HEATEC JIETONG HOLDINGS LTD.

RESILIENCE
AMIDST CHALLENGES

2018
ANNUAL
REPORT

QUALITY **POLICY**

To achieve and enhance customer satisfaction through on-time delivery of quality products, services and solutions through using resources efficiently.

OUR **MISSION**

To provide value-added solutions, enabling our customers to operate their vessels and plants efficiently, and in turn produce value-added products and services for others.

OUR **VISION**

To be the premium heat transfer and piping system products, services and solutions provider in the marine, oil and gas and related industries.

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COMPANY **PROFILE**

Heatec Jietong Holdings Ltd. (the "Company" or "Heatec") is one of the leaders in piping and heat exchanger services for the marine and oil and gas industries.

PIPING SERVICES

We perform a variety of piping services which include:

- fabrication and installation of all types of piping
- restoration and installation of all types of pipes and systems, including marine piping
- process piping for floating, production, storage and offloading ("FPSO") conversions

Our piping works are used in, among others, offshore structures such as FPSOs, oil rigs, restoration of ship piping systems, routine docking maintenance of ships, and other types of ship conversions and ship lengthening.

In recent times, we expanded our piping services to include turnkey project management which encompasses:

- procurement
- construction
- fabrication
- commissioning
- overall project management

CHEMICAL CLEANING SERVICES

Our 70% owned subsidiaries, Chem-Grow Pte Ltd, Chem Grow Services Pte Ltd and Chem Grow Engineering Pte Ltd ("Chem-Grow") are well-established companies since 1981 that serve the marine, oil & gas, food, chemical industries in chemical cleaning of boilers, coolers and pipelines.

Chem-Grow services include:

- Chemical cleaning (Heat exchangers, Pipelines Engine parts, pressure vessel etc)
- Stainless steel passivation
- Tank cleaning
- Hot oil flushing up to NAS/ISO standard for pipeline/Oil
- Pigging for pipeline or hose
- Chemical sales
- Rental of portable steam boiler/Borescope/Particle counter
- Hydro-jetting machines

Chem-Grow currently occupies a land of 10,500 square feet with its own building which includes a warehouse and a waste treatment facility.

HEAT EXCHANGER SERVICES

We provide the full range of heat exchanger services on a 24 by 7 basis. We service any heat exchangers that are utilised on board marine and offshore vessels, such as plate heat exchangers, charged air coolers (shell and tube heat exchangers) and pressure vessels.

Our heat exchanger services include:

- engineering consultancy services
- on-site inspection
- fabrication and restoration of heat transfer devices
- heaters
- condensers
- main engine charged air coolers
- fresh water generators

We design, sell and fabricate heat exchangers, as well as provide related services to major players in the offshore marine, oil and gas and shipping industries.

We also provide land-based heat exchanger services to the process and chemical plants conducting routine shut-down maintenance. The heat exchangers that we service include plate heat exchangers and shell and tube heat exchangers.

Heatec is a member of the Heat Transfer Research Inc. and hence is able to design and manufacture Shell and Tube Heat Exchangers and Air Coolers to meet the stringent requirements of any certification parties and is in compliance with ASME Section VIII Div 1 and API 661, 660. Heatec is also both an ASME-U & ASME-U2 Stamps, and National Board "R" Stamp certified fabricator which further enhances our commitment to quality and excellence in all the products and services that we provide.

The ability of Heatec to conduct the entire stream of heat transfer and related services, from design, fabrication to restoration, repair, and final on-site removal and installation, allows us to be a one-stop centre for client's heat exchanger needs. This further reinforces Heatec's commitment to our customers, enabling them to operate their vessel and plants efficiently with quality products.

BOARD OF DIRECTORS

LIM SOON HOCK

Non-Executive Chairman and Non-Independent Director

Mr Lim Soon Hock is our Non-Executive Chairman and Non-Independent Director and was appointed to our Board on 1 May 2018. He is a member of our Remuneration Committee and Nominating Committee.

Mr Lim has more than 30 years of experience as a board member, CEO, technopreneur and private investor, across various highly competitive industries in a global environment.

After stepping down from Compaq Computer Asia Pacific, where he was the first Asian appointed to the position of Vice President and Managing Director for Asia Pacific, he had been involved in taking companies public, M&As and consulting for several global MNCs and promising SMEs.

Mr Lim is a Board Member and/or Senior Advisor of several public listed and private companies.

He received numerous accolades in recognition of his work and public service including the Supercomputing Asia 2019 – Singapore HPC-Pioneer & Achievement Award; 2014 National Day Public Service Star; 2009 National Day Public Service medal; 2012 President's Award for Volunteerism (Individual); Outstanding Volunteer Award (Open Category) from State Courts Singapore as a Volunteer mediator; 2012 IES Outstanding Volunteer Award; 2011 MCYS Outstanding Volunteer Award; 2010 IES-IEEE Joint Medal of Excellence Award; 2010 Honorary Fellow of ASEAN Federation of Engineering Organisations; 2009 NUS Distinguished Alumni Service Award and 1992 NUS Distinguished Engineering Alumni Award.

Mr Lim holds a Bachelor of Engineering (Honours) from the University of Singapore.

He is also a Justice of the Peace; a Volunteer Mediator at our State Courts Singapore; and an Adjunct Professor at the National University of Singapore.

SOON JEFFREY

Executive Director and Chief Executive Officer

Mr Soon Jeffrey is our Executive Director and Chief Executive Officer. Mr Soon was appointed to our Board on 1 January 2016. He is a member of our Nominating Committee.

Mr Soon oversees the Group's day-to-day operations and determines the Group's strategic direction for business growth. Mr Soon joined the Company in May 2005 as a Project Engineer. He has held the position as Group Sales & Business Development Director before assuming his current appointment.

Mr Soon has a Master's degree in Business and Administration from Singapore Management University and a Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering) from Nanyang Technology University.

BOARD OF DIRECTORS

ANTHONY ANG MENG HUAT

Non-Executive and Independent Director

Mr Anthony Ang Meng Huat is our Independent Director and was appointed to our Board on 17 April 2017. He chairs our Remuneration Committee, and is a member of our Audit and Risks Management Committee.

Mr Ang currently serves as Singapore's Non-Resident Ambassador to the Republic of Tunisia. He is also the Chief Executive Officer of Sasseur Asset Management Pte Ltd, a REIT management company. Mr Ang is also serving as an independent director on the board of Yong Tai Berhad (a company listed on Bursa Malaysia). He was previously Executive Director and the Chief Executive Officer of ARA Asset Management (Fortune) Limited – the manager of Fortune Real Estate Investment Trust and a wholly owned subsidiary of the ARA Group. Prior to that, Mr Ang was the Chief Executive Officer of ARA Asia Dragon Limited, which is the flagship real estate private fund of the ARA Group, and a Director of Am ARA REIT Managers Sdn Bhd, the manager of AmFirst Real Estate Investment Trust, which is listed on Bursa Malaysia.

Mr Ang graduated with a Bachelor of Science (Mechanical Engineering) with First Class Honours from the Imperial College, London, and obtained a Master of Business Administration from INSEAD. Mr Ang is also a Fellow of the Chartered Management Institute, United Kingdom.

Mr Ang currently serves on the executive committee of the EDB society; the business management advisory committee of Nanyang Polytechnic, and the school advisory council of Bukit Panjang Government High School.

CHONG ENG WEE (ZHANG YINGWEI)

Non-Executive and Lead Independent Director

Mr Chong Eng Wee (Zhang Yingwei) is our Non-Executive and Lead Independent Director and was appointed to our Board on 16 April 2018. He chairs our Nominating Committee and is a member of our Audit and Risks Management Committee.

Mr Chong is a Partner and head of Corporate at Kennedys Legal Solutions ("**KLS**"), a joint law venture between Kennedys Law LLP and Legal Solutions LLC. He is admitted as an Advocate and Solicitor in Singapore, Lawyer of the Supreme Court of New South Wales, and a Barrister and Solicitor of the High Court of New Zealand.

Prior to joining KLS, he was previously the Representative for the Shanghai Representative Office of another joint law venture firm. He was also the joint Company Secretary for 3 SGX-ST main board listed companies. He is also an independent director at GS Holdings Limited, a SGX-ST Catalist listed company, and CW Group (Holdings) Limited, a Hong Kong mainboard listed company.

His areas of practice include capital markets, mergers and acquisitions, private equity, China ("**PRC**"), banking and finance, corporate and commercial contracts, regulatory compliance, and corporate governance. He has advised issuers, issue managers, underwriters and placement agents, private equity funds, multinational corporations, high net-worth individuals and small and medium enterprises on transactions including initial public offerings ("**IPO**"), pre-IPO investment, dual listings, reverse takeovers, public takeovers, rights and warrants issues, placement, local and cross border acquisitions and disposals of shares and assets, downstream investment by private equity funds, joint ventures, and corporate restructuring. He has also acted in various cross border transactions with PRC elements, and frequently advises issuers on their regulatory compliance and corporate governance issues. He was ranked as Singapore's Top 40 Most Influential Lawyers aged 40 and under by Singapore Business Review (2015).

BOARD OF DIRECTORS

LIE LY @ LIELY LEE

Non-Executive and Independent Director

Ms Lie Ly @ Liely Lee is our Non-Executive and Independent Director and was appointed to our Board on 28 July 2018. She chairs our Audit and Risks Management Committee and is a member of our Remuneration Committee.

Ms Lee is currently the Group Chief Financial Officer and Alternate Director of Marco Polo Marine Ltd listed on SGX-ST. She is also the Director of PT BBR Tbk listed on IDX. Prior to joining Marco Polo Marine Group, Ms Lee was a co-owner of a food and beverage chain in Singapore. She oversaw the strategic growth, development, finance and human resources matters of the chain and had grown it to 13 outlets.

Graduated with a Bachelor of Commerce Degree from Murdoch University in Western Australia and also holding a Master of Accounting Degree from Curtin University in Western Australia, Ms Liely Lee is a qualified Chartered Public Accountant (CPA) Australia.

LOKE WENG SENG

Alternate Director to Mr Lim Soon Hock

Mr Loke Weng Seng is the Alternate Director to Mr Lim Soon Hock, our Non-Executive Chairman and Non-Independent Director, and was appointed on 28 July 2018.

Mr Loke has more than 40 years of experience in the shipbuilding and repair industry, with focus on turbocharger maintenance, repairs and overhaul. He takes responsibility for overall strategy, sales and marketing direction, and profitability of Tru-Marine's global operations. With Mr Loke at the helm, Tru-Marine has grown from a general ship repairer to become a highly reputed turbocharger specialist that has been placed five times on the Singapore Enterprise 50 list in 2002, 2005, 2007, 2008 and 2009.

Mr Loke is currently serving on the Programme Board of the Advanced Remanufacturing and Technology Centre (ARTC) by the Agency for Science, Technology and Research (A*STAR). His other appointments include SPRING Singapore's Board of Directors from 2009 to 2011, as well as Council Member of the Association of Singapore Marine Industries (ASMI), and Chairman for the trade organization's Supporting Industries Committee from 2003 to 2007.

For his outstanding leadership, Mr Loke has been recognized as Ernst & Young Entrepreneur of The Year (Marine & Engineering) 2007; Top Entrepreneur 2008 as well as Entrepreneur of the Year for Enterprise 2008 by The Rotary Club and Association of Small and Medium Enterprises. In 2009, he led the company to become the first privately-owned, small-and-medium enterprise to receive the Singapore Quality Award.

CHAIRMAN'S **STATEMENT**

By continuing to steadfastly adapt to market changes and to maintain our superior service quality, we strongly believe that this will enable us to navigate through the challenging business cycles and to prepare for the market's eventual recovery.

DEAR SHAREHOLDERS,

It is my pleasure to present my inaugural message to shareholders since my appointment as Non-Executive Chairman and Non-Independent Director of Heatec Jietong Holdings Limited ("Heatec" or the "Company", and together with its subsidiaries, the "Group") on 1st May 2018.

Over the past few years, the Group has faced several headwinds as we navigate through the challenges within the Marine and Offshore Engineering industry and the Oil and Gas industry.

One adverse consequence of the downturn was the inevitable reduction in the capital budgets of Heatec's reputable customers with strong balance sheets, limiting their expenditures on projects that we traditionally undertake. This has impacted our business prospects and performance, although we remain as a valuable and trustworthy partner for many of them for their projects. Our relationships with these major customers remain a valuable asset for the Group, which should put Heatec in a good stead, when the industry turns around.

Despite the softness in the business in the last few years, Heatec believes that we are in the business for the long haul. The Group possesses proven capabilities and established capacity, with excellent track records, built over the last 30 years, that we can leverage on to work closely with our customers, by focusing on their critical needs, to improve performance and to optimise operating efficiencies.

By continuing to steadfastly adapt to market changes and maintain our superior service quality, we strongly believe that this will enable us to navigate through the challenging business cycles and to prepare for the market's eventual recovery.

In the meantime, the Group is taking the necessary steps to improve our business performance and financial strength to enable Heatec to ride through these challenging times.

Moving forward, it is clear to the new Board of Directors that doing more of the same will not turn around the Group. Some tough, but decisive decisions must be taken timely.

The long-term fundamentals and outlook for our customers remain strong. We believe that we not only have the experience and knowledge, but the wherewithal and resilience to return to our hay days of profitability.

Our past track record and achievement give us the much needed confidence to turn the business around. We have been there before. We have done that before. There is therefore no reason why we cannot get there, going forward. The Group will endeavour to put in the best efforts to achieve this all-important breakthrough in 2019.

IN RECOGNITION AND APPRECIATION

As we progress ahead, there have been some changes to our Board of Directors during the year.

We welcome Mr Chong Eng Wee and Ms Lie Ly@Liely Lee as Non-Executive and Independent Directors of the Company. In addition, Mr Loke Weng Seng has been appointed as an Alternate Director to the Chairman of the Board.

As announced previously, Mr Michael Seow Teo Tiew has retired as an Independent Director of the Company in April 2018. Separately on 30 April 2018, Mr Ong Beng Chye has resigned as the Non-Executive Chairman and Independent Director as part of the board's renewal and succession planning.

On behalf of the Board of Directors, please join us in giving thanks to Mr Michael Seow and Mr Ong Beng Chye for their contributions and service during their tenures with the Group.

We would also like to take this opportunity to commend on the collective efforts of our management team and employees for their commitment and contributions during the past demanding year.

Last but not least, we appreciate the patience, support and confidence of our stakeholders throughout the recent challenging years.

LIM SOON HOCK
Non-Executive Chairman and Non-Independent Director

CEO'S STATEMENT

The challenges in our operating environment have compelled us to streamline our resources and transformation has become a necessity for all.

DEAR SHAREHOLDERS,

As the global oil market continued to recalibrate, key global players are re-evaluating project economics given their high-cost nature and these have significant ramifications to downstream players such as Heatec Jietong Holdings Ltd. ("Heatec" or the "Company", and together with its subsidiaries, the "Group").

As one of the leaders in piping and heat exchanger services for the marine and oil and gas industries, we continue to work collaboratively with our customers in this area and we are seeing recovery in some segments of our operating environment.

For the financial year ended 31 December 2018 ("FY2018") of Heatec, we achieved revenue of S$27.47 million, which was a significant growth of 31% from our previous financial year ended 31 December 2017 ("FY2017").

The bright spot in our business activities was our Heat Exchanger segment, where the Group secured several major projects and revenue in this segment surged 94% to S$16.86 million in FY2018.

However, soft market conditions continue to affect the performance of the Group's two other business units, Piping and Chemical Cleaning as there were lesser work orders from the Marine and Offshore Engineering sector in FY2018.

Operationally, while our Heat Exchanger segment was a major contributor of revenue in FY2018, we encountered various execution challenges in one of our major heat exchanger projects due to unforeseen circumstances, and this has inadvertently led to higher costs of sales in this segment.

Coupled together with higher costs of materials and increased manpower costs due to a lower foreign worker dependency ratio implemented by the Singapore Government, the Group's overall costs of sales in FY2018 increased more than the growth of revenue hence the Group's gross profit margin dipped from 26% in FY2017 to 19% in FY2018.

The challenges in our operating environment have compelled us to streamline our resources and transformation has become a necessity for all.

We have focused relentlessly on managing our costs and enhancing our productivity. Some of the key initiatives include the consolidation of operations among our subsidiaries, right-sizing our manpower resources and enhancing the utilisation of our workers' dormitory.

While these initiatives required difficult management and operational decisions, we are committed to align our cost structure with the market.

We are encouraged by our cost management measures as these initiatives have resulted in the Group's administrative expenses, which accounts for a major component in our financial performance, to remain relatively stable in FY2018 even though the Group's revenue has increased significantly by 31% in FY2018.

The Group's finance costs increased in FY2018 as we secured more bank loans in relation to more projects being undertaken by the Group during FY2018.

Overall, we narrowed the Group's loss position in FY2018 as we focused on executing our key strategies to return the Group back to profitability.

CEO'S STATEMENT

Continuing the Group's policy of prudent financial management, the Group's liquidity position remained healthy with positive working capital of S$7.70 million, while net asset value per share stood at S$0.133 as at 31 December 2018.

ENHANCING OUR COST EFFICIENCIES

With close to 30 years of operating track record, the Group's three core business segments – Heat Exchanger, Piping and Chemical Cleaning provide a comprehensive range of services to a diversified base of customers, which includes land-based process and chemical facilities, offshore marine, oil and gas and shipping industries, among others.

While the Group has weathered through various business cycles, the downturn of the oil and gas industry that started since 2014 has been particularly impactful to the entire business value chain within the industry.

To mitigate the situation over the past few years, we have been working relentlessly towards preserving our market position and improving our costs efficiencies.

During FY2018, the Group's Heat Exchanger segment secured a new contract valued at approximately US$3.2 million, scheduled to be delivered on or around end 2019.

While the Group's two other business segments have underperformed in FY2018, we are focusing on maintaining a strong customer portfolio, reducing structural costs and focusing on efficient use of our assets.

In addition, we have gradually diversified our portfolio of projects to incorporate onshore projects, which enhances our business positioning as a pure Marine & Offshore Engineering company.

Geographically, we are exploring strategic alliances with local and overseas partners to expand our core businesses and target new business opportunities in Singapore and beyond.

Looking beyond the current market sentiments, we believe that these strategies will lead to greater utilisation of our services and equipment and generate greater returns as we prepare the Group for growth when the overall industry recovery begins.

ACKNOWLEDGEMENTS

Turning the page to the new year ahead, market visibility remains limited. However, we remain steadfast in our commitment to deliver reliable and cost-effective services to our customers.

On behalf of everyone at Heatec, we thank our customers and business partners for their continued support.

I would also like to take the opportunity to express my heartfelt thanks to all our staff for their hard work and dedication over the past year.

Importantly, we also would like to thank our fellow shareholders for their support as we progress towards becoming a high value Marine & Offshore Engineering company in our journey ahead.

SOON JEFFREY
Executive Director and Chief Executive Officer

KEY MANAGEMENT PERSONNEL

YAT WAN THIAM

Group Chief Financial Officer

Ms Yat joined Heatec in July 2018 and is responsible for all matters related to the financial and accounting functions including implementation and review of corporate polices, regulatory compliance, risk management, financial planning and analysis, taxation, budgeting, forecasting and corporate secretarial functions of the Group.

Prior to joining the Group, Ms Yat held the Group Chief Financial officer appointments in various companies across sectors including manufacturing, oil & gas, marine, engineering, trading, private equity investment. In addition, having spent more than 28 years of experience in various roles with a professional services firm, she is experienced in corporate finance accounting and auditing matters across different industries and geographical reach.

Ms Yat holds a Chartered Accountant from Institute of Singapore Chartered Accountant (ISCA) and a Bachelor of Science (Hons) in Applied Accounting from Oxford Brookes University, UK.

SOON JENSON

Group General Manager (Operation)

Mr Soon is responsible for the overall supervision and management of our Group's engineering and operations. His responsibilities include oversight of quality control and adherence to Health and Safety Policy.

Before his current appointment, Mr Soon who joined Heatec and held the position of Assistant General Manager (Engineering & Operations) from January 2008 to March 2013. Prior to that, Mr Soon was a Project Director with Viking Airtech Pte Ltd.

Mr Soon has a Master's degree in Business and Administration from Nanyang Technology University, a Master of Mechanical & Aerospace Engineering degree from the Illinois Institute of Technology, Chicago, USA and a degree of Bachelor of Engineering (Mechanical & Production Engineering) (Second Class Honours) from Nanyang Technology University.

OPERATIONS REVIEW

PIPING

The Piping segment reported a 17% or S$1.58 million decrease in revenue, from S$9.52 million in the financial year ended 31 December 2017 ("**FY2017**") to S$7.94 million in the financial year ended 31 December 2018 ("**FY2018**"). The decline in revenue was due to a noticeable decrease in piping orders mainly from the shipyards.

With the aforementioned decline in revenue, the Piping segment recorded a segmental loss of S$0.84 million in FY2018, as compared to a segmental loss of S$0.37 million in FY2017.

HEAT EXCHANGER

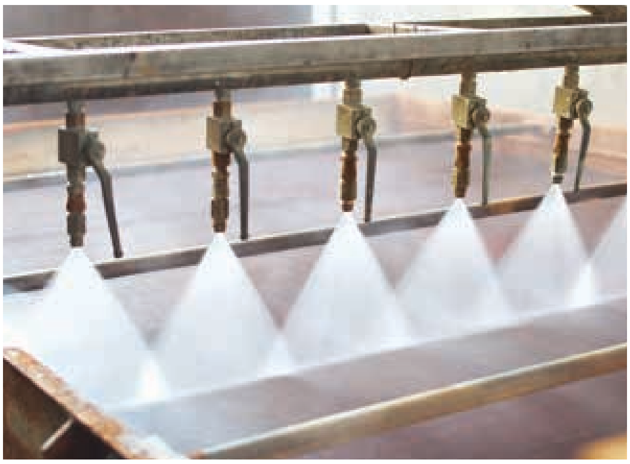
Since FY2017, the Group experienced a significant slowdown in the Marine and Offshore Engineering sector affected by the Oil and Gas industry which was similarly felt in FY2018, resulting in lesser work orders from the shipyards. However, the bright spot in our business activities was our Heat Exchanger segment, where the Group secured several major projects in this areas and revenue in this segment surged 94% or S$8.17 million increase in revenue, from S$8.69 million in FY2017 to S$16.86 million in FY2018.

With the abovementioned increase in revenue, a lesser segmental loss of S$1.99 million was recorded by the Heat Exchanger segment in FY2018, as compared to a segmental loss of S$2.45 million in FY2017.

CHEMICAL CLEANING

The Chemical Cleaning segment was also affected by the slowdown in the Marine and Offshore Engineering sector in Singapore with lower orders from shipyards. The Chemical Cleaning segment reported a decline in revenue by 3% or S$0.08 million, from S$2.76 million in FY2017 to S$2.68 million in FY2018.

The Chemical Cleaning segment suffered a segmental loss of S$0.36 million in FY2018, as compared to a segmental loss of S$0.10 million in FY2017.



FINANCIAL REVIEW

A. PROFITABILITY ANALYSIS

REVENUE BY SEGMENTS

	FY2018		FY2017		Variance	
	S$	%	S$	%	S$	%
Piping	7,935,847	28.9	9,515,795	45.4	(1,579,948)	(16.6)
Heat Exchanger	16,855,704	61.4	8,689,911	41.4	8,165,793	94.0
Chemical Cleaning	2,681,836	9.7	2,764,706	13.2	(82,870)	(3.0)
	27,473,387	100.0	20,970,412	100.0	6,502,975	31.0

Overall, the Group's revenue increased by 31.0% or S$6.50 million, from S$20.97 million in FY2017 to S$27.47 million in FY2018, attributable to the increase in revenue from Heat Exchanger segment. This had helped to offset the decline in revenue from both the Piping and Chemical Cleaning segments of the Group.

The revenue from the Heat Exchanger segment has increased by 94.0% or S$8.17 million, from S$8.69 million in FY2017 to S$16.86 million in FY2018. The increase was due to securing several major projects in FY2018.

The continued slowdown in the Marine and Offshore Engineering sector had affected the Group's Chemical Cleaning segment, which reported a 3.0% or S$0.08 million decline in revenue, from S$2.76 million in FY2017 to S$2.68 million in FY2018.

Furthermore, there was a noticeable decrease in piping orders mainly from shipyards which resulted in the Group's Piping segment reporting a 16.6% or S$1.58 million decline in revenue, from S$9.52 million in FY2017 to S$7.94 million in FY2018.

OVERALL PROFITABILITY

	FY2018	FY2017	Variance	
	S$	S$	S$	%
Gross Profit	5,318,215	5,411,825	(93,610)	(1.7)
Gross Profit Margin	*19.4%*	*25.8%*	–	(6.4)
Other Income	333,834	246,912	86,922	35.2
Administrative Expenses	(8,484,213)	(8,321,997)	(162,216)	1.9
Other Expenses	(389,748)	(1,108,732)	718,984	(64.8)
Share of profit/(loss) of associates	51,890	(216,260)	n.m.	n.m.
Impairment loss (recognised) reversed on financial assets	(200,660)	150,554	n.m.	n.m.
Finance Costs	(338,010)	(186,901)	(151,109)	80.8
Loss Before Income Tax	(3,708,692)	(4,024,599)	315,907	(7.8)
Income tax credit/(expense)	33,937	(249,463)	n.m.	n.m.
Loss for the year	(3,674,755)	(4,274,062)	599,307	(14.0)

FINANCIAL **REVIEW**

The Group recorded a gross profit margin of 19.4% for FY2018 amid continued weak market conditions, as compared to 25.8% for FY2017.

Significant factors that affected the Group's profitability were as follows:

1. The Group recorded a 42.4% increase in cost of sales, from S$15.56 million in FY2017 to S$22.16 million in FY2018 which was more than the corresponding 31.0% increase in revenue, resulting in a negative impact on the gross profit margin. This was mainly due to:

   (i) higher cost of materials and increased manpower costs due to a lower foreign worker dependency ratio implemented by the Singapore Government; and

   (ii) a substantial loss from a major project in the Heat Exchanger segment.

2. The Group's profitability in FY2018 was affected by the decrease in revenue from the Piping segment.

Other income

Other income increased by 35.2% or S$87,000 from S$0.25 million in FY2017 to S$0.33 million in FY2018 due mainly to increase in sundry income.

Administrative expenses

Administrative expenses remained relatively stable in FY2018 as compared to FY2017. The Group recorded a 1.9% or S$0.16 million increase in administrative expenses in FY2018 despite the increase in revenue by 31.0% or S$6.50 million.

Other expenses

Other expenses decreased by 64.8% or S$0.72 million, from S$1.11 million in FY2017 to S$0.39 million in FY2018 due mainly to the absence in FY2018 of a loss on liquidation of a subsidiary amounting to S$1.0 million upon winding up of a 72.5%-owned subsidiary during FY2017, partially offset by loss on impairment of goodwill of S$0.29 million in FY2018.

Share of profit/loss of associates

In FY2018, the Group recorded its share of profit of associates of S$52,000 attributable to Zhoushan Heatec IMC-YY Engineering Co., Ltd, of which the Company holds a 45% interest. In FY2017, the Group recorded its share of loss of associates of S$0.22 million due to its share of accumulated losses in Ipromar (Pte) Ltd., of which the Company holds a 25% interest. In FY2017 and FY2018, the Group's share of profit or loss of its other associates were immaterial.

Impairment loss (recognised) reversed on financial assets

In FY2018, the Group recognised an increase in impairment loss on financial assets due mainly to the increase in trade and other receivables in FY2018. In FY2017, the Group recognised a gain on reversal of impairment loss on financial assets due mainly to collection from trade and other receivables which impairment loss was recognised previously.

