [(1)]	Executive Director, Chief Corporate Officer and Managing Director
4	Lau Lee Hua	Independent Non-Executive Director
5	Mahtani Bhagwandas	Independent Non-Executive Director
6	Choy Bing Choong [(2)]	Executive Director and Group Chief Operating Officer

Notes:–

(1) Mr Wong Leon Keat ceased as Executive Director, Chief Corporate Officer and Managing Director with effect from 4 January 2020.

(2) Mr Choy Bing Choong was appointed as Executive Director and Group Chief Operating Officer with effect from 1 March 2020.

CORPORATE GOVERNANCE REPORT

Provision 1.2: Directors' duties, induction, training and development

The primary functions of the Board, apart from its statutory duties, include:

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.

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.

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.

Briefings, updates and trainings for the directors in FY2019 include:

- The external auditors had briefed the Audit Committee ("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
- The ACRA-SGX-Singapore Institute of Directors Audit Committee Seminar in January 2019.

The Company is also responsible for arranging and funding the trainings of directors. During FY2019, the Board has received appropriate trainings to discharge their duties. All directors are encouraged to constantly keep abreast of the 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 workshop.

CORPORATE GOVERNANCE REPORT

Provision 1.3: Matters requiring Board's approval

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

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 it;
- 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.

CORPORATE GOVERNANCE REPORT

Provision 1.4: Board Committees

Board Committees, namely AC, Remuneration Committee (the "RC") and the Nominating Committee (the "NC") have been established to assist the Board. Each Board Committee has its own term of reference, setting out the composition, authorities and duties, which are approved by the Board. All Board Committees are chaired by an independent Director. While these Board Committees are delegated with certain responsibilities, the responsibilities for decisions relating matters under the purview of the Board Committees ultimately lies with the entire Board. The terms of reference of the respective Board Committees, as well as other relevant information on the Board Committees, can be found in the subsequent sections, of this Annual Report.

As at the date of this Annual Report, the composition of the Board Committees are as follows:

	AC (1)	**NC** (2)	**RC** (3)
Chairman	Lau Lee Hua	Mahtani Bhagwandas	Goh Teck Sia
Member	Goh Teck Sia	Goh Teck Sia	Lau Lee Hua
Member	Mahtani Bhagwandas	Lau Lee Hua	Mahtani Bhagwandas

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.

Provision 1.5: Attendance and participation in Board and Board Committee meetings

The Board meets on a half yearly basis and as and when circumstances require. Directors with multiple Board representations ensure that sufficient time and attention are given to the affairs of each companies. The number of the Board and Board Committee meetings held and the attendance of each new Board member in FY2019 are as follows:

	Board	**AC**	**NC**	**RC**
Number of Meetings Held	2	2	2	1
Name of Director	**Number of Meetings Attended**			
Goh Teck Sia	2	2	2	1
Tsng Joo Peng	2	2*	2*	1*
Wong Leon Keat (1)	2	2*	2*	1*
Lau Lee Hua	2	2	2	1
Mahtani Bhagwandas	2	2	2	0
Choy Bing Choong (2)	–	–	–	–

Notes:–
* By Invitation
(1) Mr Wong Leon Keat ceased as Executive Director, Chief Corporate Officer and Managing Director with effect from 4 January 2020.
(2) Mr Choy Bing Choong was appointed as Executive Director and Group Chief Operating Officer with effect from 1 March 2020.

The Company's Constitution allows 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.

CORPORATE GOVERNANCE REPORT

Provision 1.6: Complete, adequate and timely information to make informed decisions

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

Provision 1.7: Separate independent access to Management, company secretary and external advisers; Appointment and removal of the company secretary

The Board has separate and independent access to the Management team and the company secretary at all times. 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.

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;

CORPORATE GOVERNANCE REPORT

- 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, Companies Act ("Companies Act"), Securities and Futures Act (Chapter 289) of Singapore and the SGX-ST Listing Manual Section B: Rules of Catalist (Chapter 50) of Singapore ("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 FY2019, 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.

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provision 2.1: Directors' independence

As at the date of this Report, the Company is in compliance with Provision 2.1 of Code 2018.

The Board comprises five (5) members, out of which two (2) are Executive Directors and three (3) are Independent Non-Executive Directors.

The Chairman of the Board is an Independent Director and not part of the Management team. The Chairman and the CEO are also not immediate family members.

The Board assesses the independence of each Director in accordance with the guidance provided in Code 2018 as well as Rule 406(3)(d) of the Catalist Rules. An Independent Director is one who is independent in conduct, character and judgement and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his/her independent business judgement in the best interests of the Company.

On an annual basis, each Independent Director is required to complete a "Confirmation of Independence" form to confirm his/her independence. The said form was drawn up based on the definitions and provisions set forth in the Code 2018. The Directors are required to disclose to the Board any such relationship as and when it arises and the Board will state the reasons if it determines that a director is independent notwithstanding the existence of a relationship or circumstances which may appear relevant to the Board's determination.

The NC will also examine the different relationships identified by Code 2018 that might impair each Independent Director's independence and objectivity and concluded that all the Independent Directors are able to exercise independent business judgement in the best interests of the Company and its shareholders.

CORPORATE GOVERNANCE REPORT

The Independent Directors have confirmed their independence in accordance with the Code 2018 and Rule 406(3)(d) of the Catalist Rules and noted that none of the Independent Directors has any relationship with the Company, its related corporations, substantial shareholders or officer, which could interfere or be perceived to interfere with the Director's independent judgement.

There is currently no Independent Director who has served on the Board for more than nine years.

Provisions 2.2 and 2.3: Independent Directors make up a majority of the Board where the Chairman is Independent and Non-Executive Directors make up majority of the Board

Provisions 2.2 and 2.3 of the Code 2018 are met as the Independent Non-Executive Directors (including the Chairman) make up 3/5 of the Board.

The Chairman of the Board is an Independent Director and all Non-Executive Directors are independent.

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.

Non-Executive Directors, whom currently 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.

Provision 2.4: Size and composition of the Board and Board Committee; Board diversity policy

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.

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	2	40
Strategic planning experience	5	100
Customer based experience or knowledge	2	40

CORPORATE GOVERNANCE REPORT

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.

