

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

**Meeting details:**

Date: 26 April 2018

Time: 10.00 a.m.

Venue: 137 Cecil Street #04-01 Shibuya Room Singapore 069537

**Company Description**

Natural Cool Holdings Limited, an investment holding company, trades in air-conditioners; and air-condition components, systems, and units primarily in Singapore. The company operates in three segments: Air-conditioning, Investment, and Paint. It also engages in air-condition installation, servicing, and re-conditioning activities; and manufacturing air-conditioner ducts. 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 headquartered 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.** A highlight of the year for the group was the appointment of its joint venture company, Natural Cool Asia Pte. Ltd., by Panasonic to distribute certain of its commercial aircon products in selected ASEAN and South Asia countries.

- a) **Given that the group operates primarily in Singapore, what are the investments needed by the group to set up a regional distribution network in ASEAN and South Asia?**
- b) **What is the track record/experience of the management team to operate a regional business?**
- c) **Has the board assessed if the risk profile of the group changes materially as it ventures overseas?**
- d) **Can the board also shed some light on the profile of the joint venture partner, JNVHC Pte. Ltd.? What will be the contribution (in terms of market knowledge, network, labour force, technical expertise etc) from the joint venture partner?**

**Q2.** Would the board/management provide shareholders with better clarity of the following matters? Specifically:

- a) **Property, plant and equipment:** The group has announced the sale of 38 Lok Yang Way and of the Toh Guan Road East units. **With the purchase of the property located at 87 Defu Lane 10 completed in November 2017, has the group completed the streamlining of its operations?**
- b) **Digital strategy:** Can management elaborate further on the group’s digital strategy? To date, what is the level of traction/awareness of the “Lifestyle Guru” e-commerce website ([www.lifestyleguru.com.sg](http://www.lifestyleguru.com.sg))?
- c) **HMK Energy:** What is the level of influence, control and oversight of HMK Energy? Can management provide an update on the exploration activities?

**Q3.** The remuneration of the directors for FY2017 is shown on page 100 in the Corporate Governance Report.

As seen in the table below, the executive directors received a remuneration package that included bonus ranging from 18% to 19% when the group reported a loss after tax of \$(5.4) million. In 2016, the range was from 6% to 7% when the group lost \$(11.23) million.

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

Name	Directors’ Remuneration					
	Remuneration Band	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Directors Fees (%)	Total (%)
Wong Leon Keat <sup>(2)</sup>	S\$500,000 to S\$749,999	67	19	14	–	100
Tsng Joo Peng	S\$500,000 to S\$749,999	71	18	11	–	100

(Source: Company annual report)

- a) **Can the remuneration committee (RC) help shareholders understand if the award and quantum of the variable remuneration are linked to the group’s and the individual’s performance?**

The company has disclosed the performance conditions that will be used in the performance evaluation of the executive directors (page 18).

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)
<b>Qualitative</b>	<ol style="list-style-type: none"> <li>1. Leadership</li> <li>2. People development</li> <li>3. Commitment</li> <li>4. Teamwork</li> <li>5. Current market and industry practices</li> <li>6. Macro-economic factors</li> </ol>	None
<b>Quantitative</b>	<ol style="list-style-type: none"> <li>1. PBT* of at least S\$3.5m</li> </ol>	None

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

(Source: Company annual report)

**b) What is the weightage of the qualitative and quantitative performance conditions?**

The RC said that it "has reviewed and is satisfied that the performance evaluation criteria were met by the Executive Directors and key management personnel for FY 2017" (page 102).

- c) Can the RC confirm that the quantitative performance condition of the (adjusted) profit before tax of at least \$3.5 million was met? If so, can the RC reconcile the loss of \$(5.4) million to the group's profit before tax (before bonus)?**
- d) Can the RC explain how it had measured, benchmarked and assessed the qualitative performance conditions in an objective manner?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Natural%20Cool%20Holdings%20Ltd>

The company's response could be found here: ----