Finance costs

The Group's finance costs increased by 80.8% or S$0.15 million from S$0.19 million in FY2017 to S$0.34 million in FY2018. The increase in finance costs was in tandem with the increase in bank loans.

Income tax credit/expense

The income tax credit of S$34,000 in FY2018 was mainly due to reversal of deferred tax liability, whereas the income tax expense of S$0.25 million in FY2017 was mainly due to a reversal of previously recognised deferred tax asset of S$0.23 million.

B. BALANCE SHEET ANALYSIS

Balance Sheet	As at 31 December 2018 S$	As at 31 December 2017 S$	Variance S$	Variance %
Non-Current Assets	11,148,622	12,355,901	(1,207,279)	(9.8)
Current Assets	21,228,475	19,081,463	2,147,012	11.3
Non-Current Liabilities	459,282	1,830,148	(1,370,866)	(74.9)
Current Liabilities	13,528,321	7,523,119	6,005,202	79.8
Working Capital	7,700,154	11,558,344	(3,858,190)	(33.4)
Equity Attributable to Owners of the Company	16,352,853	19,776,932	(3,424,079)	(17.3)
Net Asset Value Per Share (Cents)	13.30	16.08	(2.78)	(17.3)

FINANCIAL **REVIEW**

The Group's working capital and net assets decreased in line with the losses incurred in FY2018. Nonetheless, as at 31 December 2018, the Group recorded positive working capital of S$7.70 million and net asset value stood firm at 13.30 cents per share.

(i) Non-current assets

Non-current assets comprised property, plant and equipment, investments in associates and goodwill.

Property, plant and equipment decreased from S$11.79 million as at 31 December 2017 to S$10.85 million as at 31 December 2018. The decrease was mainly due to depreciation charge and loss on impairment of plant and equipment amounting to S$1.13 million and S$41,000 respectively, partially offset by new purchases of plant and equipment amounting to S$0.27 million.

The Group recognised an impairment loss on goodwill during FY2018, amounting to S$0.29 million.

Save for the above, non-current assets of the Group remained relatively stable as at 31 December 2018, as compared to 31 December 2017.

(ii) Current assets

Current assets comprised trade receivables and other receivables (including contract assets), inventories and cash and bank balances.

Trade and other receivables (including contract assets) increased by 10.7% or S$1.71 million, from S$15.92 million as at 31 December 2017 to S$17.63 million as at 31 December 2018. The increase in trade and other receivables (including contract assets) was mainly due to the increase in revenue in FY2018.

Inventories increased by a fold or S$0.61 million, from S$0.56 million as at 31 December 2017 to S$1.17 million as at 31 December 2018, mainly due to a batch of materials purchased for a project in the Heat Exchanger segment that were in transit as at 31 December 2018.

Cash and bank balances decreased by 6.5% or S$0.17 million, from S$2.60 million as at 31 December 2017 to S$2.43 million as at 31 December 2018. Please refer to the "Cashflow Analysis" below for the reasons for the decrease.

(iii) Non-current liabilities

Non-current liabilities comprised bank loans, finance lease and deferred tax liabilities.

The non-current portion of bank loans decreased from S$1.36 million as at 31 December 2017 to S$89,000 as at 31 December 2018, mainly due to reclassification of non-current portion of the bank loan from non-current liabilities to current liabilities. Please refer to the paragraph (iv) "Current liabilities" below for more details on the reason for the reclassification.

The non-current portion of finance leases decreased from S$94,000 as at 31 December 2017 to S$58,000 million as at 31 December 2018, mainly due to reclassification of non-current portion of finance leases from non-current liabilities to current liabilities.

(iv) Current liabilities

Current liabilities comprised bank loans, trade and other payables (including contract liabilities), finance leases and income tax payable.

Current portion of bank loans increased by S$3.84 million, from S$3.52 million as at 31 December 2017 to S$7.36 million as at 31 December 2018. The increase was mainly due to a breach of a convenant clause in a bank facility letter by a subsidiary of the Company, which resulted in the reclassification of the bank loan from non-current liabilities to current liabilities. On 11 February 2019, the Group obtained a confirmation from the bank to accommodate the breach for FY2018 on a one-off basis. The bank will not request accelerated repayment of the loans and the terms of the loans were not changed.

Trade and other payables (including contract liabilities) increased by 61.5% or S$2.34 million, from S$3.80 million as at 31 December 2017 to S$6.14 million as at 31 December 2018. The increase was mainly due to an increase in purchases during the last quarter of FY2018 for new projects.

The current portion of finance leases decreased from S$0.20 million as at 31 December 2017 to S$36,000 as at 31 December 2018 mainly due to repayment made in FY2018.

FINANCIAL REVIEW

C. CASHFLOW ANALYSIS

	FY2018 S$	FY2017 S$	Variances S$	 %
Net cash (used in) from operating activities	(2,251,605)	550,904	(2,802,509)	n.m.
Net cash used in investing activities	(233,279)	(703,524)	470,245	(66.8)
Net cash from (used in) financing activities	2,278,842	(685,667)	2,964,509	n.m.
Net cash and cash equivalents at end of the year	2,384,415	2,601,077	(216,662)	(8.3)

The Group's cash and cash equivalents as per consolidated statement of cash flows was lower at S$2.38 million in FY2018, as compared to S$2.60 million in FY2017.

The net decrease in cash and cash equivalents of S$0.22 million (including the effect of exchange rate changes of S$0.01 million) for FY2018 was mainly due to the following:

(i) net cash outflow of S$2.25 million used in operating activities was mainly due to (a) operating cash outflow before movements in working capital of S$1.83 million; (b) the cash outflow from contract assets, inventories and contract liabilities of S$4.95 million, partially offset by the cash inflow from trade and other receivables and trade and other payables of S$4.89 million; and (c) interest and income tax paid of S$0.36 million;

(ii) net cash outflow of S$0.23 million used in investing activities was mainly due to capital expenditure of S$0.27 million to facilitate the Group's operations; partially offset by

(iii) net cash inflow of S$2.28 million generated from financing activities, which comprised proceeds from bank loan, revolving credit line and trade financing loans totalled S$8.73 million, partially offset by repayments of bank loans totalled S$1.82 million, repayments of trade financing loans totalled S$1.23 million, repayments of revolving credit line totalled S$3.12 million and repayments of finance leases of S$0.20 million.

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CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**" or "**Directors**") of Heatec Jietong Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") recognises the importance of corporate governance and is committed to ensuring the practices recommended in the Code of Corporate Governance 2012 (the "**Code**") are practiced throughout the Group. The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment, which will maximise long term shareholders' value and protect the interests of shareholders.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2018 ("**FY2018**"), with specific reference made to the principles of the Code and the disclosure guide developed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in January 2015 (the "**Guide**").

The new Singapore Code of Corporate Governance 2018 (the "**2018 Code**"), which was issued on 6 August 2018, will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the 2018 Code will not affect the Group for FY2018.

The Company confirms that during FY2018 it has substantially adhered to the principles and guidelines as set out in the Code and the Guide, and where applicable, it has specified and explained the areas and reasons for non-compliance.

I. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Company is headed by an effective Board to lead and control its operations and affairs. The Board is entrusted with the responsibility for the overall management and corporate governance of the Group including establishing strategic objectives and providing entrepreneurial leadership. The Board's key responsibilities include charting and reviewing the Group's overall business strategy, supervising the management of the Company ("**Management**") and reviewing the Group's financial performance and managerial performance while considering sustainability issues as part of its strategic formulation.

In addition, the Board has an obligation to shareholders of the Company ("**Shareholders**") and other stakeholders of the Company to safeguard their interests and the Company's assets by establishing a framework of prudent and effective controls which enables risk to be assessed and managed, setting the Company's values and standards (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and met, as well as identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

To assist the Board in the execution of its responsibilities and to provide independent oversight of Management, the Board has established a number of board committees, namely the Audit and Risks Management Committee (the "**ARMC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**"). Each of the Board Committees function within clearly defined terms of references and operating procedures endorsed by the Board, which are reviewed on a regular basis. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation by Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or senior management to attend their meetings. The Board Committees report its activities regularly to the Board and minutes of the Board Committees are also regularly provided to the Board. The Board Committees will also review their terms of reference on a regular basis to ensure their continued relevance and the effectiveness of each Board Committee is also constantly reviewed by the Board. The composition and description of each Board Committee are set out in this report.

CORPORATE GOVERNANCE **REPORT**

The schedule of all the Board and Board Committee meetings as well as the annual general meeting of the Company ("**AGM**") for the next calendar year is planned well in advance. The Board meets at least twice a year and whenever warranted by particular circumstances. Ad-hoc and/or non-scheduled Board meetings may be convened to deliberate on urgent substantial matters. In addition to the scheduled meetings, the Board would have informal discussions on corporate events and/or actions, which would then be formally confirmed and approved by circulating resolutions in writing. The Board members also communicate frequently with Management to discuss the business operations of the Group.

Regulation 104(4) of the Company's Constitution (the "**Constitution**") allows Board meetings to be conducted by means of conference telephone, videoconferencing, audio visual, or other electronic means of communication by which all persons participating in the meeting can hear one another contemporaneously. Decisions of the Board and Board Committees may also be obtained through circular resolutions.

The attendance of each Director at meetings of the Board and Board Committees during FY2018 as well as the frequency of such meetings held is set out in the table below:

No. of Meetings held	**Board of Directors**		**Audit and Risks Management Committee**			**Nominating Committee**		**Remuneration Committee**	
	2		**2**			**1**		**1**	
	1/2	**2/2**	**Member**	**1/2**	**2/2**	**Member**	**1/1**	**Member**	**1/1**
Present Directors									
Lim Soon Hock[(1)]	N.A.	√	No	N.A.	√*	Yes	N.A.	Yes	N.A.
Soon Jeffrey[(2)]	√	√	No	√*	√*	Yes	√*	No	√*
Chong Eng Wee (Zhang Yingwei)[(3)]	N.A.	√	Yes	N.A.	√	Chairman	N.A.	No	N.A.
Anthony Ang Meng Huat[(4)]	√	√	Yes	√	√	No	√	Chairman	√
Lie Ly @ Liely Lee[(5)]	N.A.	√	Chairman	N.A.	√	No	N.A.	Yes	N.A.
Past Directors									
Ong Beng Chye[(6)]	√	N.A.	Yes	√	N.A.	Yes	√	Yes	√
Michael Seow Teo Tiew[(7)]	√	N.A.	Yes	√	N.A.	Yes	√	Yes	√

N.A. – Attendance of meetings by each of the Directors were not applicable as the meetings were either held prior to their appointment or after their resignation
√ – Attendance at the meetings whilst as a member
* – By invitation

(1) Appointed as Non-Executive Chairman and Non-Independent Director on 1 May 2018
(2) Appointed as member of the NC on 16 April 2018
(3) Appointed as Non-Executive and Independent Director, Chairman of the NC and member of the ARMC and the RC on 16 April 2018, ceased as a member of the RC on 28 July 2018 and subsequently appointed as Non-Executive and Lead Independent Director on 1 April 2019
(4) Relinquished his role as Chairman of the ARMC and remained as member of the ARMC, appointed as Chairman of the RC and ceased as member of the NC on 28 July 2018
(5) Appointed as Independent Director, Chairman of the ARMC and member of the RC on 28 July 2018
(6) Ceased as Non-Executive Chairman and Independent Director on 30 April 2018
(7) Retired as Independent Director at the AGM held on 16 April 2018

CORPORATE GOVERNANCE REPORT

Matters Requiring Board's Approval

The Company has in place internal guidelines on matters which specifically require the Board's decision or approval, including but not limited to the following:

(a) approval of announcements released via SGXNet, including financial results announcements;

(b) approval of operating budgets, annual and interim reports, financial statements, Directors' statement and annual report;

(c) dividend matters;

(d) authorisation of banking facilities and corporate guarantees;

(e) approval of change in corporate business strategy and direction;

(f) appointment and cessation of Directors and key management;

(g) any matters relating to general meetings, Board and Board Committees; and

(h) approval of material investment and divestment proposals, acquisitions and disposals, and funding requirements.

The Company does not have a formal training program for the Directors but all new Directors will undergo an orientation in order to be provided with background information about the Group's history, strategic direction and industry-specific knowledge, corporate functions and governance practices, as well as the expected duties of a Director of a listed company. To get a better understanding of the Group's businesses, the Directors will also be given the opportunity to visit the Group's operational facilities and meet with Management. The Company will also arrange for first-time Directors to attend relevant training in relation to the roles and responsibilities of a Director of a listed company and in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company.

The Company encourages the Directors to attend training courses organised by the Singapore Institute of Directors ("**SID**") or other training institutions which are aimed at providing them with the latest updates on changes in relevant regulations, accounting standards, corporate governance practices and guidelines from the SGX-ST that affect the Group and/or the Directors in connection with their duties and responsibilities as a Director of a public-listed company in Singapore, and such training will be funded by the Company.

All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Group and/or Directors are circulated to the Board.

Upon appointment, the newly appointed Directors will be provided a formal letter of appointment, explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board. During FY2018, Mr Lim Soon Hock, Mr Chong Eng Wee (Zhang Yingwei), Mr Loke Weng Seng and Ms Lie Ly @ Liely Lee were appointed as the Directors of the Company and they have underwent an orientation and received the formal letter of appointment setting out their duties and obligations.

CORPORATE GOVERNANCE REPORT

Seminars and Trainings attended by Directors in FY2018

The details of updates, seminars and training programs attended by the Directors in FY2018 include, amongst others:

- updates on developments in financial reporting and governance standards, where relevant, by the external auditors of the Company, Deloitte & Touche LLP ("**Deloitte**"), to the ARMC and the Board;
- updates on amendments to the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") and the Code by the continuing sponsor of the Company;
- SGX-SID Audit Committee Seminar 2018 organised by ACRA;
- seminar titled "The Sustainability Imperative" organised by SID;
- seminar titled "Sustainability roundtable" organised by the SGX-ST; and
- seminar titled "SID Directors Conference" organised by SID.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this report, the Board comprises the following five Directors, one of whom is an Executive Director and four of whom are Non-Executive Directors of which three are Independent Directors:

Executive Director

Soon Jeffrey	–	Executive Director and Chief Executive Officer ("**CEO**")

Non-Executive Directors

Lim Soon Hock (Alternate Director – Loke Weng Seng)	–	Non-Executive Chairman and Non-Independent Director
Chong Eng Wee (Zhang Yingwei)	–	Non-Executive and Lead Independent Director
Anthony Ang Meng Huat	–	Non-Executive and Independent Director
Lie Ly @ Liely Lee	–	Non-Executive and Independent Director

All Directors possess the core competencies and diversity of experience that enable them to effectively contribute to the Board. Their varied experiences are particularly important in ensuring that the strategies proposed by Management are fully discussed and examined, taking into account the long-term interests of the Company, the Group and Shareholders.

Independent Members of the Board, Role of the Non-Executive Directors, Board Size

There is a strong and independent element on the Board as more than half of the Board is made up of Independent Directors.

In view that the Non-Executive Chairman is not an Independent Director, the Company met the Code's recommendation as the Independent Directors make up more than half of the Board. No individual or group of individuals dominates the Board's decision making. In addition, the roles of the Chairman and the CEO are assumed by different persons.

CORPORATE GOVERNANCE REPORT

The criterion for independence is based on the definition set out in the Code, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Board considers an "independent" Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company, and does not fall under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The independence of each Director is reviewed annually by the NC.

For FY2018, the Independent Directors have confirmed that they do not have any relationship with the Company nor its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company, and do not fall under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Board, based on the review conducted by the NC, has determined that the said Directors are independent.

As at the date of this report, none of the Independent Directors has served on the Board beyond nine years since the date of his/her first appointment. Nonetheless, the independence of any Director who has served on the Board beyond nine years since the date of his/her first appointment will be subject to particularly rigorous review.

The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's operations, the requirements of the businesses and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, believes that its current board size and the existing composition of the Board and Board Committees effectively serve the Group. It provides sufficient diversity of skills, experience and knowledge of the Group without interfering with efficient decision-making.

The Board's policy in identifying nominees for directorship is primarily to have an appropriate mix of expertise with complementary skills, core competencies and experience for facilitating effective decision making, regardless of gender. In recognition of the importance and value of gender diversity in the composition of the Board, the Company has appointed a female Director in July 2018. Each Director has been appointed based on his/her skills, experience and knowledge, and is expected to bring forth his/her experience and expertise to the Board for the continuous development of the Group.

Although all Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and rigorously examined, assessing the performance of Management in meeting the agreed goals and objectives, as well as monitoring the reporting of performance.

The Independent Directors are encouraged to meet, without the presence of Management, so as to facilitate a more effective check on Management. During FY2018, the Independent Directors have met informally at least once without the presence of Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of Directors and key management personnel.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman of the Board and the CEO should in principle be separate persons to maintain an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision making. There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the leadership of the Board and the senior management responsible for managing the Group's business operations. The Non-Executive Chairman, Mr Lim Soon Hock, and the CEO, Mr Soon Jeffrey, are not related to each other.

CORPORATE GOVERNANCE **REPORT**

The Chairman is responsible for the effective functioning of the Board and exercises control over the quality, quantity and timeliness of information flow between the Board and Management and effective communication with Shareholders. In addition, the Chairman encourages constructive relations among the Directors and the Board's interaction with Management, as well as facilitates effective contribution of Non-Executive Directors. The Chairman's responsibilities in respect of the Board proceedings include:

(a) in consultation with the CEO, setting the agenda (with the assistance of the Company Secretary and her representatives) and ensuring that adequate time is available for discussion of all agenda items, in particular, strategic issues;

(b) ensuring that all agenda items are adequately and openly debated at the Board meetings;

(c) ensuring that all Directors receive complete, adequate and timely information; and

(d) assisting in ensuring that the Group complies with the Code and maintains high standards of corporate governance.

The CEO has full executive responsibilities in the business directions and operation efficiency of the Group. He oversees execution of the Group's corporate and business strategies and is responsible for the day-to-day running of the business. All major proposals and decisions made by the CEO are discussed and reviewed by the Chairman and the ARMC and recommended to the Board for its consideration and approval. The performance and remuneration package of the CEO is reviewed periodically by the NC and RC respectively. As the ARMC consists of all Independent Directors and the majority of the Board comprises Independent Directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

In line with the Code's recommendation, the Board has appointed Mr Chong Eng Wee (Zhang Yingwei), Non-Executive and Independent Director, as Lead Independent Director on 1 April 2019 in view that the Non-Executive Chairman is not an Independent Director. The Lead Independent Director would be available to shareholders where they have concerns for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer ("**CFO**") has failed to resolve or is inappropriate.

Where necessary, the Lead Independent Director shall lead the meetings among the Independent Directors without the presence of other Directors. The Lead Independent Director shall provide feedback to the Chairman of the meeting after such meetings, if it is necessary.

<u>Board Membership</u>

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

As at the date of this report, the NC comprises the following three members, two of whom, are Non-Executive Directors and one of whom is an Executive Director, and the NC Chairman is an Independent Director:

Chong Eng Wee (Zhang Yingwei)	–	Chairman
Lim Soon Hock	–	Member
Soon Jeffrey	–	Member

CORPORATE GOVERNANCE REPORT

Currently, the composition of the NC is not in compliance with the Code and its terms of reference of which the NC should comprise majority of Independent Directors. The Board has decided to constitute the NC (with a majority of such members being not independent) to include Directors who are familiar with the business and operations of the Group, and have relevant human resource experience such as board succession planning.

The terms of reference of the NC sets out its duties and responsibilities. Amongst them, the NC is responsible for:

1. recommending to the Board concerning the appropriate size and needs of the Board, having regard to the appropriate skill mix, personal qualities and experience required for effective Board performance;

2. determining the independence of each Director annually, and as and when circumstances require;

3. reviewing of board succession plans for Directors, in particular, the Chairman and the CEO;

4. reviewing of the leadership needs of the organisation with a view of ensuring the continued ability to compete effectively in the organisation's marketplace;

5. reviewing of training and professional development programs for the Board;

6. deciding on how the Board's performance may be evaluated and propose objective performance criteria;

7. assessing the effectiveness of the Board as a whole and its Board Committees and the contribution by the Chairman and each individual Director to the effectiveness of the Board;

8. reviewing of re-election and re-appointment to the Board. In appointing new Directors, the Board considers the range of skills and experience required in light of:

   (a) the geographical spread and diversity of the Group's businesses;

   (b) the strategic direction and progress of the Group;

   (c) the current composition of the Board; and

   (d) the need for independence; and

9. reviewing of disclosure of information in the annual report, including key information of directors, search and nomination process, Board and individual Director assessment process as required under the Code.

Where a vacancy arises pursuant to an expansion of the Board or such other circumstances as they may occur, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The search for a suitable candidate is drawn from the contacts and networks of existing Directors. The NC can also approach relevant institutions such as the SID, professional organisations or business federations to source for a suitable candidate. New Directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board.

The NC reviews the independence of each Director annually in accordance with the Code's definition of independence, and taking into consideration whether the Director falls under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. In respect of the Company's current Independent Directors, namely Mr Chong Eng Wee (Zhang Yingwei), Mr Anthony Ang Meng Huat, and Ms Lie Ly @ Liely Lee, the Board is of the view that they are independent, taking into account the circumstances set forth in the Code and any other salient factors. For FY2018, the Independent Directors had also confirmed their independence in accordance with the Code.

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Where a Director has multiple listed company board representations, and in considering the nomination of Directors for appointment, the NC will evaluate whether or not the Director is able to and has been adequately carrying out his/her duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments. The Board does not limit the maximum number of listed company board representation its Board members may hold as long as each of the Board members is able to commit his/her time and attention to the affairs of the Company. The Board believes that each individual Director is best placed to determine and ensure that he/she is able to devote sufficient time and attention to discharge his/her duties and responsibilities as a Director of the Company, bearing in mind his/her other commitments.

On 28 July 2018, Mr Loke Weng Seng was appointed as alternate Director to Mr Lim Soon Hock. An alternate Director owes the same fiduciary duties as a Director and is subject to the same liabilities to the Company. Mr Loke will only attend the Board meetings on the Chairman's behalf as a member of the Board, but not as Chairman, in view that the Company has a Lead Independent Director, should the Chairman be unavailable. Mr Loke is familiar with the affairs of the Company. The Board has considered the expertise and experience, as well as the business and financial backgrounds of Mr Loke Weng Seng and is satisfied that Mr Loke is appropriately qualified to serve as alternate Director to Mr Lim Soon Hock.

Regulation 98 of the Company's Constitution provides that at each AGM, at least one-third of the Directors for the time being shall retire from office by rotation and submit themselves for re-election, provided that all Directors shall retire from office at least once every three years. Rule 720(4) of the Catalist Rules also provides that all Directors must submit themselves for re-nomination and re-appointment at least once every three years.

Regulation 99 of the Company's Constitution provides that the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for the three years since their last election. Between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by the drawing of lots. A retiring Director shall be eligible for re-election.

Regulation 102 of the Company's Constitution provides that the Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director but the total number of Directors shall not at any time exceed the maximum number (if any) fixed by the Company's Constitution. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The NC has recommended to the Board that Mr Soon Jeffrey, who is retiring by rotation pursuant to Regulations 98 and 99 of the Company's Constitution, as well as Mr Lim Soon Hock, Mr Chong Eng Wee (Zhang Yingwei) and Ms Lie Ly @ Liely Lee, who are retiring pursuant to Regulation 102 of the Company's Constitution, be nominated for re-election at the forthcoming AGM.

Mr Soon Jeffrey will, upon re-election as a Director, remain as the Executive Director and CEO and a member of the NC.

Mr Lim Soon Hock will, upon re-election as a Director, remain as the Non-Executive Chairman and Non-Independent Director and a member of the NC and RC respectively.

Mr Chong Eng Wee (Zhang Yingwei) will, upon re-election as a Director, remain as the Non-Executive and Lead Independent Director, Chairman of the NC and a member of the ARMC respectively, and is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Ms Lie Ly @ Liely Lee will, upon re-election as a Director, remain as the Non-Executive and Independent Director, Chairman of the ARMC and a member of the RC respectively, and is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules.

CORPORATE GOVERNANCE REPORT

In making the recommendation, the NC has considered the Directors' overall contributions and performance. Each member of the NC shall abstain from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his/her own performance or re-election as a Director.

Pursuant to Rule 720(5) of the Catalist Rules, the information relating to the retiring Directors nominated for re-election as set out in Appendix 7F to the Catalist Rules is disclosed below:

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
Date of first appointment	1 January 2016	1 May 2018	16 April 2018	28 July 2018
Date of last re-appointment (if applicable)	18 April 2016	N.A.	N.A.	N.A.
Age	38	69	39	45
Country of principal residence	Singapore	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 NC and having assessed Mr Soon's working experiences and leadership in the Group, is of the view that Mr Soon has the requisite experiences to assume the responsibilities as Executive Director and CEO of the Company.	The Board, having considered the recommendation of the NC and having assessed Mr Lim's qualifications, expertise, past experiences and contribution in the Group, is of the view that Mr Lim has the requisite knowledge and experience to assume the responsibilities as Non-Executive Chairman and Non-Independent Director of the Company.	The Board, having considered the recommendation of the NC and having assessed Mr Chong's qualifications, expertise, past experiences and independence, is of the view that Mr Chong has the requisite knowledge and experience to assume the responsibilities as Lead Independent Director of the Company. The Board considers Mr Chong to be independent for the purpose of Rule 704(7) of the Catalist Rules.	The Board, having considered the recommendation of the NC and having assessed Ms Lee's qualifications, expertise, past experiences and independence, is of the view that Ms Lee has the requisite knowledge and experience to assume the responsibilities as an Independent Director of the Company. The Board considers Ms Lee to be independent for the purpose of Rule 704(7) of the Catalist Rules.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Soon is responsible for all day-to-day operations and determines the Group's strategic direction for business growth, including the overall Group sales activities, as well as business development in new market and industries.	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and CEO, and a member of the NC	Non-Executive Chairman and Non-Independent Director and a member of the NC and RC	Non-Executive and Lead Independent Director, Chairman of the NC and a member of the ARMC	Non-Executive and Independent Director, Chairman of the ARMC and a member of the RC

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
Professional qualifications	• Master's Degree in Business and Administration • Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering)	• Bachelor of Engineering (Hon) • Diploma of Business Administration • Graduate Certificate In International Arbitration • Registered Professional Engineer (s) • Fellow of Institution of Engineers Singapore • Fellow of Academy of Engineering Singapore • Chartered Engineer (UK) • Fellow of Institution of Engineering And Technology • Honorary Fellow of Asean Federation of Engineering Organizations • Fellow of Singapore Computer Society • Fellow of Singapore Institute of Directors • Fellow of Singapore Institute Of Arbitrators • Member of the Singapore Mediation Centre's Family Panel of Mediators and Associate Mediators Panel	• Advocate & Solicitor, Supreme Court of Singapore • Legal Practitioner, Supreme Court of New South Wales, Australia • Barrister & Solicitor, High Court of New Zealand • Bachelor of Laws	• CPA Australia • Master in Accounting • Bachelor of Commerce

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
Working experience and occupation(s) during the past 10 years	**January 2016 to Present** Executive Director and CEO, the Company **July 2014 to December 2015** Group Sales and Business Development Director, the Company **August 2013 to June 2014** General Manager (Sales & Operations), the Company **August 2012 to July 2013** Senior Business Development and Sales Manager, the Company **February 2011 to July 2012** Business Development and Sales Manager, the Company **February 2006 to January 2011** Operations Manager, the Company	**July 2018 to Present** Adjunct Professor, National University of Singapore **May 2008 to Present** Justice of The Peace **August 2013 to Present** Mediator, State Court Singapore **April 2015 to Present** Member of Family Panel of Mediators and Associate Mediators Panel, Singapore Mediation Centre **August 2010 to July 2013** Deputy Chairman and Executive Director, Stratech Systems Ltd **April 2007 – September 2009** Executive Chairman, Healthe Solutions International Pte Ltd Board Member of several government agencies, public listed and private companies, as well as charitable organisations (Refer to disclosure on past and present directorship and other principal commitments)	**October 2017 to Present** Partner and Head of Corporate, Kennedys Legal Solutions Pte Ltd **July 2015 to October 2017** Partner and Deputy Head, Capital Markets & International China Practice (South East Asia), RHTLaw Taylor Wessing LLP **April 2011 to June 2015** Associate Director & Representative of Shanghai Representative office, Duane Morris & Selvam LLP **December 2009 to March 2011** Associate, KhattarWong LLP	**March 2018 to Present** Alternate Director to the Chairman of the Board and Group CFO, Marco Polo Marine Ltd **2006 to February 2018** Executive Director and Group CFO, Marco Polo Marine Ltd
Shareholding interest in the listed issuer and its subsidiaries	1,400,000 shares and 3,000,000 share options in the Company	None	None	None

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
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	Mr Soon is the son of Mr Soon Yeow Kwee Johnny, a substantial shareholder of the Company, and the brother of Mr Soon Jenson, an executive officer of the Company. Mr Soon is a director on the boards of certain subsidiaries of the Company, details as set out below.	Mr Lim is the Deputy Chairman and Senior Advisor of Tru-Marine Pte Ltd, a substantial shareholder of the Company.	None	None
Conflict of interest (including any competing business)	None	None	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Other Principal Commitments including Directorships				
Past (for the last 5 years)	1. Karnot Technology Pte. Ltd 2. Heatec Oilfield Services Pte. Ltd. 3. Heatec Chariots Envirobotics Pte.Ltd.	1. GlobalRoam Group Ltd 2. Medibank Asia Pte Ltd 3. Medibank Health Singapore Pte Ltd 4. SISTIC.com Pte Ltd 5. DasCoin (HK) Ltd 6. SICPA Asia Development Pte Ltd 7. Centre for Fathering Ltd 8. EPS Worldwide Pte Ltd 9. National Volunteerism and Philanthropy Centre 10. Raffles Institution 11. The Asian Patrons of the Arts in the Vatican Museums Ltd 12. Innonix Technology Pte Ltd 13. Invictus Group Pte Ltd 14. Solustar Pte Ltd 15. Accu-Healthcare Pte Ltd 16. Halogen Foundation Singapore	1. Innopac Holdings Limited 2. Selvam LLC	1. Gold Park Pty Ltd 2. Marco Polo Drilling Pte. Ltd. 3. Marco Polo Drilling (I) Pte. Ltd.