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

Provision 2.5: Independent Directors meet regularly without the presence of the Management

The Independent Directors have met up informally at least once in the absence of other Directors in FY2019. The Independent Directors discuss matters of significance and will provide feedback to the Chairman after such meetings as appropriate.

Principle 3: Chairman and CEO

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

Provision 3.1: Chairman and CEO are separate persons
Provision 3.2: Division of responsibilities between 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 Independent 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 Independent Non-Executive Chairman, Mr Goh and the CEO, Mr Tsng.

Mr. Wong Leon Keat ("Mr Wong") as Executive Director ("ED"), Managing Director ("MD") and Chief Corporate Office has resigned from the Board with effect from 4 January 2020 due to his personal business commitments. Mr. Choy Bing Choong ("Mr Choy") took over as an ED and Group Chief Operating Officer on 1 March 2020. Mr Choy works with the CEO, Mr Tsng to oversee financial, administrative, human resource, investor relations, regulatory, compliance and investment functions and is responsible for the execution of the Group's business strategies and plans.

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

Provision 3.3: 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.

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1: NC to make recommendations to the Board on relevant matters
Provision 4.2: Composition of NC

The NC comprises three Independent Directors (including the Chairman of the Board), namely Mr Mahtani Bhagwandas, Ms Lau Lee Hua and Mr Goh Teck Sia. The Chairman of the NC is Mr Mahtani Bhagwandas.

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.

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;

CORPORATE GOVERNANCE REPORT

(c) determine annually whether or not a director is independent as set out in the Code 2018;

(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.

Provision 4.3: Process for the selection, appointment and re-appointment of Directors

The Board assess and evaluates whether new Directors and/or retiring Directors to be re-appointed are properly qualified for appointment by virtue of their skills, experience and contributions, in line with the following process:

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 hereunder.

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.

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The NC has reviewed and recommended the re-nomination and re-election of Mr Goh Teck Sia, Ms Lau Lee Hua and Mr Choy Bing Choong who will be retiring as Directors at the forthcoming AGM pursuant to Regulations 101 and 105 of the Constitution. The three Directors have offered themselves for re-election. The Board has accepted the recommendation of the NC.

Mr Goh Teck Sia will upon re-election as a Director of the Company, remain as an Independent Director, Chairman of Board, RC and a member of the AC and NC. The Board considers Mr Goh Teck Sia to be independent in accordance with Provision 2.1 of the Code 2018 as well as for the purposes of Rule 704(7) of the Catalist Rules.

Ms Lau Lee Hua will upon re-election as a Director of the Company, remain as an Independent Director, Chairman of AC and a member of the RC and NC. The Board considers Ms Lau Lee Hua to be independent in accordance with Provision 2.1 of the Code 2018 as well as for the purposes of Rule 704(7) of the Catalist Rules.

Mr Choy Bing Choong will upon re-election as a Director of the Company, remain as an Executive Director and Group Chief Operating Officer.

The information as required under Rule 720(5) of the Catalist Rule relating to Mr Goh Teck Sia, Ms Lau Lee Hua and Mr Choy Bing Choong who will be retiring at the forthcoming annual general meeting have been listed under pages 132 to 141 of this Annual Report.

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.

Provision 4.4: Circumstances affecting Director's independence

As described under Principle 2 of this report, the Company has put in place a process to ensure the continuous monitoring of the independence of the Directors. Each Independent Director is required annually to complete a checklist to confirm his independence. Further, an Independent Director shall immediately disclose to the NC any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of the Company. The NC is of the view that the Independent Directors are independent. As at the date of this report, there is no relationship or circumstance set forth in Provision 2.1 of the Code 2018 and Rule 406(3) of the Catalist Rule which put the independence of the Independent Directors in question.

Provision 4.5: Multiple listed company directorships and other principal commitments

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.

CORPORATE GOVERNANCE REPORT

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 117 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 FY2019.

Principle 5: Board Performance

The Board undertake a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual directors.

Provision 5.1: Performance criteria and process for evaluation of the effectiveness of the Board
Provision 5.2: Disclosure on the conduct of assessment of the Board, Board Committees and each Director

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.

CORPORATE GOVERNANCE REPORT

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	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 FY2019 as compared to the previous financial year as the economic climate and the Group's principal business activities remained the same since FY2018.

For FY2019, 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. No external facilitator was used in the evaluation process for FY2019.

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

For FY2019, the NC is of the view that the performance of each individual Director is satisfactory.

The NC has full authority to engage external facilitators to assist the NC to carry out the evaluation process, if the need arises.

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1: RC to recommend remuneration framework and packages
Provision 6.2: Composition of RC

The RC comprises three Independent Directors (including the Chairman of the Board), namely Mr Goh Teck Sia, Ms Lau Lee Hua and Mr Mahtani Bhagwandas. The Chairman of the RC is Mr Goh Teck Sia.

CORPORATE GOVERNANCE REPORT

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.

Provision 6.3: RC to consider and ensure all aspect of remuneration are fair

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 FY2019. 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	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors
Quantitative	PBT* of at least S$3.5m	Relative financial performance of the Group over a 5 years period to its industry peers.

* 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.

CORPORATE GOVERNANCE REPORT

The RC has reviewed and is satisfied that the performance evaluation criteria were met by the Executive Directors and key management personnel for FY2019.

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, termination terms as well as other benefits-in-kinds are reviewed by the RC and ensure they are fair. 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 management personnel, 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$25,000	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

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 three (3) 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.

Provision 6.4: Engagement of Remuneration experts

The Company has not engaged any remuneration consultants to seek advice on remuneration matters during FY2019. Moving forward, the RC will consider the need to engage such external remuneration consultants and where applicable, it will review the independence of the external firm before engaging them.

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Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provisions 7.1 and 7.3: Remuneration of Executive Directors and key management personnel are appropriately structured to encourage good stewardship and promote long-term success of the Company

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.

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, "claw-back" provisions in the service agreements may not be relevant or appropriate.

Long-term Incentive Scheme

The Company has adopted a performance share option plan known as the "Natural Cool Employee Share Option Scheme" ("NCH ESOS") and a performance share plan ("NCH PSP"). The NCH ESOS and NCH PSP provide 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 the NCH ESOS, nor any shares under the NCH PSP.

