

**Issuer:** Natural Cool Holdings Limited  
**Security:** Natural Cool Holdings Limited

**Meeting details:**

Date: 25 April 2017

Time: 10:00H

Venue: 55 Market Street #03-01, Raffles Place, Singapore 048941

**Company Description**

Natural Cool Holdings Limited, an investment holding company, trades in air-conditioners, and air-condition components, systems, and units in Singapore, India, Malaysia, and internationally. It also engages in air-condition installation, servicing, and re-conditioning activities. In addition, the company is involved in properties investment holding business. Further, it manufactures and trades in paint and basic chemicals. Natural Cool Holdings Limited was founded in 1989 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=5IF](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5IF))

**Q1.** As noted in the “Letter to shareholders” (page 4 of the annual report), the Air Con division business delivered a “new high of S\$121.5 million”. The Aircon segment reported a segment profit before tax of S\$2.27 million in 2016, up from S\$1.02 million in 2015 (page 77 – Operating segments).

- a) **Can management help shareholders understand the key drivers of the good performance of the Aircon segment in 2016?**

It was said that the group wants to “continue growing and have plans to expand this business to markets outside of Singapore in a significant way”.

- b) **Can management elaborate further on the group’s growth plans in Singapore?**

At the company’s IPO in 2006, there were already talks of expanding to China and Indochina (Vietnam, Cambodia and Myanmar). In 2016, 99% of the revenue was still generated in Singapore. Previously, the Switchgear division contributed to most of the overseas revenue. The division was divested in 2015.

- c) **What are the foreign markets that would be most attractive to the group?**
- d) **How does the group intend to enter a new market and compete with the incumbents?**
- e) **How is the group going to fund the expansion?**

**Q2.** Based on Note 24 (page 74 – (Loss)/Profit for the year), the group’s loss for the year includes the following impairments and provision that were recognised in 2016.

- Impairment loss on available-for-sale investment (\$3.75 million): This relates to the group’s investment in HMK Energy Pte Ltd.
  - Net change in fair value of zero-coupon convertible bonds (\$1.34 million)
  - Impairment loss on goodwill (\$\$1.58 million)
  - Impairment loss on plant and equipment (\$0.955 million)
  - Provision for onerous contract (\$1.993 million)
- a) **What kind of influence or management oversight does the group have in its investee HMK Energy? Has HMK Energy carried out any drilling in Lampung? Can shareholders be provided with more clarity on the investee and the asset, such as the latest P&L and net asset positions, plan of development, the prospective reserves, capital expenditure?**
- b) **What is the group’s total exposure in HMK Energy (including any investments into the zero-coupon convertible bonds which have been marked to its fair value of \$0.928 million in 2016 from \$2.268 million in 2015)? Does the group have any more obligation or commitment to HMK Energy?**
- c) **What are the current prospects for the paint business? How far has it met management’s expectations at the time of acquisition?**

**Q3.** The company made the following announcement on 20 March 2017:

*Mr Goh Teck Sia (“Mr Goh”), the Independent Non-Executive Chairman of the Company, as an advisor to the Company with effect from 20 March 2017, with specific and ad-hoc responsibilities to advise the Company on, inter alia, law enforcement matters arising from amongst other things, the internal investigation review commissioned by the Audit Committee which is currently still on-going, and other commercial security matters of the Group (“Advisor”). The appointment as Advisor is for an initial period of three months with the option available to the Company to extend the appointment further, depending on the Company’s requirements at that point in time.*

- a) Can the company update shareholders on the progress of the internal investigation review?**
- b) Will the appointment of Mr Goh, who is also the group’s Independent Non-Executive Chairman, as advisor be extended, since Mr Goh already sits on the AC which is overseeing the investigation?**
- c) For better transparency on the remuneration and the perceived independence of Mr Goh, please disclose the advisor fees and the director’s fees.**