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
Present	1. Chem-Grow Services Pte. Ltd. 2. Chem-Grow Pte. Ltd. 3. Chem Grow Engineering Pte. Ltd. 4. Heatec Veslink Marine Services Co. Ltd 5. HJT Engineering & Construction Pte Ltd 6. JJY Engineering & Construction Pte Ltd 7. Heatec Jietong Pte Ltd.	1. PLAN-B ICAG Pte Ltd 2. China Fishery Group Limited (incorporated in Cayman Islands) 3. DISA Limited 4. REDA Industrial Materials (Holding) Ltd 5. Raffles Girls School 6. Board of Visiting, Justices, Singapore Prison Service 7. Singapore Eye Foundation 8. Singapore Heart Foundation 9. REDA Pte Ltd 10. Archer (S) Pte Ltd 11. Tru-Marine Pte Ltd 12. Verita Healthcare Group Ltd 13. State Courts Singapore (Court Volunteer as a Mediator) 14. Singapore Mediation Centre (Member of the Family Panel of Mediators and Associate Mediators Panel) 15. National University of Singapore (as an Adjunct Professor Professor) 16. Justice of the Peace	1. Kennedys Legal Solutions Pte Ltd 2. GS Holdings Limited 3. CW Group Holdings Limited 4. Legal Solutions LLC	1. Marco Polo Marine Ltd 2. Marco Polo Shipyard Pte. Ltd. 3. MP Marine Pte. Ltd. 4. MPST Marine Pte. Ltd. 5. MP Shipping Pte. Ltd. 6. MP Ventures Pte. Ltd. 7. Marco Polo Offshore Pte. Ltd. 8. Marco Polo Shipping Co Pte Ltd 9. Marcopolo Shipping (Hong Kong) Limited 10. Marco Polo Offshore (Il) Pte. Ltd. 11. MP Offshore Pte. Ltd. 12. Marco Polo Offshore (III) Pte. Ltd. 13. PT. Pelayaran Nasional Bina Buana Raya TBK 14. BBR Shipping Pte. Ltd. 15. MPMT Pte. Ltd. 16. MPMT 1 Tankers Pte. Ltd. 17. PT. Sinar Bintang Makmur 18. Marco Polo Drilling Pte. Ltd. 19. Marco Polo Drilling (I) Pte. Ltd. 20. Marco Polo Offshore (VI) Pte. Ltd. 21. Marco Polo Offshore (VII) Pte. Ltd.

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
Information required pursuant to Catalist Rules 704(6) and/or 704(7)				
(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?	None	None	None	None
(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?	None	Yes 1. China Fishery Group Limited, of which Mr Lim was the non-executive independent director, filed for judicial provisional liquidation in Hong Kong by its bank creditors. The company won and subsequently filed for Chapter 11 in the United States of America. 2. Globalroam Group Ltd, of which Mr Lim was the chairman, filed for judicial management.	None	None
(c) Whether there is any unsatisfied judgment against him?	None	None	None	None

CORPORATE GOVERNANCE **REPORT**

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
(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?	None	None	None	None
(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?	None	None	None	None
(f) Whether at any time during the last 10 years, judgment 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?	None	None	None	None

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
(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?	None	None	None	None
(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?	None	None	None	None
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	None	None	None	None

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
(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	None	Yes 1. Stratech Systems Limited had previously made a purported misleading announcement which was released by the management without prior approval from the board of directors. Stratech Systems Limited was subsequently issued a warning by the SGX-ST for the mentioned announcement. 2. In August 2015, China Fishery Group Limited and its subsidiaries were investigated by MAS into an offence under the Securities and Futures Act, Chapter 289 of Singapore, pursuant to the provisions of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition). This investigation arose out of investigation into the parent company in Hong Kong. None of the independent directors (including Mr Lim) was investigated.	None	None

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
		3. In September 2018, the Polish authorities announced that they are investigating NetLeaders, a strategic partner of DasCoin (HK) Ltd (of which Mr Lim was one of four non-executive independent directors), for allegedly violated Art.286. To the best of Mr Lim's knowledge, Mr Lim is not aware if DasCoin (HK) Ltd, which is involved in blockchain and cryptocurrency, has been included in the investigation. Mr Lim also understand that NetLeaders has denied any wrong doing and had engaged legal counsel to help the authorities on the matter. The chairman and Mr Lim are not parties to any alleged wrong doing, have not been involved in the on-going investigation, and have since stepped down from the board of directors of DasCoin (HK) Ltd. *Note: Art.286 relates to a party, who, in order to gain financial gain, leads another person to an unfavorable regulation by their own or someone else's property by means of misleading or exploiting a mistake or inability to properly understand the action taken.*		

CORPORATE GOVERNANCE **REPORT**

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
(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	None	None	None	None
(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	None	None	None	None
(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?	None	None	None	None
(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?	None	None	None	None

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Jeffrey	Lim Soon Hock	Chong Eng Wee (Zhang Yingwei)	Lie Ly @ Liely Lee
Disclosure applicable to the 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).	Yes. Mr Soon is currently the Executive Director and CEO of the Company.	Yes. 1. Stratech Systems Limited 2. Teledata Ltd 3. SingXpress Ltd 4. Reed Group Holdings Ltd 5. ei-Nets Ltd 6. TPA Strategic Holdings Ltd 7. Pacific Internet Ltd (also listed on Nasdaq) 8. China Fishery Group Ltd 9. DISA Limited 10. Strike Engineering Ltd	Yes. 1. GS Holdings Limited	Yes. 1. Marco Polo Marine Ltd

Process for Selection and Appointment of New Directors

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors, amongst others, to consider succession planning and refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new Director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy.

CORPORATE GOVERNANCE REPORT

As at the date of this report, the members of the Board and their details are set out below:

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/Board Committee served	Academic and professional qualifications	Directorships or Chairmanships both present and held over last 3 years in other listed companies and other principal commitments
Mr Lim Soon Hock	1 May 2018	Non-Executive and Non-Independent	Non-Executive Chairman and Non-Independent Director and a member of the NC and RC	• Bachelor of Engineering (Hon) • Diploma of Business Administration • Graduate Certificate In International Arbitration • Registered Professional Engineer (s) • Fellow of Institution of Engineers Singapore • Fellow of Academy of Engineering Singapore • Chartered Engineer (UK) • Fellow of Institution of Engineering And Technology • Honorary Fellow of Asean Federation of Engineering Organizations • Fellow of Singapore Computer Society • Fellow of Singapore Institute of Directors • Fellow of Singapore Institute Of Arbitrators • Member of the Singapore Mediation Centre's Family Panel of Mediators and Associate Mediators Panel	Other Principal Commitments Adjunct Professor, National University Of Singapore Raffles Girls School State Courts Singapore (Court Volunteer as a Mediator) Justice of The Peace Present Directorships China Fishery Group Limited (incorporated in Cayman Islands) DISA Limited Past Directorship –
Mr Soon Jeffrey	18 April 2016	Executive	CEO and a member of the NC	• Master's Degree in Business and Administration • Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering)	Other Principal Commitment – Present Directorship – Past Directorship –

CORPORATE GOVERNANCE **REPORT**

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/Board Committee served	Academic and professional qualifications	Directorships or Chairmanships both present and held over last 3 years in other listed companies and other principal commitments
Mr Chong Eng Wee (Zhang Yingwei)	16 April 2018	Non-Executive and Independent	Chairman of the NC and a member of the ARMC	• Advocate & Solicitor, Supreme Court of Singapore • Legal Practitioner, Supreme Court of New South Wales, Australia • Barrister & Solicitor, High Court of New Zealand • Bachelor of Laws	Other Principal Commitment Partner and Head of Corporate, Kennedys Legal Solutions Pte Ltd Present Directorships GS Holdings Limited CW Group Holdings Limited Past Directorship Innopac Holdings Limited
Mr Anthony Ang Meng Huat	16 April 2018	Non-Executive and Independent	Chairman of the RC and a member of the ARMC	• Bachelor of Science (Mechanical Engineering, First Class Honours) • Master of Business Administration	Other Principal Commitments CEO of Sasseur Asset Management Pte Ltd Non-Resident Ambassador of the Republic of Singapore to the Republic of Tunisia, Ministry of Foreign Affairs Present Directorship Yong Tai Berhad Past Directorships Europtronic Group Ltd IPS Securex Holdings Limited
Ms Lie Ly @ Liely Lee	28 July 2018	Non-Executive and Independent	Chairman of the ARMC and a member of the RC	• CPA Australia • Master in Accounting • Bachelor of Commerce	Other Principal Commitment Group CFO of Marco Polo Marine Ltd Present Directorships Marco Polo Marine Ltd PT. Pelayaran Nasional Bina Buana Raya TBK Past Directorship -

Information of the interests of the Directors who held office at the end of the financial year in shares, debentures and share options in the Company and its related corporations (other than the wholly-owned subsidiaries) are set out in the Directors' Statement on pages 52 to 55 of this annual report.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC, together with the Board, has considered the guidelines contained in the Code and had adopted a formal process using a set of performance criteria for the evaluation of the performance of the Board as a whole.

The NC conducts a formal review of the Board performance annually, by way of a Board assessment checklist which is circulated to the Board members for completion. The summary of the evaluation together with the feedback and recommendations from each Director will be discussed and reviewed by the NC. The evaluation serves to assess the effectiveness of the Board as a whole on the following parameters:

(a) Board composition;
(b) Board information;
(c) Board process;
(d) Board accountability;
(e) CEO/top management; and
(f) Standard of conduct.

The factors taken into consideration for the re-nomination of the Directors are based on each Director's level of participation and attendance at Board and Board Committees meetings, his/her qualification, experience and expertise and the time and effort dedicated to the activities of each Board Committees, and to the Group's business and affairs, including Management's access to the Directors for guidance or exchange of views as and when necessary. The Board Committees have not been evaluated separately but together with the Board as a whole. In assessing the effectiveness of the Board as a whole, both quantitative and qualitative criteria are considered.

The NC has, without the engagement of external facilitator, assessed the Board's overall performance to-date and is of the view that the performance of the Board as a whole was satisfactory. Although some of the Board members have multiple listed company board representations and other work commitments, the NC is satisfied that sufficient time and attention have been given by the Directors to the Group.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or his/her re-nomination as Director.

The NC has also evaluated the contribution by each individual Director to the effectiveness of the Board by considering each Director's overall contribution and performance for the year. In assessing the Directors' contribution and performance to the Board, the NC takes into consideration the Directors' attendance, preparedness, participation and candour at the meetings. The results of the evaluation are used constructively by the NC to identify areas of improvements and recommend to the Board the appropriate action.

CORPORATE GOVERNANCE REPORT

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Detailed Board papers are prepared and circulated to the Directors before each Board meeting. The Board papers include sufficient information on financial, budgets, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at the Board meetings. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting.

The Board receives half-year financial performance results, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance as well as risks faced by the Group. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

All Directors have unrestricted access to the Company's records and information. The Directors may also liaise with Management as and when required to seek additional information. In addition, the Board also has separate and independent access to Management and the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary and/or her representative attend all the Board and Board Committees meetings. The appointment and removal of the Company Secretary is decided by the Board as a whole.

Should the Directors, whether as a group or individually, need independent professional advice, the Company will appoint such professional adviser to render the appropriate professional advice. The cost of such professional advice will be borne by the Company.

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

As at the date of this report, the RC comprises the following three members, all of whom are Non-Executive Directors, and two of whom, including the RC Chairman, are Independent Directors:

Anthony Ang Meng Huat	–	Chairman
Lim Soon Hock	–	Member
Lie Ly @ Liely Lee	–	Member

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel[1].

[1] The term "key management personnel" shall mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

CORPORATE GOVERNANCE **REPORT**

The terms of reference of the RC sets out its duties and responsibilities. Amongst them, the RC is responsible for:

1. reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel. The framework covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind;

2. reviewing and recommending to the Board the specific remuneration packages for each Director and key management personnel;

3. determining targets for any performance related pay schemes operated by the Company and the Group, taking into account the pay and employment conditions within the industry and in comparable companies;

4. reviewing and setting the policy for and scope of service contract(s) for the Executive Director and key management personnel, taking into consideration the Company's obligations arising in the event of termination of the Executive Director's and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses;

5. reviewing and recommending to the Board for approval by Shareholders, the remuneration of Non-Executive Directors;

6. overseeing any major changes in employee benefit structures throughout the Company and the Group;

7. overseeing and administering the Heatec Performance Share Plan and Heatec Employee Share Option Scheme as well as any other long-term incentive schemes as may be implemented from time to time in accordance with the rules of the schemes/plans and reviewing whether Executive Director and key management personnel should be eligible for benefits under such long-term incentive schemes;

8. reviewing the disclosure on Directors' remuneration, particularly those required by regulatory bodies such as the SGX-ST and those recommended by the Code, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Group and its stakeholders; and

9. recommending to the Board any appropriate extensions or changes in the duties and powers of the RC.

The RC reviews and recommends to the Board the remuneration packages or policies for the Executive Director/ CEO and the key management personnel based on the performance of the Group, the individual Director and the key management personnel. No Director individually decides or is involved in the determination of his/her own remuneration. The RC's recommendations are submitted for endorsement by the Board.

The RC has access to advice from the internal human resource department and, if necessary, may seek external expert advice of which the expenses will be borne by the Company. No external expert was engaged by the Company in FY2018.

The RC will also review the Company's obligations under the service agreement entered into with the Executive Director and key management personnel that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and to attract, retain and motivate Directors and key management personnel. The remuneration packages take into account the performance of the Group, the individual Directors and individual key management personnel.

The Executive Director does not receive Directors' fees. The remuneration of Mr Soon Jeffrey, the Executive Director and CEO of the Company, and Mr Soon Jenson, one of the key management personnel (who is the brother of Mr Soon Jeffrey and son of Mr Soon Yeow Kwee Johnny, a substantial Shareholder), are governed by their respective service agreements effective 1 January 2016. To align the interests of the Executive Director and key management personnel with those of Shareholders, Mr Soon Jeffrey and Mr Soon Jenson are allowed to participate in a profit sharing incentive scheme in which the performance condition is based on the Group's profit before tax for each of the financial years.

The Non-Executive Directors receive Directors' fees in accordance with their contributions. Directors' fees for the Non-Executive Directors are proposed by the Executive Director and CEO and reviewed and recommended by the RC, based on the effort, time spent and the responsibilities of the individual Non-Executive Directors. No Director is involved in deciding his/her own remuneration. The Non-Executive Directors have not been over-compensated to the extent that their independence is compromised. The total remuneration of the Non-Executive Directors is recommended for Shareholders' approval at each AGM. Directors' fees for the Independent Directors of S$151,000 for FY2018 (with payment to be made in arrears) had been approved by Shareholders at the last AGM held on 16 April 2018. Directors' fees for the Non-Executive Directors of S$151,000 for the current financial year ending 31 December 2019 (with payment to be made in arrears) have been recommended by the Board and will be tabled for approval by Shareholders at the forthcoming AGM. In view of the continued weak market conditions of the industries which the Group operates in, the RC and the Board have recommended to keep the Directors' fees for the Non-Executive Directors for the current financial year ending 31 December 2019 unchanged, as compared to FY2018.

Having reviewed and considered the variable components in the remuneration packages of the Executive Director and key management personnel, which are moderate, the RC is of the view that presently there is no urgent need to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company and the Group.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Disclosure on Directors' Fees and Remuneration

A breakdown showing the level and mix of the remuneration payable to each individual Director for FY2018 is as follows:

Name of Director	Salary (%)	Bonus and/or profit sharing (%)	Directors' fee (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000					
Present Director					
Lim Soon Hock[1]	–	–	100	–	100
Soon Jeffrey[2]	94	–	–	6	100
Chong Eng Wee (Zhang Yingwei)[3]	–	–	100	–	100
Anthony Ang Meng Huat[4]	–	–	100	–	100
Lie Ly @ Liely Lee[5]	–	–	100	–	100
Past Director					
Ong Beng Chye[6]	–	–	100	–	100
Michael Seow Teo Tiew[7]	–	–	100	–	100

Notes:

(1) Appointed as Non-Executive Chairman and Non-Independent Director on 1 May 2018
(2) Appointed as member of the NC on 16 April 2018
(3) Appointed as Non-Executive and Independent Director, Chairman of the NC and member of the ARMC and the RC on 16 April 2018, ceased as a member of the RC on 28 July 2018 and subsequently appointed as Non-Executive and Lead Independent Director on 1 April 2019
(4) Relinquished his role as Chairman of the ARMC and remained as member of the ARMC, appointed as Chairman of the RC and ceased as member of the NC on 28 July 2018
(5) Appointed as Independent Director, Chairman of the ARMC and member of the RC on 28 July 2018
(6) Ceased as Non-Executive Chairman and Independent Director on 30 April 2018
(7) Retired as Independent Director at the Annual General Meeting held on 16 April 2018

CORPORATE GOVERNANCE REPORT

Disclosure on Key Management Personnel's Remuneration

A breakdown of the remuneration bands payable to the top three key management personnel (who are not Directors or the CEO)[1], including the immediate family members of a Director or the CEO exceeding S$50,000 for FY2018, is as follows:

Name of Key Management Personnel	Salary (%)	Bonus and/or profit sharing (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000				
Yat Wan Thiam[2]	100	–	–	100
Soon Jenson[3]	95	–	5	100
Tay Boon Zhuan[4]	100	–	–	100

Notes:
(1) The Group had only three key managment personnel in FY2018
(2) Appointed as CFO on 27 July 2018
(3) Brother of Mr Soon Jeffrey, Executive Director and CEO, and son of Mr Soon Yeow Kwee Johnny, a substantial Shareholder
(4) Resigned as CFO on 15 August 2018

The RC will review the remuneration of the Directors and the key management personnel from time to time.

Save as disclosed above, the Code recommends that:

(a) the company should fully disclose the remuneration of each individual director and the CEO on a named basis;

(b) the company should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, in incremental bands of S$50,000; and

(c) the company should disclose in aggregate the total remuneration paid to the top five (5) key management personnel (who are not directors or the CEO).

The Board has decided not to disclose the aforementioned details as recommended by the Code, given the competitive business environment and possible negative impact on the Group's business interest, while the disclosure of such detailed remuneration amongst the immediate family members of the Executive Director could have an adverse effect on working relationships and contributions to the operations of the Group. The total remuneration of the top three key management personnel (who are not Directors or the CEO), including the immediate family member of a Director or CEO, was not disclosed to prevent poaching of key management personnel.

Save as disclosed above, no employee of the Group, whose remuneration exceeded S$50,000 during FY2018, was an immediate family member of a Director or the CEO.

All Directors and key management personnel are remunerated on an earned basis and there were no termination, retirement and post-employment benefits granted during FY2018.

CORPORATE GOVERNANCE REPORT

Details of Heatec Employee Share Option Scheme and Heatec Performance Share Plan

The Company has a share option scheme known as Heatec Employee Share Option Scheme (the "**Heatec ESOS**") and a performance share plan known as Heatec Performance Share Plan (the "**Heatec PSP**") which were approved by Shareholders at an extraordinary general meeting of the Company ("**EGM**") held on 18 June 2009. The Heatec ESOS and Heatec PSP comply with the relevant listing rules as set out in Chapter 8 of the Catalist Rules. The Heatec ESOS and Heatec PSP will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Both the Heatec ESOS and Heatec PSP are administered by the RC and the details of which were set out in the Company's Offer Document dated 30 June 2009.

As the Heatec ESOS and Heatec PSP are expiring on 17 June 2019, the RC has recommended to the Board, and the Board has accepted the proposed extension of the respective durations of the Heatec ESOS and Heatec PSP for a further period of 10 years from 18 June 2019 up to 17 June 2029, subject to Shareholders' approval at the forthcoming AGM. Further information on the proposed extension of the respective durations of the Heatec ESOS and Heatec PSP is set out in the Appendix to this annual report.

As at 31 December 2018, the Company has granted an aggregate of 1,772,000 share awards pursuant to the Heatec PSP, all of which had been granted prior to FY2018. The shares to be issued pursuant to the share awards granted are subject to certain performance conditions to be satisfied by the participants and such shares pursuant to the share awards granted have been issued to the relevant participants as at the date of this report. The Company did not grant any share awards pursuant to the Heatec PSP in FY2018.

As at 31 December 2018, the Company has granted an aggregate of 7,000,000 share options pursuant to the Heatec ESOS, of which options to subscribe for 3,000,000 shares remained outstanding.

Movements of the share options granted and cancelled during FY2018 and outstanding as at 31 December 2018 under the Heatec ESOS were set out as follows:

Exercisable period		Outstanding options as at 1 January 2018	Number of options granted in FY2018	Number of options cancelled in FY2018	Outstanding options as at 31 December 2018	Exercise price (S$)
From	To					
18 April 2016	17 April 2021	3,000,000	–	(3,000,000)*	–	0.085
18 April 2016	17 April 2026	1,800,000	–	–	1,800,000	0.085
16 April 2018	15 April 2028	–	1,200,000	–	1,200,000	0.062
Total		**4,800,000**	**1,200,000**	**(3,000,000)***	**3,000,000**	

* due to staff resignation

Please refer to the Directors' Statement and Note 30 to the Financial Statements set out in this annual report for more information on the Heatec ESOS.

CORPORATE GOVERNANCE REPORT

An annual review of the compensation is carried out by the RC to ensure that the remuneration of the Executive Director and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Director/CEO (together with other key management personnel) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

III. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and half-year and full-year financial statements announcements to Shareholders, it is the aim of the Board to provide Shareholders with a balanced assessment of the Group's performance, position and prospects. Financial reports and other price-sensitive information are disseminated to Shareholders through announcements via SGXNet and press releases. Management currently provides the Executive Director/CEO with detailed management accounts of the Group's performance, position and prospects on a monthly basis. Non-Executive and Independent Directors are also briefed on significant matters when required and receive management reports on a half-yearly basis.

The Board reviews legislative and regulatory compliance reports from Management to ensure that the Group complies with the relevant requirements.

In line with the Catalist Rules, the Board provides a negative assurance statement in its half-year financial statements' announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

All the Directors and key management personnel of the Group have also signed a letter of undertaking pursuant to Rule 720(1) of the Catalist Rules.

IV. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for establishing, maintaining and reviewing the effectiveness of the Company's overall internal control framework. The Board also recognises that an effective internal control system will not preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

As the Group does not have a separate risk management committee, the ARMC assumes the responsibility of the risk management function. The Board and the ARMC have reviewed, with the assistance of the internal and external auditors, the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

CORPORATE GOVERNANCE REPORT

The Company has put in place risk management systems and internal control (including financial, operational, compliance and information technology controls) which are detailed in formal instructions, standard operating procedures and financial authority limits policies. The Board has determined the Group's levels of risk tolerance and risk policies and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The Board also monitors the Group's risks through the ARMC, internal and external auditors.

The Group has in place an Enterprise Risk Management Framework to manage its exposure to risks that are associated with the conduct of its business. The Board will continue its risk assessment, which is an on-going process, with a view to improve the Group's internal control system.

The Board has also received assurance from the CEO and CFO:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) on the adequacy and the effectiveness of the Group's risk management systems and internal control (including financial, operational, compliance and information technology controls).

Based on the work performed by the internal and external auditors, the review undertaken by Management, the existing management internal controls in place and the assurance from the CEO and CFO, the Board, with the concurrence of the ARMC, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2018.

Audit and Risks Management Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee was renamed as Audit and Risks Management Committee on 28 July 2018.

As at the date of this report, the ARMC comprises the following three members, all of whom, including the ARMC Chairman, are Non-Executive and Independent Directors:

Lie Ly @ Liely Lee	–	Chairman
Anthony Ang Meng Huat	–	Member
Chong Eng Wee (Zhang Yingwei)	–	Member

The Board is of the view that the members of the ARMC are appropriately qualified and possess the recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. All ARMC members have many years of experience in accounting, finance and/or legal related expertise and experience.

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

The ARMC meets periodically with the Group's external auditors to review accounting, auditing and financial reporting matters so as to ensure that an effective control environment is maintained in the Group. The terms of reference of the ARMC include:

1. reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

2. reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;

CORPORATE GOVERNANCE REPORT

3. reviewing the effectiveness of the Company's internal audit function and ensure the same is adequately resourced, has appropriate standing within the Group and independence of the activities it audits;

4. recommending to the Board on the proposals to Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

5. reviewing the internal and external auditors' audit plans, scope of work, results and evaluation of the Company's internal accounting controls;

6. reviewing interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;

7. meeting with the internal and external auditors without the presence of Management, at least annually;

8. reviewing the independence of the external auditors annually. Where the external auditors also supply a substantial volume of non-audit services to the Company, the ARMC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;

9. reviewing the policy arrangements by which staff of the Company or any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The ARMC's objective should be to ensure that arrangements are in place for such concerns to be raised, and independently investigated, and appropriate follow up action to be taken; and

10. review the integrity of any financial information presented to Shareholders.