Provision 7.2: Remuneration of Non-Executive Directors dependent on contribution, effort, time spent and responsibilities

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.

CORPORATE GOVERNANCE REPORT

Principle 8: Disclosure on Remuneration

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions 8.1 and 8.3: Remuneration disclosures of Directors and key management personnel and details of employee share schemes

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.

The breakdown for the remuneration of the Directors for FY2019 is as follows:

	Directors' Remuneration					
Name	**Remuneration Band**	**Salary (%)**	**Bonus (%)**	**Benefits-in-kind (%)**	**Directors Fees (%)[1]**	**Total (%)**
Wong Leon Keat [2]	S$500,000 to S$749,999	85	8	7	–	100
Tsng Joo Peng	S$500,000 to S$749,999	85	8	7	–	100
Goh Teck Sia	Below S$250,000	–	–	–	100	100
Lau Lee Hua	Below S$250,000	–	–	–	100	100
Mahtani Bhagwandas	Below S$250,000	–	–	–	100	100

Notes:–
(1) The Director's fees for FY2019 has been approved by shareholders at the AGM held on 29 April 2019.
(2) Mr Wong Leon Keat ceased as Executive Director, Chief Corporate Officer and Managing Director with effect from 4 January 2020.

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.

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Remuneration of Key Management Personnel (Other than Directors)

Management has confirmed the breakdown for the remuneration of the Company's key management personnel (who are not Directors/CEO) for FY2019 are as follows:

Name	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
S$250,000 to S$499,999				
Choy Bing Choong [1]	92	8	–	100
Neo Han Cheng	67	30	3	100
Tan Kian Yong	71	27	2	100
Lee Wan Kah	73	25	2	100
Below S$250,000				
Teng Gek Chui	84	13	3	100

Note:–
(1) Mr Choy Bing Choong was appointed as Executive Director and Chief Operating Officer with effect from 1 March 2020. He was the Chief Investment Officer of the Company prior to his appointment as Executive Director and Group Chief Operating Officer.

The Company has 5 key management personnel in FY2019. The total remuneration paid to the top four key management personnel for FY2019 was S$1,807,177.

Employee Share Option Scheme and Performance Share Plan

The Company has adopted a performance share option plan known as the "Natural Cool Employee Share Option Scheme".

In addition, the Company has also put in place a Performance Share Plan. For 2019, no shares have been awarded under NCH PSP. Please refer to Provision 7.1 for details. For FY2019, no options and shares have been granted under NCH ESOS and NCH PSP.

Provision 8.2: Remuneration disclosure of related employee

Save for the Executive Directors in FY2019, there are no employees who were substantial shareholders of the Company during this period.

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$100,000 during FY2019.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

CORPORATE GOVERNANCE REPORT

Provision 9.1: Board determines the nature and extent of significant risks

The Board is responsible for the management of the Group's significant risks and is assisted by the AC in the oversight of the risk management and internal control systems of the Group.

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

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 Board for review and undertaking of the necessary actions.

The AC is responsible for reviewing the audit reports from the internal auditors and external auditors and assists the Board in overseeing the Management in the formulation, updating and maintenance of an adequate and effective risk management framework and internal controls. The Board, with the assistance of the AC, is responsible for the governance of risk by ensuring the adequacy and effectiveness of the system of risk management and 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 AC, with the assistance of the internal and external auditors, annually reviews the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls.

The internal auditor, Mazars LLP, has carried out internal audit on the system of internal controls and reported the findings to AC. The external auditor, KPMG LLP, has also, in the course of their statutory audit, gained an understanding of the key internal accounting controls assessed to be relevant to the statutory audit.

The Company's internal auditors conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls, and a risk assessment at least annually to ensure the adequacy thereof. The findings of the review conducted by the internal auditors together with the review undertaken by the external auditors as part of their statutory audit are presented in their findings to the AC. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal auditors and external auditors in this respect.

Provision 9.2: Assurance from CEO, Chief Financial Officer and other key management personnel

The CEO and Financial Controller ("FC") of the Company have provided a written assurance to the AC and the Board that the integrity of the Company's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operation and finances.

CORPORATE GOVERNANCE REPORT

The CEO and other key management personnel have provided a written assurance to the AC and the Board on the Company's risk management and internal control systems are adequate and effective.

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 management, the Board, with the concurrence of the AC, is of the view that, the Group's risk management and internal control systems (including the financial, operational, compliance and information technology controls) were adequate and effective as at 31 December 2019.

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. As such, the Group's risk management and internal control systems are regularly evaluated and improved to ensure its relevance and adequacy in relation to the Group's operations.

Principle 10: Audit Committee

The Board has an Audit Committee which discharges its duties objectively.

Provision 10.1: Duties of AC
Provision 10.2: Composition of AC
Provision 10.3: AC does not comprise former partners or directors of the Company's auditing firm

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.

The AC Chairman has necessary accounting and related financial management experience and expertise. On top of that, one of the AC members also serves as an AC of another SGX listed company. Therefore, the Board considers that the AC members are appropriately qualified to discharge their responsibilities.

The AC's responsibilities, as set out in its terms of reference, include the following:

(i) Review with the external and internal auditors:–
  (a) their audit plan, including the nature and scope of the audit before the audit commences;
  (b) ensure Quality Assurance Review is independently conducted at least once every five years;
  (c) discuss Key Audit Matters with external auditors and ascertain if there are any follow up actions which should be taken to reduce the extent of the uncertainty and corresponding need for judgement for future periods;
  (d) their evaluation of the system of internal controls including financial, operational, compliance and information technology controls and risk management system;
  (e) their audit report; and
  (f) their management letter and management response;

CORPORATE GOVERNANCE REPORT

(ii) Review internal control procedures, its scope and results to ensure co-ordination between the internal/external auditors and the management, including assistance given by our management to the internal/external auditors and discuss problems and concerns, if any, arising from the interim and final audit;

(iii) Review the adequacy, effectiveness, independence, scope and results of the external audit and internal audit function;

(iv) Review half-year and annual financial statements to ensure integrity of the financial statements before submission to the Board for approval, focusing in particular, on:–
  (a) significant financial reporting issues and judgements;
  (b) changes in accounting policies and practices;
  (c) major risk areas;
  (d) significant adjustments resulting from the audit;
  (e) the going concern statement;
  (f) compliance with accounting standards;
  (g) compliance with stock exchange and statutory or regulatory requirement; and
  (h) any announcement relating to the Company's financial performance;