The aggregate amount of audit fees paid to the external auditors of the Company, Deloitte, in FY2018 was S$108,500. There were no non-audit fees paid to the external auditors of the Company in FY2018.

Deloitte has served as the external auditors of the Company since the Company's initial public offering from the financial year ended 31 December 2009 and was re-appointed as the external auditors of the Company at the last AGM held on 16 April 2018 until the conclusion of the forthcoming AGM. For the audit of the current financial year ending 31 December 2019, the ARMC has recommended to the Board, and the Board has accepted the appointment of Messrs Baker Tilly TFW LLP in place of Deloitte as the Group's external auditors, subject to Shareholders' approval at the forthcoming AGM. Further information on the proposed change of external auditors of the Company is set out in the Appendix to this annual report.

For FY2018, the Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of audit firms for the Group.

The ARMC has explicit authority to investigate any matters within its terms of reference. The ARMC also has full access to, and the co-operation of, Management and full discretion to invite any Director or senior management to attend its meetings. The ARMC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly. In performing its functions, the ARMC and Management meet with the external and internal auditors to discuss and evaluate the internal controls of the Group and review the overall scope of both external and internal audit. The ARMC also meets regularly with Management, the CFO and external auditors to keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group's financial statements. At least once a year and as and when required, the ARMC meets with the external and internal auditors without the presence of Management, to review any matters that might be raised privately.

CORPORATE GOVERNANCE **REPORT**

The Company has implemented a Whistle Blowing Policy which provides the mechanism for which staff of the Company may in confidence, raise concerns about possible improprieties of financial reporting or other matters. The ARMC oversees the administration of the policy. Where a complaint has been made, a report will be submitted to the ARMC for investigation and follow-up. There were no reported incidents pertaining to whistle-blowing for FY2018.

In FY2018, the ARMC had, among others, carried out the following activities:

(a) reviewed the half-year and full-year financial statements announcements of the Group, and recommended to the Board for approval and release to the SGX-ST via SGXNet;
(b) reviewed the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems;
(c) reviewed interested persons transactions of the Group;
(d) reviewed and approved the annual audit plan of the external auditors;
(e) reviewed and approved the internal audit plan of the internal auditors, having considered the scope of the internal audit procedures;
(f) reviewed the independence, adequacy and effectiveness of the Group's internal audit function;
(g) reviewed the audit findings of the internal auditors and Management's responses to those findings;
(h) reviewed the independence of the external auditors;
(i) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for the Board's approval; and
(j) met with the internal and external auditors once without the presence of Management.

In the review of the financial statements, the ARMC has discussed with Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matter impacting the financial statements was discussed with Management and the external auditors, and was reviewed by the ARMC:

Matter considered	How the ARMC reviewed this matter and what decisions were made
Revenue recognition on contracts and provision for credit notes	The ARMC discussed with Management and external auditors on the procedures and controls in place to ensure reasonableness of the revenue recognition on contracts and provision for credit notes. The ARMC also reviewed Management's assessment of key estimates and judgements made in revenue recognition on contracts and provision for credit notes, as well as considered the external auditors' report which outlined the audit work performed in respect of the risk identified. As a result of the above procedures, the ARMC gained comfort that the approach and methodology applied by the Management were appropriate and were consistent to all contracts of similar nature. The revenue recognition on contracts and provision for credit notes were also areas of focus for the external auditors. The external auditors had included this item as a key audit matter in its audit report for FY2018. Please refer to page 57 of this annual report.

CORPORATE GOVERNANCE REPORT

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The current size of the operations of the Group does not warrant the Group to have an in-house internal audit function. The internal audit function of the Company is outsourced to BDO LLP, a member of the BDO network. The ARMC approves the hiring, removal, evaluation and compensation of the internal auditors.

The internal auditors report primarily to the ARMC on internal audit matters and the ARMC is empowered to review any of the accounting, auditing and financial practices of the Company and the Group. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including unrestricted direct access to the ARMC.

The internal auditors will submit their annual audit planning for approval by the ARMC and report their findings to the ARMC. In FY2018, the internal auditors carried out the review which is consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors on certain key areas to assess and evaluate:

(a) whether adequate systems of internal controls are in place;
(b) whether operations of the business processes under review are conducted efficiently and effectively; and
(c) internal control improvement opportunities.

The ARMC has reviewed with the internal auditors their audit plan and their evaluation of the system of internal controls and has evaluated their audit findings and Management's responses to those findings, the adequacy and effectiveness of material internal controls (including financial, operational, compliance and information technology controls) and overall risk management systems of the Company and the Group for FY2018. The ARMC is satisfied that the outsourced internal audit function is independent, adequately resourced, effective and has the appropriate standing within the Group. The ARMC is also of the view that the outsourced internal audit function is adequately staffed with persons with the relevant qualifications and experience and adheres to professional standards including those promulgated by The Institute of Internal Auditors.

The annual audits conducted by the internal auditors aim to assess the effectiveness of the Group's internal control procedures and to provide reasonable assurances to the ARMC and Management that the Group's risk management, controls and governance processes are adequate and effective.

On an annual basis, the ARMC reviews the independence, adequacy and effectiveness of the internal audit function.

V. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

CORPORATE GOVERNANCE REPORT

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company does not have an Investor Relations Policy in place. However, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNet on an immediate basis, in line with the Group's disclosure obligations pursuant to the Catalist Rules and the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"). There is no dedicated investor relations team in place as the Board was of the view that the current communication channels are sufficient and cost-effective.

The Company believes in timely and accurate dissemination of information to its Shareholders. The Board makes every effort to comply with continuous disclosure obligations of the Company under the Catalist Rules and the Companies Act. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication to Shareholders is normally made through:

(a) annual reports that are prepared and issued to all Shareholders;
(b) annual and half-year financial statements announcements containing a summary of the financial information and affairs of the Group for the period;
(c) notices and explanatory memoranda for general meetings;
(d) disclosures to the SGX-ST via SGXNet; and
(e) press releases.

To promote regular, effective and fair communication with Shareholders, the Company maintains a corporate website at http://www.heatecholdings.com through which Shareholders are able to access up-to-date information on the Group. The website provides annual reports, financial information, stock information, profiles of the Group, and contact details of the investor relations of the Group.

In addition, Shareholders are encouraged to attend the general meetings to ensure a high level of participation and accountability. The AGM is the principal forum for dialogue with Shareholders. The Company recognises the value of feedback from Shareholders. During the AGM, Shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend the AGMs and EGMs, and Shareholders will be given the chance to share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues.

Management, as well as the respective Chairmen/Chairwoman of the Board, ARMC, RC and NC will be present and available to address all comments or queries raised by Shareholders at such general meetings. The external auditors will also be present at the AGM to address Shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

The proceeding of each of the general meetings will be properly recorded, including substantial or relevant comments or queries from Shareholders relating to the agenda of the general meetings and responses from the Board and Management. All minutes of the general meetings will be available for the inspection of Shareholders upon their request.

CORPORATE GOVERNANCE REPORT

A Shareholder is generally able to appoint one or two proxies to attend and vote in his/her stead at general meetings. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirements. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and Central Provident Fund Board which purchases shares on behalf of the Central Provident Fund investors. A proxy need not be a member of the Company.

Separate resolutions are proposed at general meetings for each distinct issue. The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

The Company has decided, for the time being, not to implement voting in absentia through mail, electronic mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

Outside of the financial announcement periods, when necessary and appropriate, the Non-Executive Chairman and/or the CEO will meet all stakeholders, Shareholders, analysts and media who wish to seek a better understanding of the Group's operations.

Dividend Policy

The Company currently does not have a fixed dividend policy. Any future dividends that the Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as other factors deemed relevant by the Board:

(a) the level of the Group's cash and retained earnings;
(b) the Group's actual and projected financial performance;
(c) the Group's projected levels of capital expenditure and other investment plans;
(d) the dividend yield of similar-sized companies with similar growth listed on the Catalist board of the SGX-ST; and
(e) restrictions on payment of dividends imposed on the Company by the Group's financing arrangements or legal and contractual obligations (if any).

In view of the Group's loss-making position for FY2018, the Board has not recommended any dividends for FY2018.

VI. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARMC and that the transactions are conducted at arms' length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

CORPORATE GOVERNANCE REPORT

All interested person transactions are subjected to review by the ARMC to ensure compliance with established procedures. The Company has not obtained a general mandate from its Shareholders in respect of interested person transactions for FY2018. The aggregate value of interested person transactions entered into during FY2018 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Soon Yeow Kwee Johnny and Yong Yeow Sin – Provision of consultancy services and allowance	288,960	–

In FY2018, each of Mr Soon Yeow Kwee Johnny and Mr Yong Yeow Sin (the "**Consultants**") is a controlling Shareholder and hence, each of them is considered an interested person to the Company under the Catalist Rules. Fees paid by the Group to the Consultants are disclosed as an aggregate sum, rather than on an individual basis, as the Board is of the view that disclosure of the latter could have an adverse effect on the working relationships amongst the stakeholders and contributions by the Consultants in relation to the operations of the Group.

VII. MATERIAL CONTRACTS

Save as disclosed above in the section entitled "Interested Person Transactions", the service agreement between the Executive Director and CEO and the Company, the Directors' Statement and Financial Statements of the Group, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling Shareholder which are either still subsisting as at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.

VIII. DEALINGS IN SECURITIES

The Company has complied with Rule 1204(19) of the Catalist Rules in relation to the best practices on dealings in the securities:

(a) The Company had devised and adopted its own internal compliance code to provide guidance to its Directors and officers with regards to dealings by the Company, its Directors and its officers in its securities, as well as to set out the implications on insider trading;

(b) Directors and officers of the Company are discouraged from dealing in the Company's securities on short-term considerations; and

(c) The Company, its Directors and its officers are prohibited from dealing in the Company's securities (i) during the periods commencing one month before the announcement of the Company's half-year and full-year financial statements and ending on the date of the announcement of the relevant financial results; and (ii) if they are in possession of unpublished price-sensitive information of the Group.

In addition, the Directors and Management are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

IX. NON-SPONSORSHIP FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees payable or paid to the Company's Sponsor, ZICO Capital Pte. Ltd., for FY2018.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 61 to 141 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 December 31, 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Lim Soon Hock	(Appointed on May 1, 2018)
Soon Jeffrey	
Anthony Ang Meng Huat	
Chong Eng Wee	(Appointed on April 16, 2018)
Lie Ly @ Liely Lee	(Appointed on July 28, 2018)
Loke Weng Seng (alternate director to Lim Soon Hock)	(Appointed on July 28, 2018)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraph 4 of the Directors' statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
Name of directors and companies in which interests are held	**At beginning of year**	**At end of year**	**At date of appointment**	**At end of year**
Heatec Jietong Holdings Ltd.	**Ordinary shares**		**Ordinary shares**	
Soon Jeffrey	1,400,000	1,400,000	-	-
Loke Weng Seng	-	-	32,030,678	32,030,678
Heatec Veslink Marine Services Corp				
Soon Jeffrey	1	1	-	-

DIRECTORS' STATEMENT

By virtue of section 7 of Singapore Companies Act, Mr Loke Weng Seng is deemed to have an interest in all related corporations of the company.

The directors' interests in the shares and options of the Company at January 21, 2019 were the same at December 31, 2018.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

The Company has adopted the Heatec Employee Share Option Scheme (the "Scheme") and the Heatec Performance Share Plan which were approved by the shareholders at an Extraordinary General Meeting held on June 18, 2009.

The scheme is administered by the Remuneration Committee whose members are:

Anthony Ang Meng Huat (Chairman)
Lim Soon Hock
Lie Ly @ Liely Lee

Under the Scheme, options granted to the directors and employees may, except in certain special circumstances, be exercised at any time after one year but no later than the expiry date. The ordinary shares of the Company under option may be exercised in whole or in part, on the payment of the exercise price. The exercise price is based on the average of the last dealt prices for the shares of the Company on the Singapore Exchange Securities Trading Limited for the five consecutive trading days preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price.

(b) *Unissued shares under option*

The number of shares available under the Scheme shall not exceed 15% of the issued share capital of the Company. The number of outstanding share options under the Scheme are as follows:

Number of options to subscribe for ordinary shares of the Company

Date of grant	**Balance at January 1, 2018**	**Granted**	**Cancelled/ Lapsed**	**Outstanding at December 31, 2018**	**Exercise price per share**	**Exercisable period**
April 18, 2016	3,000,000	-	(3,000,000)	-	$0.085	April 18, 2017 to April 17, 2021
April 18, 2016	1,800,000	-	-	1,800,000	$0.085	April 18, 2017 to April 17, 2026
April 16, 2018	-	1,200,000	-	1,200,000	$0.062	April 16, 2019 to April 15, 2028
Total	4,800,000	1,200,000	(3,000,000)	3,000,000		

DIRECTORS' STATEMENT

The information on directors of the Company participating in the Scheme is as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Ong Beng Chye (resigned on April 30, 2018)	-	3,000,000	-	(3,000,000)	-
Soon Jeffrey	1,200,000	3,000,000	-	-	3,000,000

(c) *Options exercised*

During the year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

5 AUDIT AND RISKS MANAGEMENT COMMITTEE

The Audit and Risks Management Committee of the Company, consisting all independent non-executive directors, is chaired by Ms Lie Ly @ Liely Lee, and includes Mr Chong Eng Wee and Mr Anthony Ang Meng Huat. The Audit and Risks Management Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) the audit plans and scope of audit examination of the external audit;

(b) the Group's financial and operating results and accounting policies;

(c) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group before submission to the Board for adoption;

(d) the co-operation and assistance given by the management to the Group's external auditors;

(e) the review of interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;

(f) the scope of internal audit procedures and the results of the internal audit; and

(g) the review of adequacy of the Company's internal financial controls, operational, information technology and compliance controls, and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal auditor and/or external auditors.

The Audit and Risks Management Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

DIRECTORS' STATEMENT

The Audit and Risks Management Committee has recommended to the directors the nomination of Baker Tilly TFW LLP as the external auditors of the Company in place of the retiring auditors, Deloitte & Touche LLP at the forthcoming AGM of the Company.

ON BEHALF OF THE DIRECTORS

Lim Soon Hock	Soon Jeffrey

April 4, 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Heatec Jietong Holdings Ltd. (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 December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 61 to 141.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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") 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 December 31, 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with 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 year. 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

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition The Group is mainly involved in heat exchanger services as well as piping services. (a) Heat exchanger services are normally fixed price contracts and such contracts are accounted for using percentage of completion accounting. The associated judgements over revenue and costs are highlighted as a key estimate in the Group's accounting policies. Risks include: - inappropriate percentage of completion accounting. - inappropriate timing of recognition of variation orders. - inappropriate estimation of costs to completion and recognition of costs. The details of the revenue recognition on contracts are set out in Notes 3 and 23 to the consolidated financial statements.	Heat exchanger services We challenged the appropriateness of the percentage of completion for open contracts. We reviewed management process for estimating of costs incurred, costs to completion as well as the timing of recognition of variation orders. We considered these to be key judgemental areas during the recognition of revenue in respect to these contracts. We have performed a retrospective review of management's estimates, reviewed the subsequent progress or completion of significant projects and assessed whether management's policies and processes for making these estimates continue to be appropriate and are applied consistently to all contacts of similar nature.
(b) Piping services are often provided while prices are being negotiated with the customers. Revenue is recognised at the expected settlement rates as labour hours are delivered. Management estimates the expected settlement rate based on historical settlement rate and specific discounts provided to the customers. The expected settlement rate may eventually be different after negotiation. The details of the piping services revenue are set out in Notes 3 and 23 to the consolidated financial statements.	Piping services We have discussed with management the process of negotiation, performed a retrospective review of management's estimates and challenged the appropriateness of the expected settlement rates used, with comparison to the actual settlement rates during the year. We have enquired with management on the status of their negotiation with the customers and assessed whether management's process for making such estimates continue to be appropriate and are applied consistently to all contracts of similar nature.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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 on the other information that we obtained prior to the date of the auditor's report, 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

(a) 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 control.

(b) Obtain an understanding of internal control 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 control.

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

(d) 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.

(e) 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.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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 law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Lim Bee Hui.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

April 4, 2019

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018

	Note	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017	Company December 31, 2018	Company December 31, 2017	Company January 1, 2017
		$	$	$	$	$	$
ASSETS							
Non-current assets							
Property, plant and equipment	6	10,845,866	11,791,638	12,107,460	4,793,056	5,242,668	5,642,285
Subsidiaries	7	-	-	-	6,623,614	6,623,614	6,623,614
Associates	8	302,756	276,263	259,906	-	-	-
Goodwill	9	-	288,000	288,000	-	-	-
Deferred tax assets	19	-	-	233,901	-	-	-
Total non-current assets		11,148,622	12,355,901	12,889,267	11,416,670	11,866,282	12,265,899
Current assets							
Inventories	10	1,167,146	555,692	670,866	-	-	-
Trade receivables	11	11,183,295	13,169,694	12,803,480	-	-	-
Contract assets	12	5,589,984	1,981,660	4,066,860	-	-	-
Other receivables	13	853,796	773,340	1,282,132	4,548,249	2,543,112	4,287,427
Cash and bank balances	14	2,434,254	2,601,077	3,872,357	13,773	39,581	41,719
Total current assets		21,228,475	19,081,463	22,695,695	4,562,022	2,582,693	4,329,146
Total assets		32,377,097	31,437,364	35,584,962	15,978,692	14,448,975	16,595,045
EQUITY AND LIABILITIES							
Capital, reserves and non-controlling interests							
Share capital	15	11,554,627	11,554,627	11,554,627	11,554,627	11,554,627	11,554,627
Reserves	16	4,798,226	8,222,305	12,777,040	826,649	645,621	720,312
Equity attributable to owners of the Company		16,352,853	19,776,932	24,331,667	12,381,276	12,200,248	12,274,939
Non-controlling interests		2,036,641	2,307,165	1,329,008	-	-	-
Total equity		18,389,494	22,084,097	25,660,675	12,381,276	12,200,248	12,274,939
Non-current liabilities							
Bank loans	17	88,810	1,363,211	1,958,683	-	-	-
Finance leases	18	57,682	93,986	294,321	-	-	-
Deferred tax liabilities	19	312,790	372,951	380,647	-	-	-
Total non-current liabilities		459,282	1,830,148	2,633,651	-	-	-
Current liabilities							
Bank loans	17	7,356,002	3,522,946	3,574,130	-	-	-
Trade payables	20	3,930,368	725,701	912,225	-	-	-
Contract liabilities	21	-	869,200	-	-	-	-
Other payables	22	2,205,648	2,204,628	2,478,451	3,597,416	2,248,727	4,320,106
Current portion of finance leases	18	36,303	200,333	282,563	-	-	-
Income tax payable		-	311	43,267	-	-	-
Total current liabilities		13,528,321	7,523,119	7,290,636	3,597,416	2,248,727	4,320,106
Total equity and liabilities		32,377,097	31,437,364	35,584,962	15,978,692	14,448,975	16,595,045

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FINANCIAL YEAR ENDED DECEMBER 31, 2018

	Note	Group 2018 $	Group 2017 $
Revenue	23	27,473,387	20,970,412
Cost of sales		(22,155,172)	(15,558,587)
Gross profit		5,318,215	5,411,825
Other income	24	333,834	246,912
Administrative expenses		(8,484,213)	(8,321,997)
Other expenses	25	(389,748)	(1,108,732)
Share of profit (loss) of associates		51,890	(216,260)
Impairment loss (recognised) reversed on financial assets	28	(200,660)	150,554
Finance costs	26	(338,010)	(186,901)
Loss before income tax		(3,708,692)	(4,024,599)
Income tax credit (expense)	27	33,937	(249,463)
Loss for the year	28	(3,674,755)	(4,274,062)
(Loss) Profit attributable to:			
Owners of the Company		(3,410,204)	(4,300,075)
Non-controlling interests		(264,551)	26,013
		(3,674,755)	(4,274,062)
Basic and diluted loss per share (cents)	29	(2.77)	(3.50)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FINANCIAL YEAR ENDED DECEMBER 31, 2018

	Group	
	2018	2017
	$	$
Loss for the year	(3,674,755)	(4,274,062)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(36,875)	(50,384)
Other comprehensive loss for the year, net of tax	(36,875)	(50,384)
Total comprehensive loss for the year	(3,711,630)	(4,324,446)
Total comprehensive (loss) income attributable to:		
Owners of the Company	(3,447,079)	(4,350,459)
Non-controlling interests	(264,551)	26,013
	(3,711,630)	(4,324,446)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED DECEMBER 31, 2018

	Note	Share capital	Revaluation reserve	Other reserve	Translation reserve	Merger reserve	Share options reserve	Retained earnings	Attributable to equity holders of the Company	Non-controlling interests	Total
		(Note 15)	(Note 35)	(Note 16)	(Note 16)	(Note 16)	(Note 16)				
		$	$	$	$	$	$	$	$	$	$
Group											
Balance at January 1, 2017		11,554,627	-	221,206	-	(3,913,614)	83,286	16,386,162	24,331,667	1,329,008	25,660,675
Total comprehensive (loss) income for the year:											
(Loss) Profit for the year		-	-	-	-	-	-	(4,300,075)	(4,300,075)	26,013	(4,274,062)
Other comprehensive loss for the year		-	-	-	(50,384)	-	-	-	(50,384)	-	(50,384)
Total		-	-	-	(50,384)	-	-	(4,300,075)	(4,350,459)	26,013	(4,324,446)
Transactions with owners, recognised directly in equity:											
Effects of liquidation of a subsidiary		-	-	-	-	-	-	-	-	996,604	996,604
Recognition of share-based payments	30	-	-	-	-	-	15,704	25,939	41,643	-	41,643
Dividends paid to:											
- owners of the Company	34	-	-	-	-	-	-	(245,919)	(245,919)	-	(245,919)
- non-controlling shareholders	5	-	-	-	-	-	-	-	-	(44,460)	(44,460)
Total		-	-	-	-	-	15,704	(219,980)	(204,276)	952,144	747,868
Balance at December 31, 2017		11,554,627	-	221,206	(50,384)	(3,913,614)	98,990	11,866,107	19,776,932	2,307,165	22,084,097

STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED DECEMBER 31, 2018

	Note	Share capital (Note 15) $	Revaluation reserve (Note 35) $	Other reserve (Note 16) $	Translation reserve (Note 16) $	Merger reserve (Note 16) $	Share options reserve (Note 16) $	Retained earnings $	Attributable to equity holders of the Company $	Non-controlling interests $	Total $
Group (cont'd)											
Balance at January 1, 2018		11,554,627	-	221,206	(50,384)	(3,913,614)	98,990	11,866,107	19,776,932	2,307,165	22,084,097
Total comprehensive loss for the year:											
Loss for the year		-	-	-	-	-	-	(3,410,204)	(3,410,204)	(264,551)	(3,674,755)
Other comprehensive loss for the year		-	-	-	(36,875)	-	-	-	(36,875)	-	(36,875)
Total		-	-	-	(36,875)	-	-	(3,410,204)	(3,447,079)	(264,551)	(3,711,630)
Transactions with owners, recognised directly in equity:											
Effects of striking off of a subsidiary		-	-	-	-	-	-	-	-	23,667	23,667
Recognition of share-based payments	30	-	-	-	-	-	(29,300)	52,300	23,000	-	23,000
Dividends paid to non-controlling shareholders	5	-	-	-	-	-	-	-	-	(29,640)	(29,640)
Total		-	-	-	-	-	(29,300)	52,300	23,000	(5,973)	17,027
Balance at December 31, 2018		11,554,627	-	221,206	(87,259)	(3,913,614)	69,690	8,508,203	16,352,853	2,036,641	18,389,494

STATEMENTS OF
CHANGES IN EQUITY
FINANCIAL YEAR ENDED DECEMBER 31, 2018

	Share capital	Share options reserve	Retained earnings	Total
	$	$	$	$
Company	(Note 15)	(Note 16)		
Balance at January 1, 2017	11,554,627	83,286	637,026	12,274,939
Profit for the year, representing total comprehensive income for the year	-	-	129,585	129,585
Transactions with owners recognised directly in equity:				
Recognition of share-based payments (Note 30)	-	15,704	25,939	41,643
Dividends (Note 34)	-	-	(245,919)	(245,919)
Total	-	15,704	(219,980)	(204,276)
Balance at December 31, 2017	11,554,627	98,990	546,631	12,200,248
Profit for the year, representing total comprehensive income for the year	-	-	158,028	158,028
Transactions with owners recognised directly in equity:				
Recognition of share-based payments (Note 30)	-	(29,300)	52,300	23,000
Total	-	(29,300)	52,300	23,000
Balance at December 31, 2018	11,554,627	69,690	756,959	12,381,276

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF
CASH FLOWS

FINANCIAL YEAR ENDED DECEMBER 31, 2018.

	Group	
	2018	2017
	$	$
Operating activities		
Loss before tax	(3,708,692)	(4,024,599)
Adjustments for:		
Interest income	(5,954)	(3,002)
Interest expenses	338,010	186,901
Loss allowance on trade receivables	103,054	-
Reversal of loss allowance on receivables	(12,074)	(150,554)
Trade and other receivables written off	109,680	-
Write-off for inventory obsolescence	16,295	-
Depreciation of property, plant and equipment	1,125,174	1,036,249
Property, plant and equipment written off	2,376	7,562
Loss (Gain) on disposal of property, plant and equipment	29,059	(13,172)
Loss on impairment of property, plant and equipment	40,769	-
Share of (profit) loss of associates	(51,890)	216,260
Share-based payments expenses	23,000	41,643
Loss on striking off/liquidation of a subsidiary	23,667	996,604
(Reversal of) Provision for foreseeable losses	(152,672)	167,000
Provision for warranty	23,121	-
Loss on impairment of goodwill	288,000	-
Unrealised exchange gain	(20,867)	(41,493)
Operating cash flows before movements in working capital	(1,829,944)	(1,580,601)
Trade and other receivables (Note A)	1,706,965	(227,609)
Contract assets	(3,455,652)	2,085,200
Inventories	(627,749)	115,174
Trade and other payables	3,182,566	(460,347)
Contract liabilities	(869,200)	869,200
Cash (used in) generated from operations	(1,893,014)	801,017
Interest received	5,954	3,002
Interest paid	(338,010)	(186,901)
Income tax paid	(26,535)	(66,214)
Net cash (used in) from operating activities	(2,251,605)	550,904

CONSOLIDATED STATEMENT OF CASH FLOWS

FINANCIAL YEAR ENDED DECEMBER 31, 2018.

	Group	
	2018	2017
	$	$
Investing activities		
Purchase of property, plant and equipment	(270,983)	(735,235)
Proceeds from disposal of property, plant and equipment	12,307	14,328
Dividends received from an associate	25,397	17,383
Net cash used in investing activities	(233,279)	(703,524)
Financing activities		
(Increase) Decrease in pledged fixed deposit	(49,839)	430,192
Dividend paid to non-controlling shareholders	(29,640)	(44,460)
Dividend paid to equity holders of the Company	-	(245,919)
Capital injection from non-controlling interest (Note B)	-	103,741
Proceeds from bank loans	6,701,156	-
Repayments of bank loans	(1,820,163)	(586,362)
Proceeds from revolving credit loans	1,000,000	-
Repayments of revolving credit loans	(3,121,802)	(106,668)
Proceeds from trade financing loans	1,033,288	541,297
Repayments of trade financing loans	(1,233,824)	(494,923)
Repayment of finance leases	(200,334)	(282,565)
Net cash from (used in) financing activities	2,278,842	(685,667)
Net decrease in cash and cash equivalents	(206,042)	(838,287)
Cash and cash equivalents at beginning of the year	2,601,077	3,442,165
Effect of exchange rate changes on the balance of cash held in foreign currencies	(10,620)	(2,801)
Cash and cash equivalents at end of the year (Note 14)	2,384,415	2,601,077

Note A: In 2017, the Group subscribed to new shares issued by its associate, Ipromar (Pte.) Ltd, for a consideration of $250,000. The amount was offset against other receivables due from Ipromar (Pte.) Ltd to the Group. Accordingly, no cash payment was made by the Group.