(v) Review and report to Board at least annually on the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management system;

(vi) Review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have material impact on the Company's operating results or financial position and Management's response;

(vii) Meet with external auditors and with the internal auditors without the presence of Management, at least annually;

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

(ix) Make recommendations to the Board on proposals to shareholders relating to the appointment, re-appointment and removal of the external auditors;

(x) Review effectiveness of the Group's internal audit function;

(xi) Review the assurance from the CEO and the FC on the financial records and financial statements;

(xii) Report to the Board its findings from time to time on matters arising and require the attention of the audit committee;

(xiii) Undertake such other reviews and projects as may be requested by the Board;

(xiv) Undertake such other functions and duties as may be required by statue or Catalist Rules, and by such amendments made thereto from time to time; and

CORPORATE GOVERNANCE REPORT

(xv) Investigate any matters within its terms of reference, with full access to and the co-operation of management and full discretion to invite any director or executive officer to attend its meeting, and reasonable resources to enable it to discharge its functions properly.

The Group has complied with Rules 712 and 716 of the Catalist Rules in relation to the appointment of its external auditor. 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 auditor at the forthcoming AGM.

Fees Paid/Payable to the External Auditors for FY2019		
	$'000	**% of total**
Audit fees		
– Auditor of the Company	206	73
– Other auditors (for certain subsidiaries)	47	17
Non-audit fees		
– Auditor of the Company	30	10
Total	**283**	**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 FY2019 in relation to tax compliance were not substantial.

Provision 10.4: Primary reporting line of the internal audit function is to AC; Internal audit function has unfettered access to Company's documents, records, properties and personnel

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 Audit Committee Chairman and administratively to the FC. 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 has unrestricted access to the Company's documents, records, properties and personnel. 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.

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The AC is satisfied that internal auditors are independent, effective, and 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.

Provision 10.5: AC meets with the auditors without the presence of Management annually

The AC has met up with the internal and external auditors at least once in absence of key management personnel so that any concern and/or issue can be raised directly and privately in FY2019.

Significant Accounting Matters

In the review of the financial statements for FY2019, the AC had discussed with the Management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matter". Following the review, the AC is satisfied that this matter had been properly dealt with. The Board had approved the financial statements.

Key audit matter	How the matter was addressed by the AC
Impairment assessment of valuation of non-financial assets (Refer to Notes 4 and 5 to the financial statements)	The AC considered the management's approach and methodology applied to the valuation model in assessing the valuation of cash generating units ("CGU") and took into account the observations and findings presented by external auditor with reference to: management's assumptions including, revenue growth, gross profit margin, operating expenses, discount rates used and discussed such assumptions and assessment with Management. The valuation assumptions were reviewed and satisfied by external auditor. The above procedures provided the AC with the assurance and the AC was satisfied with the approach and methodology applied to the valuation model and management's assumptions and estimates used in the impairment assessment.

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.

To date, no matter was raised through the Group's whistle blowing channels.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND ENGAGEMENT

Principle 11: Shareholder rights and conduct of general meetings

The Company treat all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1: Company provides shareholders with the opportunity to participate effectively and vote at general meetings

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.

The Company's principal form of dialogue with the shareholders takes place at general meetings. Notices of general meetings are released to shareholders, together with the annual report and/or circulars within the time notice period as prescribed by the relevant regulations. Where necessary, additional explanatory notes will be provided for relevant resolutions which to be tabled at general meetings to enable shareholders to exercise their vote on an informed basis. At general meetings, shareholders will be given the opportunity to voice their views and direct their questions to the Board regarding the Company.

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.

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.

Provision 11.2: Separate resolution on each substantial separate issue

The Board notes that the best practice is to have separate resolutions on each substantially separate issue at general meetings. The Company shall avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. In situation where resolutions are inter-conditional, the Company will provide clear explanations. These meetings provide excellent opportunities to build shareholders' understanding of the Group's businesses, and obtain shareholders' feedbacks on value creation.

Provision 11.3: All Directors attend 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.

CORPORATE GOVERNANCE REPORT

Provision 11.4: Company's Constitution allow for absentia voting of shareholders

The Company's Constitution allows all shareholders to appoint not more than two proxies to attend and vote on their behalf and also provides that a proxy need not be a shareholder of the Company. Registered shareholders who are unable to attend the general meetings are entitled to appoint up to two proxies, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary may appoint more than two proxies to participate in shareholders' meeting, but each proxy must be appointed to exercise rights attached to a different share or shares held by such shareholder. 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. 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.

Provision 11.5: Minutes of general meetings are published on the Company's corporate website as soon as practicable

The minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board will be made available to shareholders on the Group's corporate website at www.natcool.com and SGXNet. The Company will adopt Provision 11.5 for the FY2019 AGM onwards.

Provision 11.6: 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 FY2019 as the Group made a loss during the year.

Principle 12: Engagement with shareholders

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provision 12.1: Company provides avenues for communication between the Board and shareholders and discloses steps taken to solicit and understand the views of 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.

CORPORATE GOVERNANCE REPORT

Provisions 12.2 and 12.3: Company has in place an investor relations policy; Investor relations policy sets out mechanism of communication between the shareholders and the Company

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 function 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.

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.

Principle 13: Managing stakeholders relationships and engagement with stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibilities to ensure that the best interests of the Company are served.

Provisions 13.1 and 13.2: Engagement with material stakeholder groups

The Company has its materiality assessment process to identify their key stakeholders who have direct influence on the business and operations. Our engagement with material stakeholder groups, including key issues and engagement platforms, are disclosed in the Sustainability Report 2019 which will be announced not later than 31 May 2020 for financial year ended 31 December 2019.

The Company sizes opportunities to engage our stakeholders and welcomes feedback on our Sustainability Report. The sustainability committee can be contacted via email at report.sr@natcool.com.

Provision 13.3: Corporate website to engage stakeholders

Stakeholders who wish to know more about the Group and our business, governance practices can visit our website at www.natcool.com. Our website includes an investor relations section containing the Company's financial highlights, annual report, corporate announcements, data protection policy and whistle blowing policy.