Note B: In 2016, the non-controlling shareholders contributed an amount of $99,274 to the capital of a subsidiary of the Group. Amount remained outstanding from non-controlling shareholders amounted to $107,676 as at December 31, 2016. In 2017, the non-controlling shareholders paid $103,741 in cash, and $3,935 remains outstanding as at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1 GENERAL

The Company (Registration No. 200717808Z) is incorporated in Singapore with its principal place of business and registered office at 10 Tuas South Street 15, Singapore 637076. The Company is listed on Catalist of the Singapore Exchange Securities Trading Limited. The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore Dollar.

The principal activity of the Company is that of an investment holding.

The principal activities of the subsidiaries and associates are disclosed in Notes 7 and 8 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2018 were authorised for issue by the Board of Directors on April 4, 2019.

For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended December 31, 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 35.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operation*s are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group and Company applied SFRS(I) 9 with an initial application date of January 1, 2018. The Group and Company has not restated the comparative information, which continues to be reported under FRS 39. The application of SFRS(I) 9 did not have a material impact on the financial statements of the Group.

Financial assets (before January 1, 2018)

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Financial assets are classified as "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

<u>Loan and receivables</u>

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables and cash and cash balances) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets measured at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets (from January 1, 2018)

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments mainly comprise trade and other receivables that meet the following conditions and are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" or "other expenses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The Group recognised 12-month ECL for other receivables.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group will adjust the historical loss rates based on expected changes in these factors.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than three years past due for major shipyards and more than one year past due for other counter parties, unless the company has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than four years past due for major shipyards and more than three years past due for other counter parties unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower; or

b) a breach of contract, such as a default or past due event; or

c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for its financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised costs of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss (Notes 24 and 25) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in foreign currencies determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured at fair value through profit or loss, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash asset transferred or liabilities assumed, is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold properties	-	1.8% to 5.3%
Leasehold improvements	-	1.8% to 5.3%
Plant and equipment	-	5.26% to 33.33%
Motor vehicles	-	18% to 26%
Renovation	-	20%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFR(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

<u>Assurance-type warranty</u>

Provisions for warranty costs are recognised at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's obligation.

Merger Reserve

Merger reserve represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

The Group recognises revenue from the following major sources:

- Fabrication and servicing of heat exchangers;
- Provision of piping services; and
- Provision of chemical cleaning services.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Revenue is reduced for estimated sales discount allowance.

Revenue from fabrication and servicing of heat exchangers

The Group provides heat exchanger services (including design, fabricate and repair of heat exchangers) under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is either:

(i) contractually required to perform the services at the customers' specified sites that the Group's performance creates; or

(ii) enhances an asset that the customer controls as the Group performs; or

(iii) has contractual rights to consideration for the services performed to date.

Revenue from provision of such services is therefore recognised over time using cost-to-cost method, i.e. based on the actual costs incurred by the Group to date compare with the total budgeted cost for the project to estimate the revenue recognised during the period. The management of the Group considers that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligation under SFRS(I) 15.

The Group becomes entitled to invoice customers for heat exchanger services based on achieving a series of performance-related milestones. When a particular milestone is reached, an invoice and the relevant documents as required by the milestone arrangement is sent to the customer. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost–to–cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in heat exchanger contracts with customers as the period between the recognition of revenue under the cost–to–cost method and the milestone payment is always less than one year.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue from provision of piping services

The Group provides piping services, which include installation and restoration of pipes and systems that are used for marine and offshore business operations. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these piping services based on the stage of completion of the contract. Management has assessed that the stage of completion determined as the proportion of the total time expected to install or restore the pipes and systems that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

Payment for piping services is not due from the customer until the services are complete and therefore a contract asset is recognised over the period in which the piping services are performed representing the entity's right to consideration for the services performed to date.

Revenue from provision of chemical cleaning services

The Group provides chemical cleaning services, which comprise mainly cleaning of heat exchangers, pipelines engine parts pressure vessels and oil tanks. Such services are recognised as a performance obligation satisfied overtime. Due to the short term nature of these services, management is of the view that the effect of recognising revenue from the provision of chemical cleaning services at a point in time is not materially different from recognising revenue over time. Accordingly, management recognises revenue from provision of chemical cleaning services at a point in time, upon completion of the services rendered to the customer.

A receivable is recognised by the Group upon completion of the service rendered to the customer, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Other income

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Foreign currency transactions and translation

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Notes 16 and 30. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the entity's accounting policies

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements, except for those involving estimation uncertainties as disclosed below.

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

<u>Calculation of loss allowance</u>

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amount of trade and other receivables and contract assets and the loss allowance at the end of the reporting period are disclosed in Notes 11, 12 and 13 to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Revenue and costs of contracts

Revenue and costs associated with a project are recognised by reference to the stage of completion of a project activity at the end of the reporting period, using cost-to-cost method. When it is probable that the total project costs will exceed the total project revenue, the expected loss is recognised as an expense immediately. These computations are based on the presumption that the outcome of a project can be estimated reliably.

Management has performed the cost studies, taking into account the costs to date and costs to complete for each project. Management has also reviewed the physical proportion of the contract work completed of such projects and is satisfied that the estimates to complete are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery, except for a project in the heat exchanger business for which a provision for foreseeable losses has been made in 2017 (Note 12).

Some of the Group's contracts with customers contain liquidated damages for non-compliance with key milestones. Finalisation of the liquidated damages can take some time and management has to exercise judgement in estimating the extent of liquidated damages. The carrying amounts of contract assets and liabilities are disclosed in Notes 12 and 21 to the financial statements respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of the future cash flows. The carrying amount of goodwill at the end of the reporting period was $Nil (December 31, 2017 : $288,000, January 1, 2017 : $288,000) after an impairment loss of $288,000 (2017 : $Nil) was recognised during the financial year. Details of the impairment assessment are provided in Note 9 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$	$	$	$
Financial assets						
Financial assets at amortised cost:						
Trade receivables	11,183,295	13,169,694	12,803,480	-	-	-
Other receivables	416,734	595,173	1,092,022	4,528,138	2,523,525	4,279,011
Cash and cash equivalents	2,434,254	2,601,077	3,872,357	13,773	39,581	41,719
	14,034,283	16,365,944	17,767,859	4,541,911	2,563,106	4,320,730
Financial liabilities						
Financial liabilities at amortised cost:						
Trade payables	3,930,368	725,701	912,225	-	-	-
Other payables	2,170,928	2,193,573	2,459,045	3,597,416	2,248,727	4,320,106
Bank loans	7,444,812	4,886,157	5,532,813	-	-	-
Finance leases	93,985	294,319	576,884	-	-	-
	13,640,093	8,099,750	9,480,967	3,597,416	2,248,727	4,320,106

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and the Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar agreements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) *Financial risk management policies and objectives*

The financial risk management of the Group is handled by management of the Company as part of the operations of the Group. Management seeks to mitigate risk through monitoring of exposures to financial risks arising in the normal course of operations. The Group does not hold or issue derivative financial instruments for speculative purposes.

(i) Foreign exchange risk management

The Group's currency exposure is mainly in United States dollars. The Group also have investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not hedge against foreign exchange exposure as the currency risk is not expected to be significant.

At the end of the reporting period, the significant carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group					
	Liabilities			Assets		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$	$	$	$
United States dollars	1,442,884	439,327	816,586	2,273,430	1,652,588	2,345,723

The Company's monetary assets and liabilities are substantially denominated in its functional currency.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they impact the Group's profit or loss.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

If the relevant foreign currency strengthens/weakens by 10% against the functional currency of each group entity, loss before income tax will decrease/increase by:

	Group	
	2018	**2017**
	$	**$**
United States dollars	83,055	121,326

(ii) Interest rate risk management

The Group's exposures to market risk for changes in interest rate relates to the Group's long term and short term debt obligations. The Group does not use derivative financial instruments to hedge its exposure to interest rate fluctuation.

However, it is the Group's policy to obtain the most favourable interest rates available whenever the Group obtains additional financing through bank borrowings.

The interest rates and terms of maturity and repayment of borrowings of the Group are disclosed in Notes 17 and 18 to the financial statements.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss before income tax would increase/decrease by $22,224 (2017 : $24,431). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses publicly available financial information and its own trading records to rate its major customers and other receivables.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >3 years past due for major shipyards and >1 year past due for other counter parties or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >4 past due for major shipyards and >3 years past due for other counter parties or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery or amount is >5 years past due, whichever occurs sooner.	Amount is written off

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

The tables below detail the credit quality of the group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$	$	$
Group						
December 31, 2018						
Trade receivables	11	(i)	Lifetime ECL (simplified approach)	11,436,586	(253,291)	11,183,295
Contract assets	12	(i)	Lifetime ECL (simplified approach)	5,589,984	-	5,589,984
Other receivables	13	Performing	12-month ECL	416,734	-	416,734
Other receivables	13	(i)	Lifetime ECL (simplified approach)	489,868	(489,868)	-

(i) For trade and other receivables and contract assets, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 11, 12 and 13 include further details on the loss allowance for these assets respectively.

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$	$	$
Company						
December 31, 2018						
Other receivables	13	Performing	12-month ECL	4,528,138	-	4,528,138

The Group performs ongoing credit evaluation of its customers' financial condition and may require certain customers to furnish letters of credit from creditworthy institutions. This evaluation includes the assessment and valuation of customers' credit reliability. As at year end, the Group has 4 (December 31, 2017 : 3, January 1, 2017 : 3) major customers which accounted for $7,263,069 or 65% (December 31, 2017 : $9,032,197 or 69%, January 1, 2017 : $6,646,732 or 52%) of the net trade receivable balance and the Company has significant concentration risk with its subsidiaries.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

The credit risk on liquid funds is limited because the Group places its cash and cash equivalents with creditworthy institutions.

The maximum amount the Group and the Company could be forced to settle under the corporate guarantee in Note 33, if the full guaranteed amount is claimed by the counterparty to the guarantee is $8.6 million (December 31, 2017 : $4.9 million, January 1, 2017 : $5.6 million). Based on expectations at the end of the reporting period, the Group and the Company consider that it is more likely than not that no amount will be payable under the arrangement.

Further details of credit risks on trade receivables, contract assets and other receivables are disclosed in Notes 11, 12 and 13 respectively.

(iv) Liquidity risk management

Liquidity risk refer to the risk that the Group is unable to pay its obligations when they fall due. The Group maintains sufficient cash and cash equivalents via internally generated cash flows and adequate amount of committed credit facilities to finance their activities. Short-term funding is obtained mainly from bank overdraft, trade financing and short-term loan facilities.

The Group projects cash flow requirements using various assumptions to assess and monitor the ability of the Group to repay the borrowings from financial institutions as and when they fall due and also maintains a mixture of short-term borrowings and medium/long term loans to fund working capital requirements. Due to the Group's nature of business, it maintains flexibility in funding by ensuring that adequate working capital lines are available at any one time.

The Company's working capital requirements are funded by its subsidiaries by monitoring the cash flow requirements within the Group.

As at December 31, 2018, the Group does not have undrawn committed bank credit facilities for working capital purposes (December 31, 2017 : $1,463,887, January 1, 2017 : $3,057,366).

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Adjustments	Total
	%	$	$	$	$
Group					
December 31, 2018					
Non-interest bearing	-	6,101,296	-	-	6,101,296
Fixed interest rate instruments	6.72	3,240,786	59,139	(205,940)	3,093,985
Variable interest rate instruments	3.39	4,495,412	89,469	(140,069)	4,444,812
		13,837,494	148,608	(346,009)	13,640,093
December 31, 2017					
Non-interest bearing	-	2,919,274	-	-	2,919,274
Fixed interest rate instruments	3.94	206,314	97,887	(9,882)	294,319
Variable interest rate instruments	3.11	3,669,994	1,401,669	(185,506)	4,886,157
		6,795,582	1,499,556	(195,388)	8,099,750
January 1, 2017					
Non-interest bearing	-	3,371,270	-	-	3,371,270
Fixed interest rate instruments	3.94	298,052	304,202	(25,370)	576,884
Variable interest rate instruments	3.10	3,744,877	2,047,924	(259,988)	5,532,813
		7,414,199	2,352,126	(285,358)	9,480,967

Company

On December 31, 2018 and 2017 and January 1, 2017, the Company's non-derivative financial liabilities are non-interest bearing and repayable on demand or due within 12 months from the end of the reporting period.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

Non-derivative financial assets

Group

On December 31, 2018 and 2017 and January 1, 2017, all the non-derivative financial assets are expected to be repayable within one year and are non-interest bearing except for the interest bearing fixed deposits (Note 14).

Company

All the non-derivative financial assets are expected to be repayable within one year and are non-interest bearing on December 31, 2018 and 2017 and January 1, 2017.

(v) Fair value of financial assets and financial liabilities

The Group and the Company had no financial assets or liabilities carried at fair value on December 31, 2018 and 2017 and January 1, 2017.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to the short term maturity of these financial assets and financial liabilities, except for bank loans and finance leases. The fair value of bank loans and finance leases are disclosed in Notes 17 and 18 respectively.

(d) Capital management policies and objectives

The Group manages its capital to ensure that the entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 17 and 18, and equity attributable to equity holders of the Company, comprising of share capital, reserves and retained earnings. Management reviews the capital structure on a semi-annual basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group is required to maintain net worth of a specified amount in order to comply with covenants in loan agreements with banks. The Group is in compliance with the financial covenants imposed by the banks for the financial years ended December 31, 2017 and January 1, 2017. However, the Group breached a loan covenant for the financial year ended December 31, 2018, details of the breach is disclosed in Note 17.

5 RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in this financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Details of transactions between the Group and related parties are disclosed below:

	2018	2017
	$	$
Associates		
Rendering of services	(1,680)	(11,050)
Rental income	-	(3,000)
Management fee income	-	(4,500)
Non-controlling shareholder of subsidiary		
Dividend paid	29,640	44,460

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2018	2017
	$	$
Short-term benefits	670,554	788,129
Post-employment benefits	38,923	59,055
	709,477	847,184

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DECEMBER 31, 2018

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Leasehold improvement	Plant and equipment	Construction in-progress	Motor vehicles	Renovation	Total
	$	$	$	$	$	$	$
Group							
Cost:							
At January 1, 2017	9,760,184	116,042	4,298,019	65,795	539,433	458,882	15,238,355
Additions	-	-	193,898	45,374	429,201	66,762	735,235
Written off	-	-	(20,712)	-	(203,125)	(2,700)	(226,537)
Disposals	-	-	-	-	(52,000)	-	(52,000)
Exchange translation	-	-	(1,034)	-	(15,576)	(3,862)	(20,472)
At December 31, 2017	9,760,184	116,042	4,470,171	111,169	697,933	519,082	15,674,581
Additions	-	-	165,834	-	-	105,149	270,983
Written off	-	-	-	-	(17,464)	-	(17,464)
Disposals	-	-	(60,180)	-	(8,578)	-	(68,758)
Transfer	-	-	111,169	(111,169)	-	-	-
Exchange translation	-	-	(23,293)	-	(4,951)	(9,664)	(37,908)
At December 31, 2018	9,760,184	116,042	4,663,701	-	666,940	614,567	15,821,434

6 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold properties	Leasehold improvement	Plant and equipment	Construction in-progress	Motor vehicles	Renovation	Total
	$	$	$	$	$	$	$
Accumulated depreciation:							
At January 1, 2017	1,583,486	11,798	850,670	-	308,497	376,444	3,130,895
Written off	-	-	(16,481)	-	(200,784)	(1,710)	(218,975)
Disposals	-	-	-	-	(50,844)	-	(50,844)
Depreciation	435,908	7,216	450,938	-	109,149	33,038	1,036,249
Exchange translation	-	-	(695)	-	(9,825)	(3,862)	(14,382)
At December 31, 2017	2,019,394	19,014	1,284,432	-	156,193	403,910	3,882,943
Written off	-	-	-	-	(15,088)	-	(15,088)
Disposals	-	-	(20,816)	-	(6,576)	-	(27,392)
Depreciation	435,913	7,215	514,399	-	133,597	34,050	1,125,174
Exchange translation	-	-	(17,125)	-	(4,049)	(9,664)	(30,838)
At December 31, 2018	2,455,307	26,229	1,760,890	-	264,077	428,296	4,934,799
Impairment:							
Impairment loss recognised in the year ended December 31, 2018 and balance at December 31, 2018	-	-	40,769	-	-	-	40,769
Carrying amount:							
At December 31, 2018	7,304,877	89,813	2,862,042	-	402,863	186,271	10,845,866
At December 31, 2017 (Note 35)	7,740,790	97,028	3,185,739	111,169	541,740	115,172	11,791,638
At January 1, 2017 (Note 35)	8,176,698	104,244	3,447,349	65,795	230,936	82,438	12,107,460

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6 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold properties	Leasehold improvement	Plant and equipment	Total
	$	$	$	$
Company				
Cost:				
At January 1, 2017	6,036,700	116,042	897,460	7,050,202
Additions	-	-	49,212	49,212
At December 31, 2017	6,036,700	116,042	946,672	7,099,414
Additions	-	-	22,146	22,146
At December 31, 2018	6,036,700	116,042	968,818	7,121,560
Accumulated depreciation:				
At January 1, 2017	1,148,425	11,798	247,694	1,407,917
Depreciation	353,364	7,215	88,250	448,829
At December 31, 2017	1,501,789	19,013	335,944	1,856,746
Depreciation	353,366	7,213	111,179	471,758
At December 31, 2018	1,855,155	26,226	447,123	2,328,504
Carrying amount:				
At December 31, 2018	4,181,545	89,816	521,695	4,793,056
At December 31, 2017	4,534,911	97,029	610,728	5,242,668
At January 1, 2017	4,888,275	104,244	649,766	5,642,285

During the year, the Group carried out a review of the recoverable amount of its plant and equipment having regard to the decline in gross margin of certain subsidiaries due to the highly competitive market. The review led to the recognition of an impairment loss of $40,769 (December 31, 2017 : $Nil) that has been recognised in profit or loss and included in the line item "other expenses". The recoverable amount of the relevant assets has been determined on the basis of their value in use.

The Group's and Company's leasehold properties with carrying amount of $7,304,877 (December 31, 2017 : $7,740,790, 1 January 2017 : $8,176,698) and $4,181,545 (December 31, 2017 : $4,534,911, January 1, 2017 : $4,888,275) respectively are pledged to secure certain banking facilities granted to the Group (Note 17).

The Group's certain plant and equipment with carrying amount of $922,655 (December 31, 2017 : $1,065,287, January 1, 2017 : $1,207,918) are secured in respect of assets held under finance leases (Note 18).

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7 SUBSIDIARIES

	Company		
	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Unquoted equity shares, at cost	6,623,614	6,623,614	6,623,614

The details of the Group's significant subsidiaries as at December 31, 2018 as follows:

Name of subsidiary	Country of incorporation (or residence)	Proportion of ownership interest and voting power held			Principal activity
		December 31, 2018	December 31, 2017	January 1, 2017	
		%	%	%	
Heatec Jietong Pte. Ltd.[1]	Singapore	100	100	100	Servicing and fabrication of heat exchanger.
JJY Engineering & Construction Pte. Ltd. [1]	Singapore	100	100	100	To carry on the businesses of repairing ships, tankers and other ocean-going vessels.
HJT Engineering & Construction Pte. Ltd. [1]	Singapore	100	100	100	To carry on the businesses of repairing ships, tankers and other ocean-going vessels.
Held by Heatec Jietong Pte. Ltd.					
Heatec (Shanghai) Co., Ltd. [2]	People's Republic of China	100	100	100	Manufacture and repair of air cooler(s) evaporator, heat exchanger and related auxiliaries.
Heatec Chariot Envirobotics Pte. Ltd. [3]	Singapore	-	-	72.5	Liquidated.
Chem-Grow Pte. Ltd. [1]	Singapore	70	70	70	Provide chemical cleaning services to ships and tankers.

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7 SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation (or residence)	Proportion of ownership interest and voting power held December 31, 2018 %	December 31, 2017 %	January 1, 2017 %	Principal activity
Chem Grow Engineering Pte. Ltd. (1)	Singapore	70	70	70	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers.
Heatec Oilfield Services Pte. Ltd. (2)(4)	Singapore	-	55	55	Struck off.
Heatec Veslink Marine Services Corp. (2)	Philippines	60	60	60	To engage in the business of trading, selling, servicing, manufacturing, distributing, marketing, maintenance, export & import.
Heatec Guangzhou Co., Ltd. (2)	People's Republic of China	51	51	51	Provide repairs and services for heat exchangers and to design, sell and fabricate heat exchangers.
Held by Chem-Grow Pte. Ltd.					
Chem-Grow Services Pte. Ltd. (1)	Singapore	70	70	70	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers.

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Not audited by Deloitte & Touche LLP, Singapore, for consolidation purposes as management is of the opinion that the results of the subsidiaries are insignificant during the year.

(3) Liquidated in 2017.

(4) Struck off in 2018.

7 SUBSIDIARIES (cont'd)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%	$	$	$	$	$
Chem-Grow Pte. Ltd.	Singapore	30	30	30	(192,447)	(76,883)	1,785,085	1,978,126	2,099,469
Individually immaterial subsidiaries with non-controlling interests					(72,104)	102,896	251,556	329,039	(770,461)[1]
Total					(264,551)	26,013	2,036,641	2,307,165	1,329,008

(1) Relates mainly to the subsidiary that was liquidated in 2017 whose non-controlling interests amounted to a loss of $996,904 as at January 1, 2017.

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8 ASSOCIATES

	Group December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Cost of investment in associates	687,616	687,616	437,616
Share of post-acquisition reserves, net of dividend received	(317,016)	(343,509)	(109,866)
Impairment loss	(67,844)	(67,844)	(67,844)
	302,756	276,263	259,906

At the end of each reporting period, the Group carried out a review whether there is an indication that the investment in associates are impaired. No impairment has been recognised in respect of the years ended December 31, 2017 and 2018.

The details of the Group's significant associates at December 31, 2018 are as follows:

Name of associate	Country of incorporation and operation	Proportion of ownership interest and voting power held			Principal activity
		December 31, 2018	December 31, 2017	January 1, 2017	
		%	%	%	
Held by Heatec Jietong Pte. Ltd.					
Zhoushan Heatec IMC-YY Engineering Co., Ltd. (HTIMCYY) (1)	People's Republic of China	45	45	45	Service and repair all kinds of heat exchangers and piping works.
Heatec Marine Phils Construction Inc. (HTMPC) (1)	Philippines	39.97	39.97	39.97	Dormant.
Ipromar (Pte.) Ltd. (IPL) (1)	Singapore	25	25	25	Process plant and engineering services.
Karnot Technology Pte. Ltd. (Karnot) (1)	Singapore	20	20	20	Dormant.

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8 ASSOCIATES (cont'd)

Name of associate	Country of incorporation and operation	Proportion of ownership interest and voting power held			Principal activity
		December 31, 2018	December 31, 2017	January 1, 2017	
		%	%	%	
Held by Ipromar (Pte.) Ltd.					
Ipromar Sdn. Bhd. (ISB) [1]	Malaysia	25	25	25	Process plant and engineering services.

[1] Not audited by Deloitte & Touche LLP, Singapore, for consolidation purposes as management is of the opinion that the results of the associates are insignificant during the year.

Management has evaluated and concluded that the associates are not individually and collectively material to the Group. Therefore, the information required by SFRS(I) 12 on the associates has not been disclosed.

9 GOODWILL

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Cost	288,000	288,000	288,000
Impairment loss	(288,000)	-	-
Carrying amount	-	288,000	288,000

Goodwill arose in the acquisition of chemical business in 2013 for a cash consideration of $398,000 because the consideration paid effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market arrangement. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to chemical cleaning business. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

9 GOODWILL (cont'd)

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and gross margin during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in gross margin are based on past practices and expectations of future changes in the market.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and thereafter budgeted a perpetual zero growth rate. This rate does not exceed the average long term growth rate for the relevant markets.

The rate used to discount the forecast cash flows arising from this acquisition is 10.51% (December 31, 2017 : 9.8%).

As at December 31, 2018, due to declining sales in the highly competitive market for the chemical business for which the goodwill is allocated to, the Group has revised its cash flow forecasts for this segment of the business. As at December 31, 2018, the Group determined that the recoverable amount of the goodwill is immaterial. Accordingly, management recognised an impairment loss on goodwill amounting to $288,000 (December 31, 2017 : $Nil).

10 INVENTORIES

		Group	
	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Raw materials and supplies	545,096	555,692	670,866
Goods-in-transit	622,050	-	-
	1,167,146	555,692	670,866

The cost of inventories recognised as an expense includes $16,295 (2017 : $Nil) in respect of write-downs of inventory to net realisable value.

11 TRADE RECEIVABLES

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Outside parties	8,396,042	7,975,623	10,237,825
Associates	11,050	-	942
Unbilled revenue	3,029,494	5,592,269	3,073,977
Loss allowance	(253,291)	(398,198)	(509,264)
	11,183,295	13,169,694	12,803,480

The average credit period on rendering of services is 60 to 90 days (2017 : 60 to 90 days). No interest is charged on the overdue trade receivables. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 5 years past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

As at December 31, 2018, included in trade receivables due from outside parties is an allowance for sales discount for outside parties of $523,767 (December 31, 2017 : $439,122, January 1, 2017 : $734,654). Management has assessed the adequacy of the allowance taking into account the historical settlement rate for past completed projects and their assessments based on on-going negotiation with customers.

The following tables detail the risk profile of trade receivables from contracts with customers based on the Group's provision matrix, which is based on past due status and various customer bases.

Group's provision matrix

	Debts aging:					
	Not past due	< 1 year	>1 – 3 years	>3 - 4 years	>4 - 5 years	> 5 years
Customers that are major shipyards	Category A	Category B	Category B	Category C	Category D	Category E
Other customers	Category A	Category B	Category C	Category D	Category D	Category E

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11 TRADE RECEIVABLES (cont'd)

	Debts category:						
	Category A	**Category B**	**Category C**	**Category D**	**Category E**	**Others [1]**	**Total**
	$	$	$	$	$	$	$
December 31, 2018							
Expected credit loss rate	0%	0.5%	1%	1.5%	100%	100%	
Estimated total gross carrying amount at default	2,811,519	8,240,200	159,200	15,400	-	210,267	11,436,586
Lifetime ECL	-	(41,201)	(1,592)	(231)	-	(210,267)	(253,291)
							11,183,295

[1] A loss allowance of 100% is recognised on certain receivables that are deemed to be not recoverable.

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	Lifetime ECL - not credit impaired		
Group	**Individually assessed**	**Lifetime ECL -credit impaired**	**Total**
	$	**$**	**$**
Balance as at January 1, 2018	257,330	140,868	398,198
Loss allowance recognised in profit or loss	46,243	56,811	103,054
Amounts recovered during the year	(12,074)	-	(12,074)
Amounts written off during the year	(234,205)[1]	-	(234,205)
Exchange translation	-	(1,682)	(1,682)
Balance as at December 31, 2018	57,294	195,997	253,291

Previous accounting policy for impairment of trade receivables

On December 31, 2017, included in the Group's trade receivables balance are debtors with a carrying amount of $2,751,945 (January 1, 2017 : $3,350,385) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

[1]Amount has been written off as the counterparties have declared bankruptcy.

11 TRADE RECEIVABLES (cont'd)

On December 31, 2017, an allowance has been made for estimated irrecoverable amounts from outside parties of $398,198 (January 1, 2017 : $509,264). This allowance has been determined by reference to past default experience. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and expected proceeds. The Group does no hold any collateral over these balances.

The table below is an analysis of trade receivables as at:

	Group December 31, 2017	Group January1, 2017
	$	$
Not past due and not impaired	10,405,812	9,155,936
Past due but not impaired (i)	2,751,945	3,350,385
	13,157,757	12,506,321
Impaired receivables - individually assessed (ii)	410,135	806,423
Less : Provision for impairment	(398,198)	(509,264)
	11,937	297,159
Total trade receivables, net	13,169,694	12,803,480

	Group December 31, 2017	Group January 1, 2017
	$	$
(i) Aging of receivables are past due but not impaired:		
< 3 months	1,317,809	1,817,532
3 months to 6 months	475,768	706,103
6 months to 12 months	258,419	260,127
> 12 months	699,949	566,623
	2,751,945	3,350,385

(ii) These amounts are stated before any deduction for impairment losses.

	Group December 31, 2017
	$
Balance at beginning of the year	509,264
Increase in allowance recognised in profit or loss	4,574
Amounts recovered during the year	(110,587)
Amounts written off during the year	(3,650)
Exchange translation	(1,403)
Balance at the end of the year	398,198

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12 CONTRACT ASSETS

	Group		
	December 31, 2018	**December 31, 2017**	**January 1, 2017**
	$	**$**	**$**
Heat exchanger	2,367,896	828,544	682,730
Piping	3,222,088	1,320,116	3,384,130
	5,589,984	2,148,660	4,066,860
Less: Provision for foreseeable losses	-	(167,000)	-
	5,589,984	1,981,660	4,066,860

Amounts relating to heat exchanger are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance – related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Amounts relating to piping are not due from the customers until the piping services are completed and therefore a contract asset is recognised over the period in which the piping services are performed to represent the Group's right to consideration for the services transferred to date.

On December 31, 2017, contract asset was significantly lower due to significantly lower operations in the 2nd half of 2017 for the piping and heat exchange segments. The significant increase in contract assets on December 31, 2018 is in line with the increase in revenue reported by the Group.

Management always estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the amounts due from customers at the end of the reporting period is past due.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets. Management is of the view that the contract assets were with creditworthy counterparties and the contract assets as at January 1, 2017, December 31, 2017 and 2018 were subject to immaterial credit loss. Accordingly, no credit loss allowance was recognised.

13 OTHER RECEIVABLES

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$	$	$	$
Non-controlling shareholders of subsidiaries (Note 5)	4,003	8,080	522,412	-	-	-
Loss allowance - non-controlling shareholder of a subsidiary	-	-	(356,352)	-	-	-
	4,003	8,080	166,060	-	-	-
Subsidiaries	-	-	-	4,489,868	2,485,175	4,240,661
Other receivables	134,054	291,687	165,428	-	-	-
Loss allowance - other receivables	(3,630)	(5,459)	-	-	-	-
Tax recoverable	314,301	-	2,332	-	-	-
Deposit	282,307	300,865	372,289	38,270	38,350	38,350
Prepayments	122,761	178,167	187,778	20,111	19,587	8,416
Associates	486,238	486,238	924,483	-	-	-
Loss allowance - associates	(486,238)	(486,238)	(536,238)	-	-	-
	853,796	773,340	1,282,132	4,548,249	2,543,112	4,287,427

Amount receivable from subsidiaries, associates and non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

For purpose of impairment assessment, amount due from subsidiaries and outside parties are considered to have low credit risk as the balance is not past due and there has been no significant increase in the risk of default on the receivable balance since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

Management had performed a review on the credit risk from its associates and non-controlling shareholders of subsidiaries, and determined that these amounts are credit-impaired. Accordingly, a loss allowance on amounts due from associates of $486,238 (December 31, 2017 : $486,238, January 1, 2017 : $536,238) and non-controlling shareholders of subsidiaries of $Nil (December 31, 2017 : $Nil, January 1, 2017 : $356,352) was made.

In determining the ECL, management has taken into account the financial position of the other receivables, adjusted for factors that are specific to the other receivables and general economic conditions of the industry in which the other debtors operate, in estimating the probability of default of the receivables as well as the loss upon default in each case. Management is of the view that other than amount due from associates and non-controlling shareholder, the other receivables are subject to immaterial credit loss.

There had been no change in the estimation techniques or significant assumptions made during the current reporting period.

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13 OTHER RECEIVABLES (cont'd)

Movement in the credit loss allowance

Group	Lifetime ECL – credit-impaired Individually assessed
	$
Balance as at January 1, 2018	491,697
Amounts written off during the year	(1,829)
Balance as at December 31, 2018	489,868

Previous accounting policy for impairment of other receivables

Movement in the allowance for doubtful debts

	Group December 31, 2017
	$
Balance at beginning of the year	892,590
Increase in allowance recognised in profit or loss	5,459
Amount recovered during the year	(50,000)
Amount written off during the year	(356,352)
Balance at end of the year	491,697

14 CASH AND BANK BALANCES

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$	$	$	$
Cash at bank	1,967,876	2,155,496	3,442,165	13,773	39,581	41,719
Fixed deposits	466,378	445,581	430,192	-	-	-
	2,434,254	2,601,077	3,872,357	13,773	39,581	41,719
Less: Pledged fixed deposits	(49,839)	-	(430,192)	-	-	-
Cash and cash equivalents in the statement of cashflows	2,384,415	2,601,077	3,442,165	13,773	39,581	41,719

14 CASH AND BANK BALANCES (cont'd)

Cash and bank balances comprise cash and fixed deposits held by the Group. Short-term fixed deposits have original maturity of 12 months or less and are readily convertible to cash. The carrying amounts of these assets approximate their fair values.

Short-term fixed deposits bear average interest rate of 0.15% to 2.20% (December 31, 2017 : 0.15% to 1.36%, January 1, 2017 : 0.15% to 0.44%) per annum and for a tenure of approximately 1 to 12 months (December 31, 2017 : 3 to 12 months, January 1, 2017 : 3 to 12 months), without significant risk of changes in value.

As at December 31, 2018, fixed deposits of $49,839 (December 31, 2017 : $Nil, January 1, 2017 : $430,192) are pledged to secure banking facilities granted to the Group (Note 17).

15 SHARE CAPITAL

	Group and Company					
	December 31, 2018	**December 31, 2017**	**January 1, 2017**	**December 31, 2018**	**December 31, 2017**	**January 1, 2017**
	Number of ordinary shares			**$**	**$**	**$**
Issued and paid up:						
At beginning and end of the year	122,959,345	122,959,345	122,959,345	11,554,627	11,554,627	11,554,627

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

16 RESERVES

a) *Other reserve*

Put option liability arose as a result of the acquisition of subsidiaries whereby the vendors of the subsidiaries have been granted the right to sell a portion of their remaining shares to Heatec Jietong Pte Ltd. The put option represents 19% of the issued share capital ("Put Option Shares") in each of Chem-Grow Pte Ltd and Chem Grow Engineering Pte Ltd (collectively, "Chem Grow Entities") for a total consideration of $1,078,820. The put option may only be exercised in respect of all (and not some only) of the Put Option Shares at any time during the twelve-month period commencing from January 1, 2012, failing which the put option will lapse if it remains unexercised.

On October 31, 2012, the vendors of the subsidiaries exercised the put option for Heatec Jietong Pte Ltd to purchase the Put Option Shares for a cash consideration of $1,078,820. Following the exercise of put option, the Group's shareholdings increase from 51% to 70% each in Chem-Grow Pte Ltd and Chem Grow Engineering Pte Ltd. The carrying amount and fair value of Chem Grow Entities' net assets in the Group's financial statement on the date of acquisition was $6,842,243. Consequently, the Group reversed the gross obligations under the put option recognised as current liability and other reserve in 2011. The difference between the fair value of the consideration paid and the non-controlling interests amounted to $221,206, was recognised directly in equity.

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16 RESERVES (cont'd)

b) Translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component in equity under the header of translation reserve.

Movement in translation reserve:

	Group $
At January 1, 2017, as previously reported under FRS	(124,704)
Application of SFRS(I) 1 (Note 35)	124,704
At January 1, 2017, as adjusted under SFRS(I)	-
Changes during the year in other comprehensive income	(50,384)
At December 31, 2017	(50,384)
Changes during the year in other comprehensive income	(36,875)
At December 31, 2018	(87,259)

c) Merger reserve

Merger reserve represents the difference between the amount of the share capital of the subsidiaries at the date on which it was acquired by the Group and the amount of the share capital issued as consideration for the acquisition. The merger reserve amounted to a debit balance of $3,913,614 as at December 31, 2018 and 2017 and January 1, 2017.

d) Share option reserve

The share option reserve arises due to the grant of share options to employees under the employee share option plan.

Further information about share-based payments to employees is set in Note 30 to the financial statements.

17 BANK LOANS

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Term loans [a]	6,844,812	1,963,819	2,550,181
Trade financing loans [b]	-	200,536	154,162
Revolving credit loans [c]	600,000	2,721,802	2,828,470
	7,444,812	4,886,157	5,532,813

The borrowings are repayable as follows:			
- On demand or within one year	7,356,002	3,522,946	3,574,130
- Within two years to five years	88,810	1,363,211	1,958,683
	7,444,812	4,886,157	5,532,813
Less: Amount due for settlement within 12 months (shown under current liabilities)	(7,356,002)	(3,522,946)	(3,574,130)
Amount due for settlement after 12 months	88,810	1,363,211	1,958,683

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
The effective interest rates per annum are as follows:			
Term loans	2.05% to 6.85%	1.80% to 2.90%	2.30% to 3.89%
Trade financing loans	-	3.00% to 5.25%	2.84% to 5.38%
Revolving credit loans	3.55% to 4.30%	3.06% to 3.54%	3.45% to 3.51%

Certain term loans are subject to contractual interest rate repricing annually. Such term loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The fair value of the Group's borrowings approximate the carrying amounts of the borrowings as the bank loans are charged market interest rates.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

17 BANK LOANS (cont'd)

The Group's loans are denominated in the functional currencies of the respective entities.

(a) The Group's term loans are as follows:

(i) A loan of $221,816 (December 31, 2017 : $352,156, January 1, 2017 : $478,209). The loan was raised on July 27, 2000. Repayment commenced on September 1, 2000 and is repayable over 20 years. The loan is secured by:

(a) a first legal mortgage over the Group's leasehold property (Note 6);

(b) a corporate guarantee by one of the Company's subsidiary.

The loan carries interest at 3-month Singapore Interbank Offered Rate plus 1.18%.

(ii) A loan of $3,622,996 (December 31, 2017 : $Nil, January 1, 2017 : $Nil). The loan was raised on October 18, 2018. Repayment commenced on November 19, 2018 and is repayable over 7 years. The loan is secured by:

(a) a first legal mortgage over the Group's leasehold property (Note 6); and

(b) a corporate guarantee by the Company.

The loan carries interest at 1.75% plus 3 months SWAP offer rate per annum.

(iii) A loan of $3,000,000 (December 31, 2017 : $Nil, January 1, 2017 : $Nil) that was raised on May 16, 2018. Repayment will commence on June 18, 2020 and is repayable over 6 years. The loan is secured by:

(a) a first legal mortgage over the Group's leasehold property (Note 6); and

(b) a corporate guarantee by the Company.

The loan carries fixed interest at 6.75% per annum. The fair value of the loan is $2,380,544.

(iv) A loan of $1,611,663 on December 31, 2017 (January 1, 2017 : $2,071,972). The loan was raised on June 17, 2016 and was repayable over 5 years. The loan was secured by:

(a) a first legal mortgage over the Group's leasehold property (Note 6); and

(b) a corporate guarantee by the Company.

The loan carried interest at 1.75% plus cost of funds per annum and was fully repaid during the year.

(b) The trade financing facilities carried interest at bank's prevailing enterprise financing rate, repayable up to 120 days and were secured by:

(i) a first legal mortgage over the Group's leased property (Note 6); and

(ii) a corporate guarantee by the Company.

The trade financing facilities were fully repaid during the year.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

17 BANK LOANS (cont'd)

(c) The revolving credit facilities carry interest at 2.0% (December 31, 2017 : 2.5%, January 1, 2017 : 2.5%) plus cost of fund per annum, are repayable on demand and are secured by:

(i) proceeds from certain of the Group's projects in the Heat Exchanger segment; and

(ii) a corporate guarantee by the Company.

During 2018, the Group did not fulfil certain financial covenants on its loans with a carrying amount of $6,622,996. Accordingly the outstanding balance is presented as a current liability in the statement of financial position as at December 31, 2018.

On February 11, 2019, the Group obtained a confirmation from the bank to accommodate the breach for financial year 2018 on a one-off basis. The bank will not request accelerated repayment of the loans and the terms of the loans were not changed.

18 FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	December 31, 2018	**December 31, 2017**	**January 1, 2017**	**December 31, 2018**	**December 31, 2017**	**January 1, 2017**
Group	**$**	**$**	**$**	**$**	**$**	**$**
Amounts payable under finance leases:						
Within one year	38,748	206,314	298,052	36,303	200,333	282,563
In the second to fifth years inclusive	59,139	97,887	304,202	57,682	93,986	294,321
Less: Future finance charges	(3,902)	(9,882)	(25,370)	-	-	-
Present value of lease obligations	93,985	294,319	576,884	93,985	294,319	576,884
Less: Amount due for settlement within 12 months (shown under current liabilities)				(36,303)	(200,333)	(282,563)
Amount due for settlement after 12 months				57,682	93,986	294,321

18 FINANCE LEASES (cont'd)

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 5 years. For the financial year ended December 31, 2018, the average effective borrowing rate was 2.81% (2017 : 3.94%) per annum. Interest rates are fixed and variable at the contract date and the Group is exposed to fair value interest rate risk for its fixed rate lease contracts. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets (Note 6) and a corporate guarantee by the Company.

19 DEFERRED TAXATION

	Group		
	December 31, 2018	**December 31, 2017**	**January 1, 2017**
	$	**$**	**$**
Deferred tax liabilities	312,790	372,951	380,647
Deferred tax assets	-	-	(233,901)
	312,790	372,951	146,746

Group	Accelerated tax depreciation	Revaluation of plant and Equipment	Tax losses	Others	Total
	$	$	$	$	$
At January 1, 2017 (previously reported under FRS)	397,842	17,595	(238,661)	(12,435)	164,341
Application of SFRS(I) 1 (Note 35)	-	(17,595)	-	-	(17,595)
At January 1, 2017 (adjusted under SFRS(I)	397,842	-	(238,661)	(12,435)	146,746
(Credit) Charge to profit or loss for the year (Note 27)	(12,456)	-	238,661	-	226,205
At December 31, 2017	385,386	-	-	(12,435)	372,951
Credit to profit or loss for the year (Note 27)	(60,161)	-	-	-	(60,161)
At December 31, 2018	325,225	-	-	(12,435)	312,790

20 TRADE PAYABLES

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Outside parties	3,930,368	725,701	777,225
Non-controlling shareholder of a subsidiary (Note 5)	-	-	55,992
Non-controlling shareholder of an associate (Note 5)	-	-	79,008
	3,930,368	725,701	912,225

The average credit period on purchases of goods is 60 days (2017 : 60 days). No interest is charged on the overdue trade payables.

21 CONTRACT LIABILITIES

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Heat exchanger	-	869,200	-

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise when a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

As at December 31, 2018, there is no contract liability balance as the contracts were completed during the year, and there was no milestone payment from customers that exceeds the revenue recognised to date under the cost-to-cost method.

As at December 31, 2018, the Group's revenue recognised that was included in the contract liability balance at the beginning of the year amounts to $869,200.

NOTES TO FINANCIAL STATEMENTS

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22 OTHER PAYABLES

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$	$	$	$
Subsidiaries (Note 5)	-	-	-	3,286,488	1,072,126	3,847,251
Non-controlling shareholder of a subsidiary (Note 5)	50,461	36,118	-	-	-	-
Accruals	1,281,460	1,599,215	1,711,379	218,975	1,064,853	347,358
Other payables	839,007	558,240	747,666	91,953	111,748	125,497
Provision for warranty	23,121	-	-	-	-	-
Advance deposits received	11,599	11,055	19,406	-	-	-
	2,205,648	2,204,628	2,478,451	3,597,416	2,248,727	4,320,106

The average credit term for amounts payables to third parties are interest free and repayable in 60 days from the date of invoice.

The provision for warranty represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's warranty program for heat exchangers. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

23 REVENUE

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 31).

A disaggregation of the group's revenue for the year is as follows:

	Group	
	2018	2017
	$	$
Segment revenue		
Heat exchanger	16,855,704	8,689,911
Piping	7,935,847	9,515,795
Chemical cleaning	2,681,836	2,764,706
	27,473,387	20,970,412

NOTES TO
FINANCIAL STATEMENTS
DECEMBER 31, 2018

23 REVENUE (cont'd)

	Group 2018	Group 2017
	$	$
Timing of revenue recognition		
At a point in time		
Chemical cleaning	2,681,836	2,764,706
Over time		
Heat exchanger	16,855,704	8,689,911
Piping	7,935,847	9,515,795
	27,473,387	20,970,412

As permitted under SFRS(I) 15.121, the transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2017 and 2018 are not disclosed as the performance obligations are part of a contract that has an original expected duration of one year or less in the transaction price.

24 OTHER INCOME

	Group 2018	Group 2017
	$	$
Sundry income	305,599	223,238
Interest income	5,954	3,002
Management fee income (Note 5)	-	4,500
Rental income (Note 5)	-	3,000
Gain on disposal of property, plant equipment	-	13,172
Net foreign exchange gain	22,281	-
	333,834	246,912

25 OTHER EXPENSES

	Group 2018	Group 2017
	$	$
Loss on striking off / liquidation of a subsidiary	23,667	996,604
Property, plant and equipment written off	2,376	7,562
Loss on disposal of property, plant and equipment	29,059	-
Loss on impairment of property, plant and equipment	40,769	-
Fixed asset expensed off	5,877	5,808
Net foreign exchange loss	-	89,556
Loss on impairment of goodwill	288,000	-
Others	-	9,202
	389,748	1,108,732

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

25 OTHER EXPENSES (cont'd)

In 2017, the Group liquidated a subsidiary, Heatec Chariot Envirobotics Pte. Ltd. Accordingly, the Group recorded a loss on liquidation of subsidiary amounting to $996,604.

In 2018, the Group has struck off a subsidiary, Heatec Oilfield Services Pte. Ltd. Accordingly, the Group recorded a loss on striking off of a subsidiary amounting to $23,667.

26 FINANCE COSTS

	Group	
	2018	2017
	$	$
Interest on:		
- Bank overdrafts	5,035	2,349
- Bank loans	301,370	159,985
- Hire purchases	6,115	15,490
- Trade financing	25,490	8,440
Factoring charges	-	637
	338,010	186,901

27 INCOME TAX (CREDIT) EXPENSE

	Group	
	2018	2017
	$	$
Current tax expense	-	4,570
Underprovision for current tax in prior years	16,385	18,688
Deferred tax (credit) expense	(60,161)	226,205
Withholding tax	9,839	-
Income tax (credit) expense for the year	(33,937)	249,463

Domestic income tax is calculated at 17% (2017 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

27 INCOME TAX (CREDIT) EXPENSE (cont'd)

The total tax charge for the year can be reconciled to the accounting loss as follows:

	Group	
	2018	**2017**
	$	**$**
Loss before income tax	(3,708,692)	(4,024,599)
Income tax expense at statutory rate	(630,478)	(684,182)
Tax effect of share of results of associates	(8,821)	36,764
Effect of income not subject to tax	(30,399)	(86,307)
Effect of tax concessions	(1,894)	(8,700)
Effect of expenses that are not deductible for tax purpose	238,958	341,387
Effect of partial tax exempt income	(11,171)	(27,762)
Deferred tax benefits on tax losses not recognised	384,404	430,756
Underprovision in prior years	16,385	18,688
Deferred tax benefit arising from revaluation of plant and equipment	(8,076)	(8,072)
Effect of changes in expected manner of recovery of deferred tax assets	-	238,661
Effect of different tax rates of subsidiary operating in other jurisdiction	(16,013)	(23,919)
Withholding tax	9,839	-
Others	23,329	22,149
Total income tax (credit) expense	(33,937)	249,463

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of $6,836,385 (2017 : $4,570,496) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

As at December 31, 2018, the deferred tax asset not recorded is $1,162,185 (2017 : $776,984).

The realisation of the future income tax benefits from tax losses carry forward is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

28 LOSS FOR THE YEAR

Loss for the year is arrived at after charging (crediting):

	Group	
	2018	2017
	$	$
Depreciation of property, plant and equipment	1,125,174	1,036,249
Audit fees paid to the auditors of the Company	108,500	99,000
Directors' remuneration of the Company	351,512	423,522
Employee benefits expense (including directors' remuneration)	15,492,770	15,740,865
Costs of defined contribution plans (included in employee benefits expense)	512,621	449,961
Share based payments - Equity settled (included in employee benefits expense)	23,000	41,643
Cost of inventories recognised as expense	5,864,330	2,544,236
Write-off for inventory obsolescence	16,295	-
Property, plant and equipment written off	2,376	7,562
Loss (Gain) on disposal of property, plant and equipment	29,059	(13,172)
Loss on impairment of property, plant and equipment	40,769	-
Loss allowance from trade receivables	103,054	-
Reversal of loss allowance on receivables	(12,074)	(150,554)
Trade and other receivables written off	109,680	-
Net foreign exchange (gain) loss	(22,281)	89,556
Loss on striking off / liquidation of a subsidiary	23,667	996,604
(Reversal of) Provision for foreseeable losses	(152,672)	167,000
Provision for warranty	23,121	-
Loss on impairment of goodwill	288,000	-

In 2017 and 2018, there is no non-audit fees paid to the auditors of the Company.

29 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following reflects the income and share data used in the basic and diluted loss per share computation for the financial year ended December 31:

	Group	
	2018	2017
	$	$
Loss for the year attributable to owners of the Company	(3,410,204)	(4,300,075)
Weighted average number of ordinary shares for the purpose of basic earnings per share	122,959,345	122,959,345

The diluted loss per share is equivalent to the basic loss per share as the share options issued during the year do not have a dilutive effect as at December 31, 2018.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

30 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme for certain employees of the company. The scheme is administered by the Remuneration Committee. Options are exercisable at a price based on the average of the last dealt prices for the shares of the Company on the Singapore Exchange Securities Trading Limited for the five consecutive trading days preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. The vesting period is 1 year. Options are forfeited if the employee leaves the Group before the options vest.

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FINANCIAL STATEMENTS

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30 SHARE-BASED PAYMENTS (cont'd)

Details of the share options outstanding during the year are as follows:

	Group and Company			
	2018		2017	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		$		$
Outstanding at the beginning of the year	4,800,000	0.085	5,800,000	0.085
Granted during the year [a]	1,200,000	0.062	-	-
Forfeited during the year	(3,000,000)	0.085	(1,000,000)	0.085
Outstanding at the end of the year	3,000,000	0.076	4,800,000	0.085
Exercisable at the end of the year	3,000,000	0.076	4,800,000	0.085

The options outstanding at the end of the year have a weighted average remaining contractual life of 8.80 (2017 : 5.75) years.

[a] The options were granted on April 16, 2018. The estimated fair value of the options granted on that day was $0.062.

Equity-settled share option scheme

These fair values for share options granted during the year were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	Chief Executive Officer and Employees
Weighted average share price	$0.062
Weighted average exercise price	$0.062
Expected volatility	37.41%
Expected life	10 years
Risk free rate	2.20%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group and the Company recognised total expenses of $23,000 (2017 : $41,643) related to equity-settled share-based payment transactions during the year, and transferred $52,300 (2017 : $25,939) from share options reserve to retained earnings due to the forfeiture of options after the vesting date of those options.

31 SEGMENT INFORMATION

Services from which reportable segments derive their revenue

For the purpose of the resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the operating segments of the Group under SFRS(I) 8.

Operating segments are aggregated into a single operating segment if they have similar economic characteristics. The Group's reportable operating segments under SFRS(I) 8 are as follows:

Segment	Principal activities
Piping	Fabrication and installation of all types of piping
Heat Exchanger	Servicing and fabrication of heat exchangers
Chemical cleaning	Provision of chemical cleaning services to ships and marine vessels

Segment revenue represents revenue generated from external and internal customers. Segment profits represents the profit earned by each segment without allocation of general and central administration expenses and income, share of profit (loss) of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources, the chief operating decision makers monitor the tangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Segment liabilities include all operating liabilities and consist principally of trade payable, accruals, deferred tax liabilities and finance lease.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

31 SEGMENT INFORMATION (cont'd)

Information regarding the Group's reportable segments is presented below:

	Revenue		Net Loss	
	2018	2017	2018	2017
	$	$	$	$
Piping	7,935,847	9,515,795	(841,063)	(374,438)
Heat Exchanger	16,855,704	8,689,911	(1,987,637)	(2,454,229)
Chemical Cleaning	2,681,836	2,764,706	(361,122)	(97,756)
	27,473,387	20,970,412	(3,189,822)	(2,926,423)
Other income			135,798	214,132
Other expenses			(356,486)	(909,147)
Share of profit (loss) of associates			51,890	(216,260)
Impairment loss (recognised) reversed on financial assets			(12,062)	-
Finance costs			(338,010)	(186,901)
Loss before income tax			(3,708,692)	(4,024,599)
Income tax credit (expense)			33,937	(249,463)
Loss for the year			(3,674,755)	(4,274,062)

	December 31, 2018	December 31, 2017	January 1, 2017
Segment assets			
Piping	8,236,869	9,480,362	11,017,794
Heat Exchanger	12,069,955	8,743,850	10,120,859
Chemical Cleaning	5,202,515	5,753,202	6,035,051
Others	-	-	56,296
Total segment assets	25,509,339	23,977,414	27,230,000
Unallocated assets	6,867,758	7,459,950	8,354,962
Consolidated total assets	32,377,097	31,437,364	35,584,962
Segment liabilities			
Piping	510,403	480,799	944,206
Heat Exchanger	12,199,919	7,417,473	7,198,435
Chemical Cleaning	668,379	773,948	938,681
Others	-	-	55,992
Total segment liabilities	13,378,701	8,672,220	9,137,314
Unallocated liabilities	608,902	681,047	786,973
Consolidated total liabilities	13,987,603	9,353,267	9,924,287

31 SEGMENT INFORMATION (cont'd)

Other segment information

	Piping		Heat Exchanger		Chemical cleaning		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$	$	$
Loss allowance from trade receivables	9,769	-	36,009	-	57,276	-	-	-	103,054	-
Reversal of loss allowance on receivables	-	(1,830)	12,074	112,158	-	40,226	-	-	12,074	150,554
Trade and other receivables written off	94,301	-	3,317	-	-	-	12,062	-	109,680	-
Capital additions	23,947	111,139	93,523	88,295	131,365	484,123	22,148	51,678	270,983	735,235
Property, plant and equipment written off	-	990	2,376	5,114	-	1,458	-	-	2,376	7,562
Gain (Loss) on disposal of plant and equipment	-	-	29,059	-	-	(13,172)	-	-	29,059	(13,172)
Loss on impairment of property, plant and equipment	-	-	40,769	-	-	-	-	-	40,769	-
Depreciation of property, plant and equipment	47,966	48,301	293,778	311,591	316,149	232,007	467,281	444,350	1,125,174	1,036,249
Loss on impairment of goodwill	-	-	-	-	288,000	-	-	-	288,000	-
Loss on striking off/ liquidation of a subsidiary	-	-	-	-	-	-	23,667	996,604	23,667	996,604
Write-off for inventory obsolescence	-	-	16,295	-	-	-	-	-	16,295	-

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31 SEGMENT INFORMATION (cont'd)

The Group's operations are primarily carried out in Singapore. Accordingly, no geographical segment assets and revenue from external customers' information are presented.