CORPORATE GOVERNANCE REPORT

OTHER CORPORATE GOVERNANCE MATTERS

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

The Company confirms its compliance with Rules 712 and 716 of the Catalist Rules. As required by Rule 716 of the Catalist Rules, the AC and the Board has satisfied themselves that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

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. They are also advised to be mindful of the laws on insider-trading at all times.

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 FY2019.

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 FY2019, if not then subsisting, entered into since the end of the previous financial year.

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 FY2019.

Sustainability Report

The Group's Sustainability Report will be prepared in accordance to the Global Reporting Initiative Standards, Core Option and is in line with the requirements of the Catalist Rules on sustainability reporting. The Sustainability Report will highlight the environment compliance, employment, occupational health and safety and anti-corruption. More details on the Sustainability Report of the Company will be released via SGXNet and will be made available not later than 31 May 2020 on the Company's website at "http://naturalcool.listedcompany.com/newsroom.html".

CORPORATE GOVERNANCE REPORT

Additional information on Directors seeking re-election pursuant to Rule 720(5) of the Catalist Rules

Mr Goh Teck Sia, Ms Lau Lee Hua and Mr Choy Bing Choong are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 28 April 2020 ("**AGM**") under Ordinary Resolutions 2, 3 and 4 as set out in the Notice of AGM dated 8 April 2020 (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7F to the Catalist Rules of the SGX-ST is set out below:

Name of Director	Goh Teck Sia	Lau Lee Hua	Choy Bing Choong
Date of Appointment	8 February 2017	8 February 2017	1 March 2020
Date of Last Re-Appointment	N.A.	N.A.	N.A.
Age	70	54	53
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and having assessed the qualifications and working experience of Mr Goh Teck Sia, is of the view that Mr Goh Teck Sia possesses the requisite qualifications and experience to assume the position as an Independent Non-Executive Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and having assessed the qualifications and working experience of Ms Lau Lee Hua, is of the view that Ms Lau Lee Hua possesses the requisite qualifications and experience to assume the position as an Independent Non-Executive Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and having assessed the leadership in the Group and working experience of Mr Choy Bing Choong, is of the view that Mr Choy Bing Choong possesses the requisite qualifications and experience to assume the position as an Executive Director of the Company.

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Teck Sia	Lau Lee Hua	Choy Bing Choong
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive	Executive As Executive Director, Mr Choy Bing Choong is responsible for execution of the Company's business strategies and plans, overseeing financial, administrative, human resources, investor relations, regulatory and compliance functions, as well as continue with his current Chief Investment Officer duties, which includes charting the growth of the Group, through identification of merger and acquisition opportunities.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director Chairman of the Board Remuneration Committee Chairman Audit Committee Member Nominating Committee Member	Independent Non-Executive Director Audit Committee Chairman Nominating Committee Member Remuneration Committee Member	Executive Director and Group Chief Operating Officer

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Teck Sia	Lau Lee Hua	Choy Bing Choong
Professional qualification	Cambridge School Certificate Grade 2	(1) Member, Institute of Singapore Chartered Accountants (2) Member, The Association of Chartered Certified Accountants	(1) Bachelor of Accountancy, National University of Singapore (2) Member, Institute of Singapore Chartered Accountants (3) Member, Singapore Institute of Directors
Working experience and occupation(s) during the past 10 years	Police Officer	(1) December 1995 – Present Managing Partner of Lau Lee Hua & Co (2) September 2013 – September 2017 Honorary Treasurer of Movement for the Intellectually Disabled of Singapore (3) September 2013 – September 2019 Honorary Auditor of Movement for the Intellectually Disabled of Singapore (4) December 2018 – Present Partner of Wong, Lee & Associates LLP	(1) August 2006 – June 2014 Director, Corporate Finance at CIMB Bank Berhad, Singapore Branch (2) July 2014 – Present Chief Investment Officer at Natural Cool Holdings Limited
Shareholding interest in the listed issuer and its subsidiaries	No	No	No
Shareholding details	Nil	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Teck Sia	Lau Lee Hua	Choy Bing Choong
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments Including Directorships			
Past (for the last 5 years)	Nil	Independent Non-Executive Director of Gaylin Holdings Limited	Director of: (1) HMK Energy Pte Ltd (2) PT Harpindo Mitra Kharisma (3) Natural Cool Holdings Limited (4) HMK Investments Ltd
Present	Nil	(1) Managing Partner of Lau Lee Hua & Co (2) Partner of Wong, Lee & Associates LLP	Director of: (1) Hiap Tong Corporation Ltd. (2) Hoe Leong Corporation Ltd. (3) Zhongmin Baihui Retail Group Ltd.
Information required pursuant to Rule 704(6) of the Catalist Rules			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Teck Sia	Lau Lee Hua	Choy Bing Choong
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	Mr Choy Bing Choong was appointed as Non-Executive, Independent Director of Hoe Leong Corporation Ltd. ("Hoe Leong") on 1 September 2019. On 2 October 2019, Hoe Leong received an Originating Summons without a supporting affidavit filed by United Overseas Bank ("UOB") to place the Company under judicial management pursuant to Section 227B of the Companies Act (Cap. 50, 2006 Rev Ed) ("JM Application"). On 7 November 2019, leave was granted by the High Court for UOB to wholly discontinue and/or withdraw the JM Application and UOB has accordingly filed the Notice of Discontinuance/Withdrawal accordingly to wholly discontinue/withdraw the JM Application.
(c) Whether there is any unsatisfied judgement against him?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Teck Sia	Lau Lee Hua	Choy Bing Choong
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Teck Sia	Lau Lee Hua	Choy Bing Choong
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Teck Sia	Lau Lee Hua	Choy Bing Choong
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Teck Sia	Lau Lee Hua	Choy Bing Choong
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Teck Sia	Lau Lee Hua	Choy Bing Choong
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to appointment of Director only			
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	Yes. 2012 – 2018 – Gaylin Holdings Limited	Yes. 2015 – 2016 – Natural Cool Holdings Limited 2017 – Present – Hiap Tong Corporation Ltd. 2019 – Present – Hoe Leong Corporation Ltd. – Zhongmin Baihui Retail Group Ltd.

SHAREHOLDING STATISTICS

AS AT 23 MARCH 2020

CLASS OF SHARES
Ordinary Shares

NUMBER OF SHARES
250,447,985

NUMBER OF ORDINARY SHAREHOLDERS
The number of ordinary shareholders as at 23 March 2020 is 1,052

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 48.90% 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 23 March 2020. 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 23 MARCH 2020

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 99	87	8.27	1,146	0.00
100 – 1,000	437	41.54	257,099	0.10
1,001 – 10,000	159	15.11	1,031,802	0.41
10,001 – 1,000,000	346	32.89	35,894,714	14.33
1,000,001 AND ABOVE	23	2.19	213,263,224	85.16
Total	1,052	100.00	250,447,985	100.00

SHAREHOLDING STATISTICS

AS AT 23 MARCH 2020

SUBSTANTIAL SHAREHOLDERS AS AT 23 MARCH 2020

Substantial Shareholder	Shareholdings registered in the name of the substantial shareholder (Direct)	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)]	–	23,200,000	23,200,000	9.26%
Ong Mun Wah	27,523,000	–	27,523,000	10.99%
Ng Quek Peng	27,000,000	–	27,000,000	10.78%
Khwaja Asif Rahman[(3)]	10,000,000	27,100,000	37,100,000	14.81%
Chrysses Engineering Singapore Pte. Ltd.[(3)]	27,100,000	–	27,100,000	10.82%
Chrysses Holdings Pte. Ltd.[(3)]	–	27,100,000	27,100,000	10.82%

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 interested in the 23,200,000 shares held by him and his spouse, Mdm Edi Ng in UOB Nominees (Pte) Limited.

(3) Chrysses Engineering Singapore Pte. Ltd. is wholly-owned by Chrysses Holdings Pte. Ltd. which in turn is wholly-owned by Khwaja Asif Rahman. By virtue of Section 4 of the Securities and Futures Act (Cap. 289), Chrysses Holdings Pte. Ltd. and Khwaja Asif Rahman are deemed interested in the 27,100,000 shares held by Chrysses Engineering Singapore Pte. Ltd..

TOP 20 SHAREHOLDERS AS AT 23 MARCH 2020

NO.	NAME	NO. OF SHARES HELD	%
1	UNITED OVERSEAS BANK NOMINEES PTE LTD	27,633,100	11.03
2	ONG MUN WAH	27,523,000	10.99
3	CHRYSSES ENGINEERING SINGAPORE PTE. LTD.	27,100,000	10.82
4	NG QUEK PENG	27,000,000	10.78
5	DBS NOMINEES PTE LTD	18,176,740	7.26
6	TSNG JOO PENG	16,300,000	6.51
7	KHWAJA ASIF RAHMAN	10,000,000	3.99
8	CHIA PUAY HWEE	9,859,000	3.94
9	CITIBANK NOMINEES SINGAPORE PTE LTD	8,947,326	3.57
10	VINCENT TAY WEI SIONG (ZHENG WEIXIONG)	5,753,500	2.30
11	RAFFLES NOMINEES (PTE) LIMITED	5,718,277	2.28
12	ANG JUI KHOON	5,049,300	2.02
13	TAN AIK KWONG	4,525,500	1.81
14	ONG CHING SHYAN ESTHER	2,479,000	0.99
15	TAN LIH LIH	2,440,000	0.97
16	CHUA KENG HWEE	2,300,000	0.92
17	TAN MEOW NOI	2,297,861	0.92
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,056,620	0.82
19	HONG BOON YOON	1,800,000	0.72
20	LEE BOON SIONG	1,724,000	0.69
	Total:	208,683,224	83.33

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the Company will be held at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 on Tuesday, 28 April 2020 at 9.30 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 2019 and the Independent Auditor's Report thereon. **[Resolution 1]**

2 To re-elect Mr Goh Teck Sia who is retiring by rotation pursuant to Regulation 101 of the Company's Constitution as Director of the Company. **[Resolution 2]**
[See Explanatory Note (a)]

3 To re-elect Ms Lau Lee Hua who is retiring by rotation pursuant to Regulation 101 of the Company's Constitution as Director of the Company. **[Resolution 3]**
[See Explanatory Note (b)]

4 To re-elect Mr Choy Bing Choong who is retiring by rotation pursuant to Regulation 105 of the Company's Constitution as Director of the Company. **[Resolution 4]**
[See Explanatory Note (c)]

5 To approve Directors' fees of S$165,000 for the financial year ending 31 December 2020 to be paid quarterly in arrears. (2019: S$165,000) **[Resolution 5]**

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

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

Special Business

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

General mandate to allot and issue new shares

8 "That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Act**") and 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,

NOTICE OF ANNUAL GENERAL MEETING

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);

(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) any adjustments made in accordance with sub-paragraphs (2)(a)(aa) or (2)(a)(bb) above shall only be made in respect of new Shares arising from convertible securities and Instruments which were issued and outstanding and/or subsisting at the time of the passing of this Resolution;

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

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

9 "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; and

NOTICE OF ANNUAL GENERAL MEETING

(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 (e)] **[Resolution 8]**

General mandate to issue shares under the Natural Cool Performance Share Plan 2019

10 "That pursuant to Section 161 of the Act, the Directors of the Company be authorised and empowered to grant awards in accordance with the Natural Cool Performance Share Plan 2019 ("Performance Share Plan") and allot and issue from time to time such number of Shares in the capital of the Company to the holders of awards granted by the Company under the Performance Share Plan established by the Company upon the vesting of such share awards in accordance with the terms and conditions of the Performance Share Plan, provided always that the aggregate number of Shares issued and/or issuable pursuant to the Scheme, the Performance Share Plan and any other share based incentive schemes of the Company shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time; and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusions of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier."
[See Explanatory Note (f)] **[Resolution 9]**

By Order of the Board

Sharon Yeoh
Company Secretary
8 April 2020

Singapore

Explanatory Notes:

(a) Mr Goh Teck Sia ("Mr Goh"), if re-elected, will remain as the Independent Non-Executive Director and Chairman of the Company and as a member of the Audit Committee and Nominating Committee and will also continue to remain as Chairman of the Remuneration Committee. Mr Goh will be considered as an Independent Director of the Company for the purposes of Rule 704(7) of the Catalist Rules. Pursuant to Rule 720(5) of the Catalist Rules, further information of Mr Goh is set out on pages 132 to 141 of the Company's Annual Report.