Major customer information

The Group's revenue derived from customers who individually account for 10% or more of the Group revenue is detailed below:

	2018	2017
	$	$
Piping segment		
Customer A	5,989,176	8,218,197
Heat exchanger segment		
Customer B	3,786,574	-

32 OPERATING LEASE ARRANGEMENTS

	Group	
	2018	2017
	$	$
Minimum lease payments under operating leases recognised as an expense during the year	1,780,656	2,212,401

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2018	2017
	$	$
Within one year	464,080	487,261
In the second to fifth year inclusive	812,093	138,297
After fifth year	1,224,785	-
	2,500,958	625,558

Operating lease payments represent rentals payable by the Group for residential premises, equipment and leasehold land. Rentals are fixed for a term of one to fourteen (2017 : one to six) years.

33 CORPORATE GUARANTEES

	Company		
	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$
Corporate guarantees for credit facilities granted to subsidiaries and associates	8,678,516	4,906,042	5,558,187

The management is of the opinion that the fair value of the above corporate guarantees is not material.

34 DIVIDENDS

On May 16, 2017, a final tax-exempt one-tier dividend of 0.2 cents per ordinary share (total dividend of $245,919) was paid to shareholders in respect of the year ended December 31, 2016. There was no dividend declared and paid during the year ended Dec 31, 2018.

35. Adoption of a new financial reporting framework

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended December 31, 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15 which are effective at the same time, and the election of certain transition options available under SFRS(I) 1.

Further, the Group has considered the impact of adoption of SFRS(I) 15 and is of the view that apart from what is disclosed below, there is no other material impact on the financial statements of the Group as of January 1, 2017 and December 31, 2017.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

35. Adoption of a new financial reporting framework (cont'd)

Management has elected the following transition exemption:

- The Group has applied the option to measure certain property, plant and equipment at the date of transition to SFRS(I) at its fair value and use that fair value as its deemed cost at that date.

- The Group has applied the option to reset the cumulative translation differences for all foreign operations to zero at the date of transition to SFRS(I). The gain or loss on a subsequent disposal of any foreign operation shall exclude the translation differences that arose before January 1, 2017 and shall include later translation differences.

- The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial adoption. The impact arising from SFRS(I) 9 was included in the opening retained earnings at the date of initial application, January 1, 2018. Management is of the view that there is no material impact on the financial statements of the Group. Accordingly, no adjustments was made to the opening retained earnings at the day of initial application. The comparative information was prepared in accordance with the requirements of FRS 39.

Reconciliations of equity and total comprehensive income

The effects of transition to SFRS(I) and the initial application of SFRS(I) 15 are presented and explained below. The application of SFRS(I) 9 did not have a material impact on the financial statements of the Group.

Group

(A) Impact of Statement of Financial Position as at January 1, 2017 (date of transition to SFRS(I))

	As previously reported under FRS	Application of SFRS(I) 1	(Note)	Initial application of SFRS(I) 15	(Note)	As adjusted under SFRS(I)
	$	$		$		$
Non-current assets						
Property, plant and equipment	12,107,460	-		-		12,107,460
Associates	259,906	-		-		259,906
Goodwill	288,000	-		-		288,000
Deferred tax assets	233,901	-		-		233,901
Current assets						
Inventories	670,866	-		-		670,866
Trade receivables	16,870,340	-		(4,066,860)	(d)	12,803,480
Contract assets	-	-		4,066,860	(d)	4,066,860
Other receivables	1,282,132	-		-		1,282,132
Cash and bank balances	3,872,357	-		-		3,872,357
Capital, reserves and non-controlling interests						
Share capital	11,554,627	-		-		11,554,627
Reserves	12,759,445	17,595	(a), (b)	-		12,777,040
Non-controlling interests	1,329,008	-		-		1,329,008
Non-current liabilities						
Bank loans	1,958,683	-		-		1,958,683
Finance leases	294,321	-		-		294,321
Deferred tax liabilities	398,242	(17,595)	(a)	-		380,647
Current liabilities						
Bank loans	3,574,130	-		-		3,574,130
Trade payables	912,225	-		-		912,225
Contract liabilities	-	-		-		-
Other payables	2,478,451	-		-		2,478,451
Current portion of finance leases	282,563	-		-		282,563
Income tax payable	43,267	-		-		43,267

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

35. Adoption of a new financial reporting framework (cont'd)

Group

(B) Impact of Statement of Financial Position as at December 31, 2017 (end of last period reported under FRS)

	As previously reported under FRS	Application of SFRS(I) 1	(Note)	Initial application of SFRS(I) 15	(Note)	As adjusted under SFRS(I)
	$	$		$		$
Non-current assets						
Property, plant and equipment	11,508,185	283,453	(a)	-		11,791,638
Associates	276,263	-		-		276,263
Goodwill	288,000	-		-		288,000
Current assets						
Inventories	555,692	-		-		555,692
Trade receivables	15,151,354	-		(1,981,660)	(d)	13,169,694
Contract assets	-	-		1,981,660	(d)	1,981,660
Other receivables	773,340	-		-		773,340
Cash and bank balances	2,601,077	-		-		2,601,077
Capital, reserves and non-controlling interests						
Share capital	11,554,627	-		-		11,554,627
Reserves	7,941,588	280,717	(a), (b)	-		8,222,305
Non-controlling interests	2,295,139	12,026	(a)	-		2,307,165
Non-current liabilities						
Bank loans	1,363,211	-		-		1,363,211
Finance leases	93,986	-		-		93,986
Deferred tax liabilities	382,241	(9,290)	(a)	-		372,951
Current liabilities						
Bank loans	3,522,946	-		-		3,522,946
Trade payables	1,594,901	-		(869,200)	(e)	725,701
Contract liabilities	-	-		869,200	(e)	869,200
Other payables	2,204,628	-		-		2,204,628
Current portion of finance leases	200,333	-		-		200,333
Income tax payable	311	-		-		311

35. Adoption of a new financial reporting framework (cont'd)

Group

(C) Impact on the Statement of Profit or Loss and Other Comprehensive Income for the year ended December 31, 2017 (last financial year reported under FRS)

	As previously reported under FRS	Application of SFRS(I) 1	(Note)	Initial application of SFRS(I) 15	(Note)	As adjusted under SFRS(I)
	$	$		$		$
Profit or Loss						
Revenue	20,970,412	-		-		20,970,412
Cost of sales	(15,558,587)	-		-		(15,558,587)
Other income	397,466	(150,554)	(c)	-		246,912
Administrative expenses	(8,321,997)	-		-		(8,321,997)
Other expenses	(1,421,550)	312,818	(a)	-		(1,108,732)
Share of loss of associates	(216,260)	-		-		(216,260)
Impairment loss (recognised) reversed on financial assets	-	150,554	(c)	-		150,554
Finance costs	(186,901)	-		-		(186,901)
Income tax expense	(249,463)	-		-		(249,463)
Other comprehensive loss						
Items that will not be reclassified subsequently to profit or loss						
Revaluation surplus of plant and Equipment	29,365	(29,365)	(a)	-		-
Income tax relating to revaluation surplus of plant and equipment	(4,992)	4,992	(a)	-		-
Income tax relating to revaluation reserves reclassified to retained earnings	13,297	(13,297)	(a)	-		-
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations	(50,384)	-		-		(50,384)

35. Adoption of a new financial reporting framework (cont'd)

Notes to the reconciliations:

SFRS(I) 1

(a) The Group has applied the option to change the accounting policy for measurement of property, plant and equipment ("PPE") from revaluation model to cost model, as management is of the opinion that the change would result in reliable and more relevant financial information. The Group has derecognised the loss on revaluation of PPE and the corresponding deferred tax that was recognised during financial year ended December 31, 2017.

Accordingly, the revaluation reserve of $85,914 was reclassified to retained earnings as at January 1, 2017.

(b) The Group has reset its cumulative Translation Reserve for all foreign operations to $Nil as at January 1, 2017 (date of transition), and reclassified the cumulative Translation Reserve of $124,704 to Retained earnings.

(c) Impairment losses (including reversals of impairment losses or impairment gains), has been reclassified from other income to be presented separately on the statement of profit or loss and other comprehensive income in accordance with the requirements of SFRS(I) 1-1.

SFRS(I) 15

(d) Under SFRS(I) 15, revenue recognised prior to the date on which it is invoiced to the customer is recognised as a contract asset. This balance was previously recognised as part of trade receivables (amount due from customers under construction contracts) and so has been reclassified. There was no impact on the statement of profit or loss as a result of the reclassification.

(e) The contract liability balance includes an amount reclassified from amounts due to customers under construction contracts. This balance was previously recognised as part of trade payables (amount due to customers for contract work) and so has been reclassified. There was no impact on the statement of profit or loss as a result of the reclassification.

(f) Impact on the Statement of Cash Flows for the year ended December 31, 2017 (last year reported under FRS)

The transition to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15 have not had a material impact on the statement of cash flows.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

36 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncement was issued but not effective and is expected to have an impact to the Group and the Company in the periods of their initial application.

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases.*

SFRS(I) 16 *Leases*

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities are recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the existing framework.

Impact assessment

Management has performed a preliminary analysis of those relevant pronouncements which are effective from annual periods beginning on or after January 1, 2019, and does not expect material adjustments to arise other than:

- Change in the accounting for leases as a lessee under SFRS(I) 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitment of $2,500,958. SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments of these leases; instead, certain information is disclosed as operating lease commitments. A preliminary assessment is that these arrangements will meet the definition of a lease under SFRS(I) 16 and the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify as low value or short term leases upon application. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact to the amounts recognised in the Group's consolidated financial statements and management is currently assessing its potential impact. It is not practical to provide a reasonably estimate impact to the Group's financial statements until management completes its detailed assessment.

SUSTAINABILITY ***REPORT***

INTRODUCTION
WHAT IS THIS REPORT ABOUT?

We are pleased to present Heatec Jietong Holdings Ltd.'s ("**Heatec**") annual Sustainability Report, for our financial year ended 31 December 2018 ("**FY2018**"). This report is set out on a "**comply or explain**" basis in accordance with Rule 711B and Practice Note 7F of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist on Sustainability Reporting Guide. We are guided by the Global Reporting Initiative ("**GRI**") Standards reporting guidelines, at Core level. Heatec has chosen the GRI framework as it is the most established international sustainability reporting standard. This report highlights key economic, environmental, social and governance ("**EESG**") related initiatives carried out throughout FY2018, from 1 January to 31 December 2018.

In defining our reporting content, we applied GRI's principles defining report content by considering the Group's activities, impact and substantive expectations and interests of its stakeholders. We observed a total of four principles, including materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed principles of balance, comparability, accuracy, timeliness, clarity and reliability.

The EESG data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy.

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems and results. Please send your comments and suggestions to info@heatec.com.sg because engaging with each of you is essential to operate our business responsibly.

BOARD STATEMENT ON SUSTAINABILITY

The Chief Executive Officer of the Company ("**CEO**") leads sustainability efforts of the Group to recognise the importance of sustainability. The CEO reports directly to the Board to consider sustainability issues as part of its strategic formulation, determines the material EESG factors and oversees the management and monitoring of these factors.

Companies are increasingly aware of the impact on environment, social and governance affecting long-term continuation of businesses, hence sustainability reporting has gained greater significance to investors. Today it is widely accepted that good EESG practices contributes to the overall long-term success of a company and plays an important part in the competition for investment.

Businesses must be quick to adapt to key stakeholders' concerns, close any potential gaps and capitalise on given opportunities. Amid today's rapid business environment, Heatec's board is fully committed in supporting the management to uphold governance and sustainability practices to achieve long-term success and value for stakeholders.

For this year's report, we have considered the sustainability efforts in respect of our 70%-owned subsidiary, Chem-Grow Pte Ltd.

4 April 2019

SUSTAINABILITY REPORT

SUSTAINABILITY VISION

"Doing the Right Thing Right, First Time, Everytime"

At Heatec, we believe that sustainability coupled with innovative and economical initiatives implemented will ensure the growth of the company and protect the environment in the long term.

Maintain safety

Safety is paramount and this is reflected in our safety policy which begins by saying, "Safety is the responsibility of everyone." The company expects a high level of integrity from all our staff at all levels and a clearly defined whistleblowing policy is in place. A confidential contact point is available to anyone who wishes to express their concerns.

Product and market diversification

Heatec's strategy focuses on overall business diversification through product diversification and market diversification.

Establish Sustainability Committee

Heatec is building up in-house expertise to run sustainability reporting capabilities.

"Doing the Right Thing Right, First Time, Everytime"

Our company motto, "Doing the Right Thing Right, First Time, Everytime", is displayed prominently on a banner across the entire workshop and embedded in processes as an integral part of our working culture.

Manage costs effectively

Heatec strives to reduce costs while maintaining quality. We will continually carry out cost reduction initiatives through use of multiple suppliers and through finding new vendors to continue to provide ever higher quality services at reasonable prices.

As a good and responsible corporate citizen, we have a strong commitment in sustainability and part of that is to ensure the commitment is conveyed to our stakeholders in term of EESG criteria.

Heatec has a clearly defined whistleblowing policy for staff to raise concerns in confidence with financial reporting or other matters. The whistleblowing email and telephone number are maintained by Heatec's internal auditors. Issues are then elevated to the internal audit committee, forensic professionals or law enforcement as appropriate. While the current policy focuses primarily on economic and safety issues, going forward, the whistleblowing policy will be revised to explicitly include issues of sustainability.

Heatec sets out to meet and exceed all legal requirements and industry expectations and have implemented a number of benchmarks and Key Performance Indicators ("**KPIs**") to achieve that goal.

SUSTAINABILITY **REPORT**

The following are Heatec's initiatives we intend to work on:

1. Enhancing safety standards of operations
2. Continued training of workers
3. HR-related processes such as training, payroll and recruitment
4. Further enhancing its Enterprise Risk Management ("**ERM**") framework and processes.

KPIs which are tracked monthly, quarterly and annually are as follows:

1. Get the basics right by establishing better safety and risk management practices
2. Drive higher productivity in all our staff
3. Promote environmental sustainability in our business
4. Lead in setting industry standards
5. Ensure adequate safety infrastructure
6. Ensure a conducive environment for all employees
7. Strengthen relationship with customers and suppliers
8. Ensure effective implementation of relevant regulations
9. Enhance strategic outreach and engagement.

SUSTAINABILITY REPORTING PROCESS

A summary of our sustainability reporting process is as set out below:

SUSTAINABILITY REPORT

MATERIAL ASPECTS ASSESSMENT

Our sustainability process begins with the identification of relevant aspects. Relevant aspects are then prioritised as material factors which are then validated. The end result of this process is a list of material factors disclosed in the sustainability report.

We conducted a materiality assessment during the year with the help of an external consultant. In addition, Heatec adopts a matrix-based approach based on likelihood and impact to address the Company's sustainability risk profile and priorities issues. We used this method to monitor our risk profile on regular basis. We reviewed the materiality reported last year incorporating inputs from stakeholder engagements.

In order to determine if an aspect is material, we will assess its potential impact on the economy, environment and society and the influence on the stakeholders.

1 IDENTIFICATION
Identification of the material factors that are of relevance to the Group's activities

2 PRIORITISATION
Prioritisation of the material factors and identifies key sustainability factors to be reported upon

3 VALIDATION
Validation of the completeness of key sustainability factors identified to finalise the sustainability report content

4 REVIEW
Review focuses on the material factors in previous reporting period and also considers stakeholders' feedbacks, changing business landscape and emerging trend

Material aspects were identified and prioritised through internal workshops together with senior management and guidance from our consultant. Peer reviews and social impact assessments were performed at site level. Applying the guidance from GRI Standards, we have identified the following material aspects:

ECONOMIC
Economic Performance
Anti-Corruption

ENVIRONMENTAL
Energy
Effluents and Waste
Environmental Compliance

SOCIAL
Occupational Health and Safety
Training and Education
Diversity and Equal Opportunity
Local Communities

GOVERNANCE
Corporate Governance
Enterprise Risk Management

SUSTAINABILITY REPORT

ECONOMIC
HOW DOES HEATEC OPERATE IN A COMPETITIVE ENVIRONMENT?

ECONOMIC PERFORMANCE

Heatec's core business activities are in the provision of piping services, and heat exchanger servicing and fabrication with a focus on the marine and oil & gas industries.

Our extensive experience in these fields gives us the edge in offering our customers high quality products and timely delivery of services. For detailed financial results, please refer to the Financial Review section, pages 10 to 13 of our Annual Report for FY2018.

Our objective is to establish ourselves to be a market leader with high quality products and timely delivery of services.

Market Presence

Heatec provides piping services for all types of process pipes and systems to shipyards in Singapore, specialising in exotic materials and high pressure systems used on-board FPSO and oil rigs. Our scope of work includes turnkey project management, ranging from engineering, procurement, fabrication, installation and commissioning. Over the years, our piping division have been receiving multiple accolades by major shipyards in Singapore.

Under our Heat Exchangers segment, our Design & Build Division designs and manufactures heat exchangers from our headquarter in Singapore. Our equipment are used on-board FPSOs and in refineries, petrochemical plants and power stations etc situated all over the world, including Europe, Middle East, Australia, Asia etc.

Heatec also services various types of heat exchangers that are utilised on board marine vessels. Our heat exchanger services include on-site inspection, engineering, consultancy, fabrication and restoration of main engine charge-air coolers, condensers, heaters, fresh water generators and other heat transfer applications. We provide these services regionally with overseas subsidiaries in Shanghai, Guangzhou and the Philippines.

For the financial year ended 31 December 2017 ("**FY2017**") and FY2018, more than 95% of the Group's senior management are Singaporeans.

Overview of Supply Chain

We have a total of 395 suppliers. Our major materials commonly purchased and used, such as tubes, plates, gaskets, forging materials, etc. are usually purchased from Korea, China and Singapore. Depending on specific requirement, quantity required and pricing, we will decide on the supplier. We usually procure from local supplier when quantity required is low.

Given the nature of our job and our industry, our procurement team practices "Just in time" purchasing. We categorise our vendors into Critical & Non-Critical accordingly to their specific characteristic of supply. Critical material & services are related to our products for that require stringent requirement of any Third-party certification or International Standards.

ANTI-CORRUPTION

Similar to FY2017, there were no significant fines or non-monetary sanctions for non-compliance with laws and regulations in FY2018. Here at Heatec, we do not tolerate corruption in any form. This has been made clear to all of our employees, our suppliers and our business partners. Any reports of corruption are escalated to the attention of the Board. There have also been no reported incidents of corruption during the reporting period. We will regularly review policies on whistleblowing and anti-corruption.

Target: To maintain zero incident of corruption.

"Safety is the Responsibility of Everyone"

SUSTAINABILITY REPORT

SAFETY
HOW DOES HEATEC MAINTAIN SAFETY IN A COMPETITIVE ENVIRONMENT?

OCCUPATIONAL HEALTH AND SAFETY

The Company has established an Occupational Health and Safety (OH&S) policy in accordance with the requirement of OHSAS 18001:2007 and ISO 9001 QMS. Heatec is certified OHSAS 18001:2007 compliant.

Heatec is committed to creating and maintaining an OH&S system where management and staff work together to ensure a safe and healthy workplace for all employees, contractors, visitors and relevant interested parties.

FY2018 Workplace Incidents – Total Man Hours 1,800,000

3 MOM REPORTABLE CASES

The Company aims to continually improve OH&S performance by reducing, minimizing, and preventing health and safety breaches associated with work-related injury and ill health.

In FY2018, 3 (FY2017: 5) Ministry of Manpower ("**MOM**") reportable cases were recorded. This is less than the injury recorded in FY2017. An external audit conducted in November 2018 found two minor infringements and one observation by the auditor. Follow-up actions were identified to addresses these findings.

The Company seeks participation from workers and worker representatives through the weekly toolbox meeting and monthly safety briefings.

In FY2018, from almost 1,800,000 man-hours worked, Heatec recorded zero on job fatalities, which is similar for FY2017.

Going forward, OHSAS 18001 will be replaced by ISO45001 pending official publication from ISO. Heatec is ready to implement ISO45001.

Target: To have zero MOM reportable cases and zero job fatalities.

HUMAN RIGHTS
DO YOU ADHERE TO THE HUMAN RIGHTS POLICY TO DO BUSINESS?

LABOUR PRACTICES

At Heatec, we recognise that our employees are one of our most valued assets. The continuing training and development of our employees helps them grow professionally and achieve our business goals in return.

LABOUR-MANAGEMENT RELATIONS

The importance of business ethics is communicated to all our heads of business units regularly and they fully understand that compliance with rules and regulations is a key part of running a responsible business. The Company regularly updates key staff with developments in international and local regulations. Heatec complies with all applicable environmental rules and regulations, anti-competitive behaviour laws and requirements on health and safety. We prohibit corruption in all forms, including extortion and bribery.

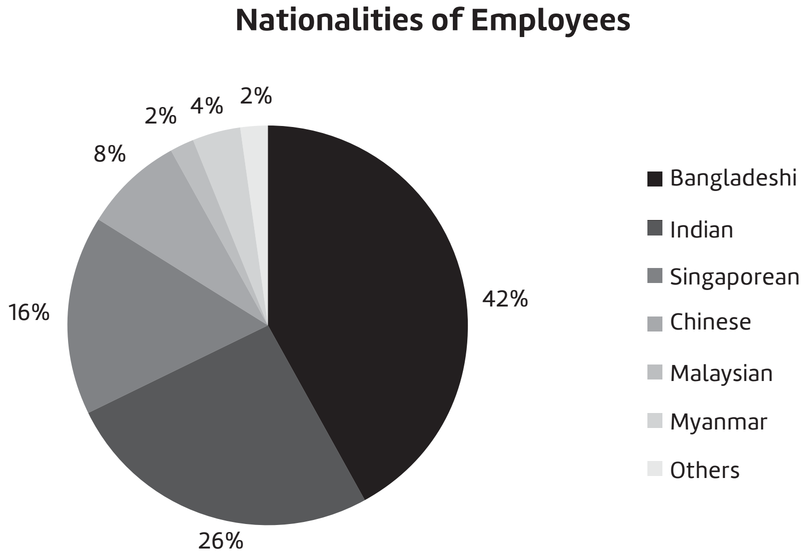
HUMAN RIGHTS

Heatec provides competitive remuneration based on merit to our employees. Our employees are not covered by collective bargaining agreements, but are given the right to exercise freedom of association. Employees are given a minimum of one month's notice prior to any implementation of significant operational changes that could substantially affect them.

SUSTAINABILITY REPORT

NON-DISCRIMINATION

When it comes to hiring, we take seriously any possibility of conflict of interest. Our code of conduct clearly spells out Heatec's expectations from our staff and the consequences, if any, if the rules are violated or standards are not met. We also have clear and fair grievance procedures.



CHILD LABOUR/FORCED OR COMPULSORY LABOUR

We respect human rights, support the elimination of all forms of forced and compulsory labour, especially child labour, and do not tolerate any discrimination in respect of employment and occupation.

PRODUCT RESPONSIBILITY

Heatec has set a target of 85% partner customer satisfaction and no more than one customer reject a month. This target was met in FY2017 and FY2018. In FY2018, our customer satisfaction is 91%.

In FY2018, the Company has a target of no more than 24 non-compliance per annum which has also been met.

Target: To achieve a target of at least 85% partner customer satisfaction, to have no more than one customer reject a month and to have no more than 10 product non-compliance per annum.

INFORMAL SESSIONS WITH STAFF

HR conducts informal sessions with staff on a regular basis to determine the level of satisfaction and to gather feedback. Employees' inputs are taken into account in the formulation of human resource practices and programmes such as Corporate Social Responsibility (CSR) or Workplace Health Promotion (WHP) activities.

SUPPLIER ASSESSMENT FOR ENVIRONMENTAL ASSESSMENT

Heatec has a 9-step supplier pre-assessment procedure which currently focuses on economic criteria as well as an internal survey to rate suppliers. Going forward, labour practices will be included in the criteria so that we only do business with partners who share our commitment to the environment.

SUSTAINABILITY REPORT

OUR PEOPLE AND ETHICS
WHAT IS HEATEC DOING TO DEVELOP SKILLS OF OUR EMPLOYEES?

TRAINING AND EDUCATION

In order to enable the company to attract and retain talent, Heatec offers educational sponsorship, job related workshops, training sessions and seminars. All employees are subject to annual performance review and performance target setting sessions with their superiors. In FY2018, Heatec has 12 (FY2017: 17) employee training programmes at various levels for our employees.

Existing employees received an average of 8 hours (FY2017: 8 hours) training in FY2018. New employees received 44 hours of (FY2017: 44 hours) training before they could commence work in FY2018.

Target: To provide 44 hours of training to new employees before commencing work and 8 hours of training to existing employees.

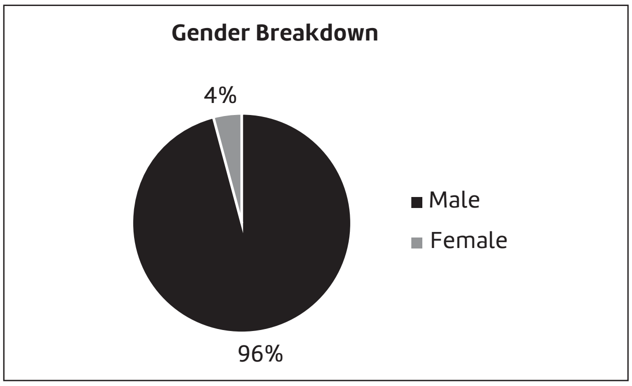
DIVERSITY AND EQUAL OPPORTUNITY

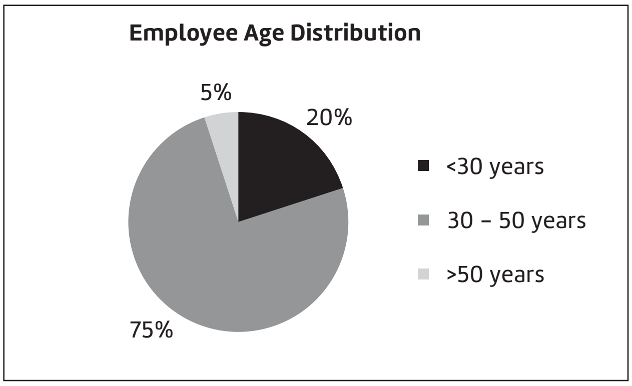
At Heatec, we offer workplace diversity and equal opportunities to our employees. For workplace diversity, we value everyone's differences. We learn from each other regardless of cultural background and bring those differences into the workplace to broaden experience and knowledge. Diversity includes not only race but gender ethnicity, personality, age, education and background.

For equal opportunities, all employees are treated equally and not disadvantaged by prejudices or bias. The well performing employees will qualifying for promotion or rewards regardless of their race, gender, ethnicity, personality, age, education and background.