(b) Ms Lau Lee Hua ("Ms Lau"), if re-elected, will remain as the Independent Non-Executive Director of the Company and a member of the Remuneration Committee and Nominating Committee and will also continue to remain as the Chairman of the Audit Committee. Ms Lau will be considered as an Independent Director of the Company for the purposes of Rule 704(7) of the Catalist Rules. Pursuant to Rule 720(5) of the Catalist Rules, further information of Ms Lau is set out on pages 132 to 141 of the Company's Annual Report.

(c) Mr Choy Bing Choong ("Mr Choy"), if re-elected, will remain as the Executive Director of the Company. Pursuant to Rule 720(5) of the Catalist Rules, further information of Mr Choy is set out on pages 132 to 141 of the Company's Annual Report.

(d) The ordinary resolution 7 set out in item 8 above, if passed, will empower the Directors from the date of this annual general meeting until the date of the next annual general meeting or the date by which the next annual general meeting is required by law to be held or such authority is revoked or varied by the Company in general meeting, whichever is earlier, to allot and issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments up to an aggregate number not exceeding 100% of the total number of issued Shares excluding treasury shares 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 7 above is passed after adjusting for new Shares arising from the conversion or exercise of convertible securities, share options or vesting of share awards which are outstanding or subsisting at the time this ordinary resolution 7 above is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(e) The ordinary resolution 8 set out in item 9 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.

(f) The ordinary resolution 9 set out in item 10 above, if passed, will empower the Directors of the Company, to allot and issue such number of fully-paid Shares upon the vesting of such awards in accordance with the provisions of the Performance Share Plan.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member who is not a relevant intermediary, entitled to attend and vote at the AGM shall appoint "Chairman of the Meeting" as proxy to attend and vote in his/her stead on light of measures undertaken to comply with the Infectious Diseases (Measures to Present Spread of COVID-19) Regulations 2020 (the "COVID-19 measures").

2. Pursuant to Section 161 of the Act, any member who is a relevant intermediary shall appoint "Chairman of the Meeting to vote at the AGM. 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 Company's Registered Office at 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 not less than seventy-two (72) hours before the time set for holding the annual general meeting.

Precautionary Measures at AGM

In line with the COVID-19 measures, the Company reserves the right to take such precautionary measures as may be appropriate at the AGM, including any precautionary measures as may be required or recommended by government agencies, in order to minimise the risk of community spread of COVID-19. Such measures may include the following:

a. All persons attending the AGM will be required to undergo a temperature check and sign a health declaration form (which may also be used for the purpose of contact tracing, if required);
b. Any person who has a fever or is exhibiting flu-like symptoms will be declined entry to the AGM;
c. Any quorum requirements will be satisfied through the attendance of the minimum number of shareholders specified in the Company's constitution or up to the number of individuals permitted under the Infectious Diseases (Measures to Prevent Spread of COVID-19) Regulations 2020, whichever is lower;
d. Anyone who has recent travel history to affected countries listed by the Ministry of Health will be refused entry; and
e. Safe distancing measures and limit attendance on site as appropriate will also be implemented.

As we are required to restrict the number of attendees at the AGM, we will be imposing a pre-registration requirement to attend the AGM via live webcast. Shareholders should refrain from attending the AGM under the present circumstances. Please refer to our corporate website at (www.natcool.com) for details of the webcast.

Questions and Answers in relation to the Agenda of the AGM

If Shareholders have any questions for the Board of Directors in relation to the resolutions to be tabled at the AGM, Shareholders are encourage to send in questions in advance via email to the Company's Investors Relations team at AGM2020@natcool.com, not later than 9.30 a.m., 23 April 2020.

Shareholders who wish to participate in or raise questions related to the resolutions to be tabled for approval at the AGM via "live" webcast will need to pre-register at the following website https://naturalcoolagm.listedcompany.com/agm2020_webcast.html by 9.30 a.m. on 25 April 2020 to enable the Company to verify their status as shareholders. Following the verification, authenticated shareholders will receive an email by 27 April 2020. The email will contain user ID and password details, as well as the link to access the webcast of the AGM proceedings. Shareholders who do not receive an email by 27 April 2020 but have registered by 25 April 2020 should contact us at +65 6593 1100 from 9.00 a.m. to 5.00 p.m.

We will endeavour to address these substantial questions received not later than 9.30 a.m., 23 April 2020 via our website and SGXNet. Queries received during the AGM proceedings shall be addressed via our corporate website, through "live" webcast. We will also publish minutes of the AGM including responses from management and Board of Directors on our corporate website (www.natcool.com) and on SGXNet.

The Company seeks the understanding and cooperation of all shareholders and other attendees to minimise the risk of community spread of COVID-19. As the COVID-19 situation continues to evolve, the Company seek Shareholders' understanding that further measures and/or changes to the AGM arrangement may be made in the ensuing days up to the day of the AGM. Updates will be posted on the Company's corporate website at (www.natcool.com) and via SGX website (www.sgx.com).

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. CPF and SRS Investors who wish to appoint the Chairman of the Meeting as their proxy should approach their respective CPF and/or SRS Approved Nominees to submit their votes at least seven (7) working days before the Meetings.
3. 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 the Chairman of the Meeting, as my/our* proxy 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 29 Tai Seng Avenue, #07-01 Natural Cool Lifestyle Hub, Singapore 534119 on Tuesday, 28 April 2020 at 9.30 a.m. and at any adjournment thereof. I/We* direct the Chairman of the Meeting 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 Chairman of the Meeting will vote or abstain from voting at his/her* discretion. (Voting will be conducted by poll. Please indicate your vote "For" or "Against" or "Abstain" with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	ORDINARY RESOLUTIONS	For	Against	Abstain
	Ordinary Business:			
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019			
2	Re-election of Mr Goh Teck Sia as Director pursuant to Regulation 101 of the Company's Constitution			
3	Re-election of Ms Lau Lee Hua as Director pursuant to Regulation 101 of the Company's Constitution			
4	Re-election of Mr Choy Bing Choong as Director pursuant to Regulation 105 of the Company's Constitution			
5	Approval of Directors' fees amounting to S$165,000 for the financial year ending 31 December 2020 to be paid quarterly in arrears			
6	Re-appointment of KPMG LLP as auditors			
	Special Business:			
7	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)			
8	Authority to allot and issue shares under the Natural Cool Employee Share Option Scheme			
9	Authority to allot and issue shares under the Natural Cool Performance Share Plan			

* Delete where inapplicable

Dated this ________ day of ______________ 2020

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 shall appoint "Chairman of the Meeting" as proxy to attend and vote in his/her stead in light of measures undertaken to comply with the Infectious Diseases (Measures to Prevent Spread of COVID-19) Regulations 2020 (the "**COVID-19 measures**"). A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints the "Chairman of the Meeting" as proxy, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by the proxy.
4. A Relevant Intermediary shall appoint the "Chairman of the Meeting" as proxy, and that the 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. In light of the COVID-19 measures, members shall appoint "Chairman of the Meeting" as proxy instead. The Company reserves the right to refuse to admit any person or persons in light of COVID-19 measures where quorum requirements will be satisfied through the attendance of the minimum number of shareholders specified in the Company's Constitution or up to the number of individuals permitted under the Infectious Diseases (Measures to Prevent Spread of COVID-19) Regulations 2020, whichever is lower.
6. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 29 Tai Seng Avenue #07-01 Natural Cool Lifestyle Hub Singapore 534119 not less than seventy-two (72) hours before the time appointed for the Meeting. Shareholders who pre-register to participate in the live webcast of the AGM proceedings and wish to vote will have to submit the proxy instrument and appoint "Chairman of the Meeting" as your proxy by depositing the proxy instrument at the aforesaid Company's registered office or by email to "AGM2020@natcool.com", not later than 9.30 a.m., 25 April 2020.
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) shall appoint the "Chairman of the Meeting" as his/her proxy to attend and cast his/her vote(s) at the Meeting in his/her stead in light of the COVID-19 measures. 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. CPF and SRS Investors who wish to appoint the Chairman of the Meeting as their proxy should approach their respective CPF and/or SRS Approved Nominees to submit their votes at least seven (7) working days before the Meetings.

* 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 8 April 2020.

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.

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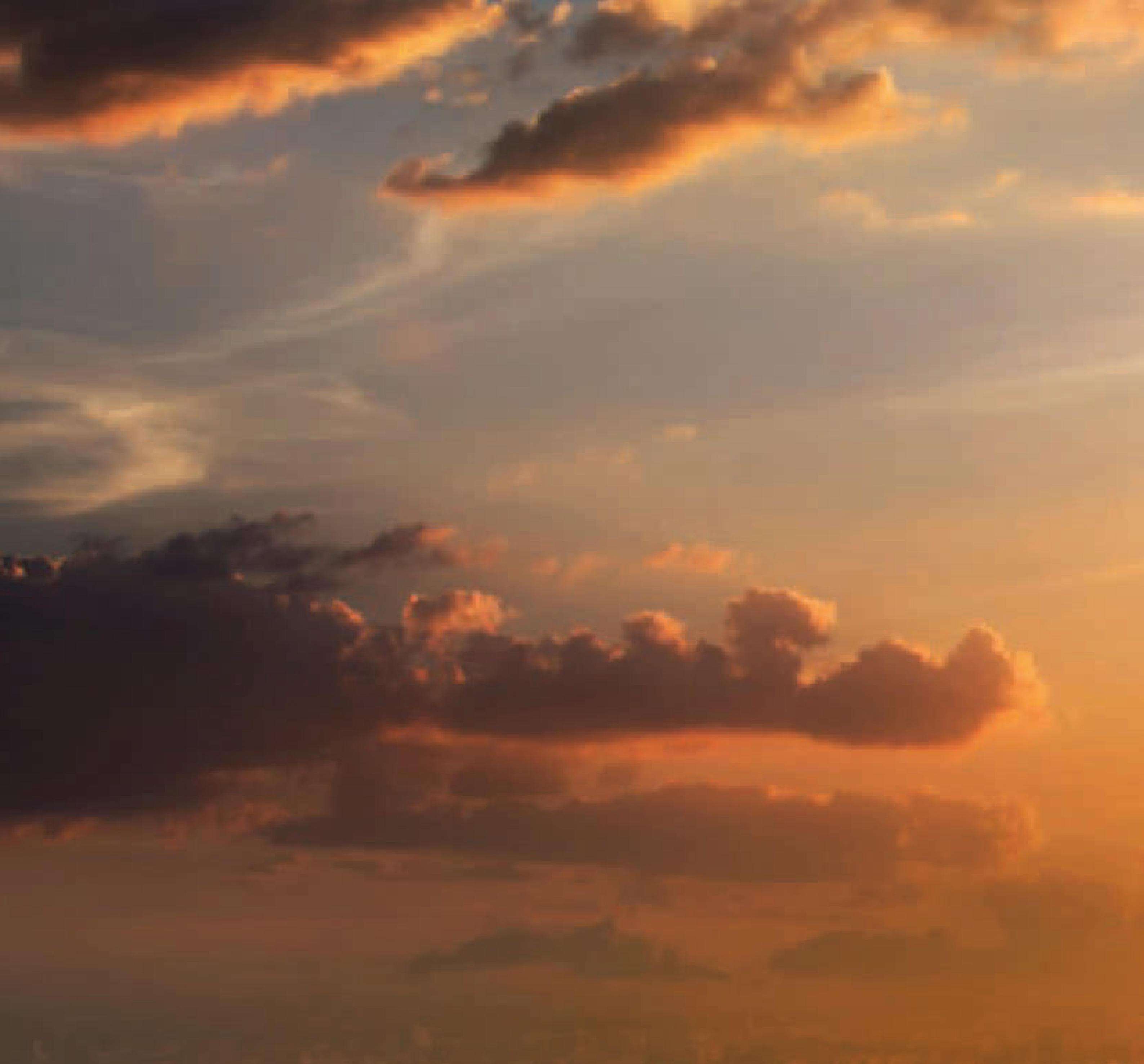

OUR BRANDS

Cougar Brand

JAD Solutions

NC

Lifestyle GURU
BY NATURAL COOL
Cool Space, Everytime

NCA

SFB

Natural Cool Holdings Limited
Company Registration No.: 200509967G

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