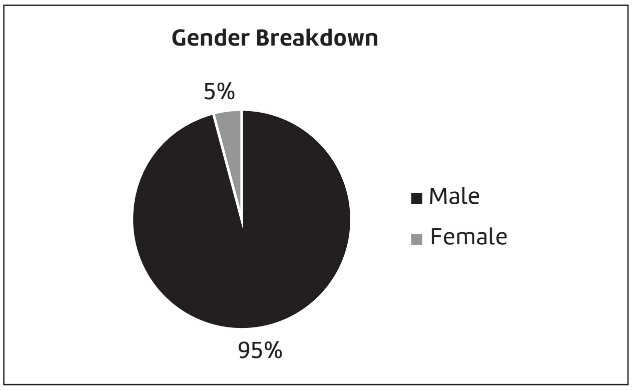
From 690 employees in FY2017, our workforce reduced to 615 in FY2018.

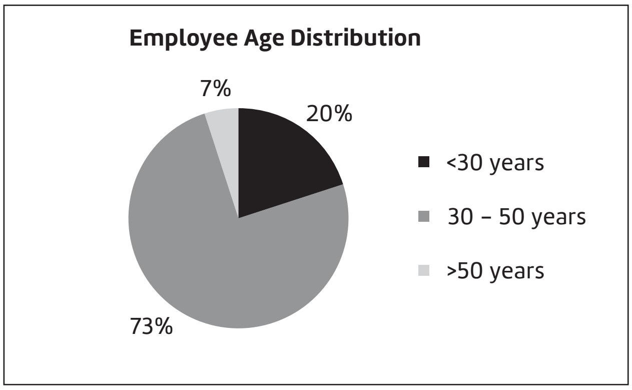
FY2017





FY2018





SUSTAINABILITY REPORT

There is a high percentage of male compared to female due to the nature of the job and the industry.

Target: To have no record of discrimination among employees.

VALUE TO SOCIETY
WHAT DO YOU BRING TO THE LOCAL COMMUNITIES?

LOCAL COMMUNITIES

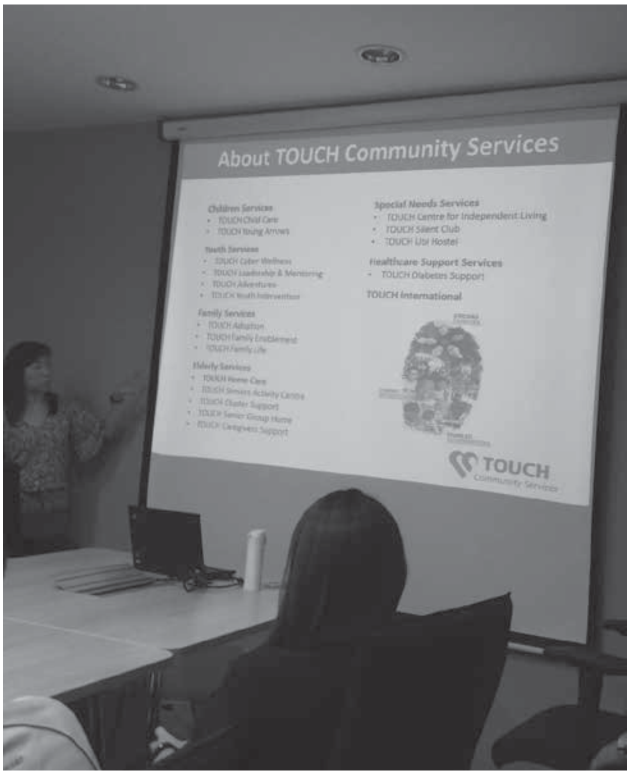
At Heatec, we assume the responsibility to ensure that our company's activities positively impact communities in and around the areas in which we operate. We aim to develop training programmes in all locations we operate to transfer knowledge to local communities.

Our CEO actively participates in tertiary institutions' mentoring programme and our subsidiary, ChemGrow, is applying to offer Industrial Attachment opportunities to students from tertiary institutions.

In FY2018, the Company completed the following activities:

- Meal-on-wheels volunteer programme in association with In-Touch Homes
- Annual Company Chinese New Year lunch
- Futsal competition for management and workers
- Company annual party

In addition, all employees are entitled to claim half a day off for approved charitable volunteer events.



Meals-on-Wheels is a meal delivery programme to meet the daily needs of the home-bound elderly. The elderly, who usually live alone, depend on volunteers from TOUCH Home Care's Meals-on-Wheels to deliver their meals every day.

Company annual party
14 December 2018

Futsal competition for management and workers
7 April 2018

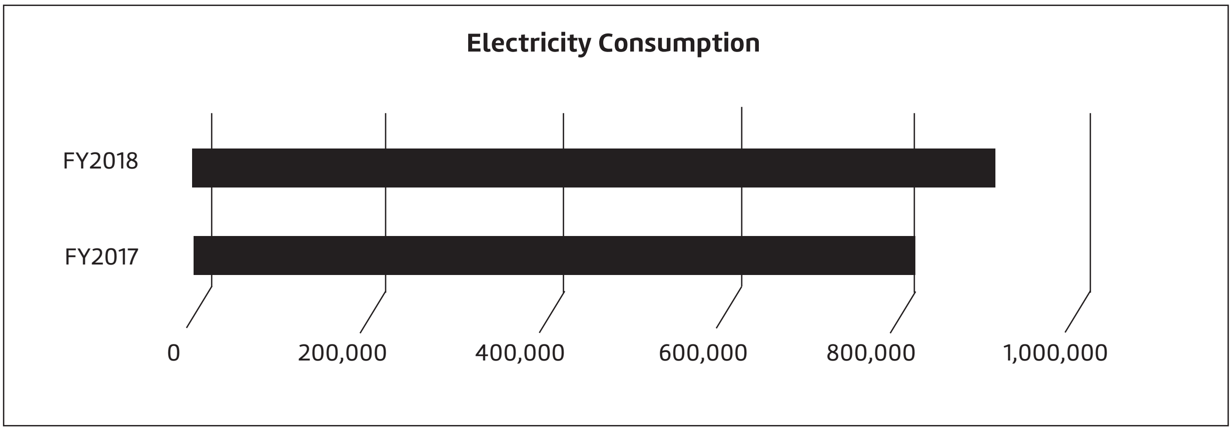
Target: To have at least 3 local communities' events per annum.

SUSTAINABILITY REPORT

ENVIRONMENT
WHAT ARE YOUR TOP ENVIRONMENT ISSUES AT A LOCAL LEVEL?

ENERGY

As electricity consumption is extensive in our operations, the Group is fully aware of its responsibility for nurturing the environment and lessening negative environmental consequences at our worksites and the environment where we operate. We monitor our energy at our work places to ensure that we use our resources economically, meaningfully and responsibly.



Increase in usage compared to last year mainly due to an increase in work activities, which was in line with our increase in revenue.

For office operations, Heatec has consolidated from three to two floors with corresponding savings in energy use.

Target: To maintain not more than 10% increase in the energy consumption according to our forecasted revenue.

EFFLUENTS AND WASTE

Heatec has round-the-clock monitoring through a National Environmental Agency-approved waste affluent system. The Company runs an extensive recycling programme as part of this system.

Chemical waste as a byproduct of operations are recycled where possible. What is left over is responsibly treated before safe disposal. We have our own treatment plant to treat our workshop waste and on-site job waste will be treated by NEA licensed third-party contractor. In FY2018, our third-party service provider disposed a total of 33,770 kg of acid and alkaline.

The Company uses a 3-R approach advocating minimization of segregation of production waste to minimize resource use, using them again and again instead of passing it on to the waste stream as recycling the materials goes a long way in achieving the goals of sustainability. It reduces pressure on our resources as well as reduces waste generation and pollution.

Office operations have implemented two-sided printing to save paper.

Target: No non-compliance with NEA regulations.

ENVIRONMENTAL COMPLIANCE

In FY2018, there were no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions, and we endeavor to maintain this track record.

SUSTAINABILITY REPORT

GOVERNANCE AND RISK
WHAT ROLE DOES YOUR BOARD PLAY IN LEADING HEATEC TOWARDS A SUSTAINABLE FUTURE?

SUSTAINABILITY COMMITTEE

In order to achieve the objective to achieve sustainability, the Company has formed a Sustainability Committee for better management and direction. The Sustainability Committee's members comprise the CEO, Chief Financial Officer ("**CFO**"), General Manager (Procurement & Commercial), Human Resource Manager, Safety Officer and QA Manager.

We aim to develop some effective programs in reduction of resource use to promote sustainability in progressive milestones over the next 3 years. Committee members will assist in data collection for reporting and dissemination of the Sustainability Reporting to stakeholders. We aim to have a monthly Sustainability Committee Member's meeting to discuss, review and set targets for the Company's sustainability issues. Any targets behind schedule will be closely monitored and will be brought to the attention of all members to resolve any such issues.

SUSTAINABILITY GOVERNANCE

At Heatec, we believe that strong governance is key to a sustainable business. Throughout FY2018, we continue to comply with the Code of Corporate Governance. The Board has renamed the Audit Committee to Audit and Risks Management Committee as a demonstration of the Board's vision and direction towards risk and sustainability. Please refer pages 15 to 51 of the Annual Report on the details of the Code of Corporate Governance we adhere to.

It is a continual challenge to successfully manage environmental and social issues. Heatec is working continuously to incorporate these issues into our business model and infuse it into our company culture. Our products and services meet all the requirements demanded by our customers and the regulatory bodies. We meet all environmental and safety standards to operate effectively.

Heatec pays close attention to enforce good labour practices in all our operations. The company provides many training opportunities for continued employee development and this is reflected in the quality and delivery of our products and solutions. We value our relationships with our clients and the wider community in which we operate as these relationships have helped us through challenging times in the past and see us into the future. Heatec strongly believes that in the long run, these efforts will have a positive impact on our economic performance.

ENTERPRISE RISK MANAGEMENT

The Group has an Enterprise Risk Management Framework in place to manage its exposure to risks that are associated with the conduct of its business. The Board will continue its risk assessment, which is an on-going process, with a view to improve the Group's internal control system.

CUSTOMER PRIVACY

Cyber security and data privacy are important not just for compliance but to safeguard both our data and that of our customers. Heatec takes measures to guard against cyber risks for both our internal and external stakeholders. We comply with the Personal Data Protection Act Policy. This policy also applies to our employment process where the privacy of all applicants is safeguarded, securely backed-up and access to personal data is restricted to authorised persons and senior management on a need-to-know basis.

SUSTAINABILITY REPORT

STAKEHOLDERS

STAKEHOLDER ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material aspects relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but not limited to, customers, suppliers, employees, investors, and regulators. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

Heatec currently engages with our shareholders regularly via multiple channels such as annual general meetings, SGX-ST announcements, press releases and the company website.

Internally, strategies and initiatives are disseminated through the hierarchy through meetings such as our monthly management meeting, project meetings, safety meetings and daily toolbox meetings. Internal memos are also circulated via email and hard copies posted on noticeboards.

Key external suppliers are also audited annually for quality and quality performance as we recognise the importance of stakeholders' engagement and strive for continual improvement.

Heatec looks forward to more suggestion and improvements during the sustainability reporting implementation process, especially with the advice of professional consultants. We have ensured all necessary compliance with regulators such as the BCA, SCDF and NEA. We regularly engage with the Ministry of Manpower on manpower related issues including foreign workers' documentation and keeping up to date with regulatory changes. We work with the NEA and have implemented a 24-hour monitoring system for waste effluent system. We are active members of a number of trade associations such as IE Singapore, SBF, Spring Singapore, ASMI, ASPRI and SID.

Our engagement with our stakeholders is set out below:

Stakeholders	Engagement Platforms	Frequency of Engagement	Key concerns raised
EMPLOYEES	Townhall sessions Open dialogues among teams Induction and orientation program Comprehensive trainings Staff appraisal Employee survey	Once a year	Company's plans and goals for next 3 years Benefits of employees
INVESTORS/ SHAREHOLDERS	Annual Report Annual General Meeting Investor meetings/Roadshows for investors Teleconferences SGX Corporate Announcements Press releases Company website	As needed	Financial performance
CUSTOMERS AND CONSUMERS	Frontline interaction by Sales staff Hotline Email queries Customer feedback Customer surveys	Often	Value to society Risk assessment

SUSTAINABILITY REPORT

Stakeholders	Engagement Platforms	Frequency of Engagement	Key concerns raised
LOCAL COMMUNITIES	Donations Face-to-face meetings Participate in Ngee Ann Polytechnic's Mentoring programme Provide industrial attachment with Institute of Technical Education Various social events Internship	Every six months	How Group's operation impact to the society Working hours
SUPPLIERS AND SERVICE PROVIDERS	Face-to-face meetings Annual audit review on quality and feedback sessions	Often	Prompt payment
GOVERNMENT AND REGULATORS	Face-to-face meetings Regular reports Participation in discussions	As needed	Compliance

To promote for sustainability, we aim to commit the following to our various stakeholders:

Stakeholders	Commitments
Shareholders	To maximise the return on investment for shareholders.
Employees	To provide training for staff development and safe working environment.
Customers	To achieve and enhance customer satisfaction through on-time delivery of quality products, services and solutions.
Suppliers	To collaborate with the suppliers to ensure that they have met the Sustainability standard in the industry.
Community	To contribute to the community

AWARDS
Annual Workplace safety and Health ("WSH") Performance Award 2018

This is awarded by ST Marine to JJY Engineering & Construction Pte. Ltd. (a subsidiary of the Company) for excellent compliance with safety regulation

SUSTAINABILITY **REPORT**

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure		Reference/Description
GRI 101: Foundation 2016			
GENERAL DISCLOSURE			
GRI 102: General Disclosures	102–1	Name of organisation	Heatec Jietong Holdings Ltd.
	102–2	Activities, brands, products and services	01
	102–3	Location of headquarters	69
	102–4	Location of operations	105–109
	102–5	Ownership and legal form	105–109
	102–6	Markets served	06–07
	102–7	Scale of the organisation	10–13, 149
	102–8	Information on employees and other workers	148–149
	102–9	Supply chain	146
	102–10	Significant changes to the organisation and its supply chain	None
	102–11	Precautionary Principle or approach	Heatec supports the intent of the Precautionary Principle, but has not expressed a specific commitment.
	102–12	External initiatives	None
	102–13	Membership of associations	154
	102–14	Statement from senior decision maker	05–07, 142
	102–16	Values, principles, standards and norms of behaviour	Content page: Our Mission, Our Vision
	102–18	Governance structure	15–51
	102–40	List of stakeholder groups	154–155
	102–41	Collective bargaining agreements	None
	102–42	Identifying and selecting stakeholders	154–155
	102–43	Approach to stakeholder engagement	154–155
	102–44	Key topics and concerns raised	145–153
	102–45	Entities included in the consolidated financial statements	105–109
	102–46	Defining report content and topic boundaries	142
	102–47	List of material topics	145
	102–48	Restatement of information	Not applicable
	102–49	Changes in reporting	None
	102–50	Reporting period	142
	102–51	Date of most recent previous report	18 September 2018
	102–52	Reporting cycle	Annual
	102–53	Contact point for questions about the report	142
	102–54	Claims if reporting in accordance with the GRI Standards	142
	102–55	GRI content index	156–157
	102–56	External Assurance	We may seek external assurance in the future.

SUSTAINABILITY REPORT

GRI Standard	Disclosure		Reference/Description
MATERIAL TOPICS			
GRI 201: Economic performance	103-1	Explanation and reporting boundary	146
	201-1	Direct economic value generated and distributed	10-13, 61-68, 146
Anti-corruption			
GRI 302: Energy	103-1	Explanation and reporting boundary	152
	302-1	Energy consumption within the organisation	152
GRI 306: Effluents and Waste	103-1	Explanation and reporting boundary	152
	306-2	Waste by type and disposal method	152
GRI 307: Environmental compliance	103-1	Explanation and reporting boundary	152
	307-1	Non-compliance with environmental laws and regulations	152
GRI 404: Training and Education	103-1	Explanation and reporting boundary	149
	404-1	Average hours of training per year per employee	149
GRI 403: Occupational health and safety	103-1	Explanation and reporting boundary	147
	403-2	Types of injury and rates of injury: occupational diseases: lost	147
GRI 405: Diversity and equal opportunity	103-1	Explanation and reporting boundary	149-150
	405-1	Diversity of governance bodies and employees	149-150
GRI 406: Non-discrimination	103-1	Explanation and reporting boundary	148
	406-1	Incidents of discrimination and corrective actions taken	148
GRI 413: Local Communities	103-1	Explanation and reporting boundary	150-151
	413-2	Operations with local community engagement, impact assessments, and development programs	150-151

STATISTICS OF SHAREHOLDINGS

AS AT 4 APRIL 2019

Issued and fully paid-up share capital	:	S$12,192,447
Number of issued shares	:	122,959,345
Number of treasury shares	:	Nil
Number of subsidiary holdings held	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote for each ordinary share (excluding treasury shares)

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	15	5.24	11,345	0.01
1,001 – 10,000	55	19.23	378,600	0.31
10,001 – 1,000,000	207	72.38	23,423,123	19.05
1,000,001 and above	9	3.15	99,146,277	80.63
	286	100.00	122,959,345	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	No. of Shares	%	No. of Shares	%
Tru-Marine Pte. Ltd.	32,030,678	26.05	–	–
Loke Weng Seng(1)	–	–	32,030,678	26.05
Loke Yuen Kong(2)	–	–	32,030,678	26.05
Chan Hon Sing(3)	–	–	32,030,678	26.05
Johnny Soon Yeow Kwee(4)	22,273,599	18.11	4,816,078	3.92
Yong Yeow Sin(5)	27,214,599	22.13	4,816,078	3.92

Notes:

(1) Mr Loke Weng Seng is deemed to have an interest in the 32,030,678 shares in the capital of the Company which is held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.

(2) Mr Loke Yuen Kong is deemed to have an interest in the 32,030,678 shares in the capital of the Company which is held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.

(3) Mr Chan Hon Sing is deemed to have an interest in the 32,030,678 shares in the capital of the Company which is held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.

(4) Mr Johnny Soon Yeow Kwee is deemed to have an interest in the 4,816,078 shares in the capital of the Company which is held by his spouse, Madam Jasmine Ow Ah Foong.

(5) Mr Yong Yeow Sin is deemed to have an interest in the 4,816,078 shares in the capital of the Company which is held by his spouse, Madam Ng Guick Kim.

STATISTICS OF
SHAREHOLDINGS
AS AT 4 APRIL 2019

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1.	TRU-MARINE PTE LTD	32,030,678	26.05
2.	YONG YEOW SIN	27,214,599	22.13
3.	SOON YEOW KWEE JOHNNY	22,273,599	18.11
4.	NG GUICK KIM	4,816,078	3.92
5.	OW AH FOONG JASMINE	4,816,078	3.92
6.	ONG BENG CHYE	3,148,445	2.56
7.	MOHAMED ABDUL JALEEL S/O MUTHUMARICAR SHAIK MOHAMED	2,000,000	1.63
8.	GOH GUAN SIONG (WU YUANXIANG)	1,446,800	1.18
9.	SOON JEFFREY	1,400,000	1.14
10.	SOON JANICE	1,000,000	0.81
11.	SOON JENSON	1,000,000	0.81
12.	SOON JEREMY	1,000,000	0.81
13.	SOON JI LING JACQUELINE (SUN JIELING)	1,000,000	0.81
14.	WANG JIAN GUO	928,000	0.75
15.	RAFFLES NOMINEES (PTE.) LIMITED	817,300	0.66
16.	ESTATE OF LEOW SAU CHING HELENA, DECEASED	770,000	0.63
17.	WEE TEOW HENG ALBERT	604,600	0.49
18.	DBS NOMINEES (PRIVATE) LIMITED	568,000	0.46
19.	LOW CHEE WEE	560,965	0.46
20.	MAYBANK KIM ENG SECURITIES PTE. LTD.	545,000	0.44
	Total	**107,940,142**	**87.77**

PERCENTAGE OF SHAREHOLDING IN HANDS OF PUBLIC

Based on the information available to the Company as at 4 April 2019 and to the best knowledge of the Directors of the Company, approximately 21.48% of the issued ordinary shares of the Company was held in the hands of public as defined in the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rule of Catalist (the "**Catalist Rules**"). Accordingly, the Company has complied with Rule 723 of the Catalist Rules which requires at least 10% of the equity securities to be in the hands of public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Heatec Jietong Holdings Ltd. (the "**Company**") will be held at 10 Tuas South Street 15, Singapore 637076 on Tuesday, 30 April 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018, together with the Independent Auditor's Report thereon.
(Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Regulations 98, 99 and 102 of the Company's Constitution and who, being eligible, offer themselves for re-election, as Directors of the Company:

Mr Soon Jeffrey	(retiring under Regulations 98 and 99)	**(Resolution 2)**
Mr Lim Soon Hock	(retiring under Regulation 102)	**(Resolution 3)**
Mr Chong Eng Wee (Zhang Yingwei)	(retiring under Regulation 102)	**(Resolution 4)**
Ms Lie Ly @ Liely Lee	(retiring under Regulation 102)	**(Resolution 5)**

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$151,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears (FY2018: S$151,000).
(Resolution 6)

4. To appoint Messrs Baker Tilly TFW LLP as auditors of the Company in place of the retiring auditors of the Company, Messrs Deloitte & Touche LLP, to hold office until the conclusion of the next annual general meeting of the Company and to authorise the Directors of the Company to fix their remuneration ("**Proposed Change of Auditors**").

[See Explanatory Note (ii)] **(Resolution 7)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares**

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

(a) (i) 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) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be issued other than on a *pro-rata basis* to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation 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, the percentage of issued Shares will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new Shares arising from the conversion or exercise of any convertible securities;

   (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the options or awards were granted in compliance with the Catalist Rules; and

   (c) any subsequent bonus issue, consolidation or subdivision of Shares,

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) 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 or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See Explanatory Note (iii)] **(Resolution 8)**

7. **Authority to offer and grant options and to allot and issue shares under the Heatec Employee Share Option Scheme and to offer and grant awards and to allot and issue shares under the Heatec Performance Share Plan**

That approval be and is hereby given to the Directors of the Company:

(i) to offer and grant options from time to time in accordance with the provisions of the Heatec Employee Share Option Scheme (the "**Heatec ESOS**"), and to offer and grant awards from time to time in accordance with the provisions of the Heatec Performance Share Plan ("**Heatec PSP**");

NOTICE OF
ANNUAL GENERAL MEETING

(ii) pursuant to Section 161 of the Companies Act, to allot and issue from time to time such Shares as may be required to be issued pursuant to the exercise of options granted under the Heatec ESOS, and the vesting of awards granted under the Heatec PSP, as the case may be, and to do all such acts and things as may be necessary or expedient to carry the same into effect, provided always that the number of Heatec ESOS Shares and Heatec PSP Shares to be issued, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the Heatec ESOS and Heatec PSP and any other existing share schemes of the Company, shall not exceed fifteen per centum (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

(iii) (unless revoked or varied by the Company in a general meeting), such authority conferred by this Resolution shall continue in full 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 (iv)] **(Resolution 9)**

8. **The Proposed Extension of the Duration of each of the Heatec ESOS and Heatec PSP**

That approval be and is hereby given to the Directors of the Company, pursuant to the rules of the Heatec ESOS and Heatec PSP, for the extension of the respective durations of the Heatec ESOS and Heatec PSP for a further period of 10 years from 18 June 2019 up to 17 June 2029 (both dates inclusive).

[See Explanatory Note (v)] **(Resolution 10)**

By Order of the Board

Kelly Kiar Lee Noi
Secretary
Singapore, 15 April 2019

Explanatory Notes:

(i) Mr Soon Jeffrey will, upon re-election as a Director of the Company, remain as the Executive Director and Chief Executive Officer of the Company, and a member of the Nominating Committee of the Company.

Mr Lim Soon Hock will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman and Non-Independent Director of the Company, and a member of the Nominating Committee and the Remuneration Committee of the Company.

Mr Chong Eng Wee (Zhang Yingwei) will, upon re-election as a Director of the Company, remain as the Lead Independent Director of the Company, Chairman of the Nominating Committee of the Company and a member of the Audit and Risks Management Committee of the Company. He is considered by the Board of Directors of the Company (the "**Board**") to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Ms Lie Ly @ Liely Lee will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, Chairman of the Audit and Risks Management Committee of the Company and a member of the Remuneration Committee of the Company. She is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Detailed information on each of the abovementioned Directors of the Company as required pursuant to Rule 720(5) of the Catalist Rules is on page 23 to page 34 of the annual report. Save as disclosed therein, there are no material relationships (including immediate family relationships) between each of the abovementioned Directors of the Company and the other Directors of the Company, the Company or its 10% shareholders.

(ii) The Ordinary Resolution 7 proposed in item 4 above is to appoint Messrs Baker Tilly TFW LLP as auditors of the Company in place of the retiring auditors of the Company, Messrs Deloitte & Touche LLP, and to authorise the Directors of the Company to fix their remuneration. Further information on the Proposed Change of Auditors is set out in the Appendix to this Notice of Annual General Meeting dated 15 April 2019 (the "**Appendix**").

NOTICE OF
ANNUAL GENERAL MEETING

In accordance with the requirements pursuant to Rule 712(3) of the Catalist Rules:

(a) the retiring auditors of the Company, Messrs Deloitte & Touche LLP, have confirmed in writing to Messrs Baker Tilly TFW LLP that they are not aware of any professional reasons why the new auditors of the Company, Messrs Baker Tilly TFW LLP, should not accept appointment as the new auditors of the Company;

(b) the Company confirms that there were no disagreements with the retiring auditors of the Company, Messrs Deloitte & Touche LLP, on accounting treatments within the last 12 months;

(c) the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that ought to be brought to the attention of shareholders of the Company which has not been disclosed in the Appendix;

(d) the Company confirms that the specific reasons for the Proposed Change of Auditors are disclosed in Section 2.2 of the Appendix; and

(e) the Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the proposed appointment of Messrs Baker Tilly TFW LLP as the new auditors of the Company.

(iii) The Ordinary Resolution 8 in item 6 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 Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a *pro-rata basis* to shareholders of the Company.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares in the capital of the Company will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution 8 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution 8 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(iv) The Ordinary Resolution 9 proposed in item 7 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 offer and grant options under the Heatec ESOS and to offer and grant awards under the Heatec PSP (both of which were approved at the extraordinary general meeting of the Company held on 18 June 2009) and to allot and issue Heatec ESOS Shares and Heatec PSP Shares, pursuant to the exercise of options granted under the Heatec ESOS and the vesting of awards granted under the Heatec PSP, provided that the number of Heatec ESOS Shares and Heatec PSP Shares to be issued under the Heatec ESOS and Heatec PSP respectively, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the Heatec ESOS and Heatec PSP and any other existing share schemes of the Company does not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company for the time being.

(v) The Ordinary Resolution 10 proposed in item 8 above is to extend the duration of each of the Heatec ESOS and Heatec PSP for a further period of 10 years from 18 June 2019 up to 17 June 2029 (both dates inclusive). Further information on the proposed extension of the duration of each of the Heatec ESOS and Heatec PSP is set out in the Appendix.

In accordance with Rule 858 of the Catalist Rules, shareholders of the Company who are eligible to participate in the Heatec ESOS and Heatec PSP shall, and shall procure that their respective associates shall, abstain from voting on Ordinary Resolution 10 in respect of their respective shareholdings in the Company (if any) and shall not accept nomination as proxies unless specific instructions have been given in the proxy form by the shareholder(s) appointing them on how he/she/they wish(es) his/her/their vote(s) to be cast.

Notes:

1. A member of the Company (other than a Relevant Intermediary*) entitled to attend, speak and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

2. Where a member of the Company (other than a Relevant Intermediary*) appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.

3. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified).

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Tuas South Street 15, Singapore 637076 not less than seventy-two (72) hours before the time appointed for holding the Annual General Meeting of the Company.

5. The instrument appointing a proxy or proxies must be signed by the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.

NOTICE OF ANNUAL GENERAL MEETING

6. This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), for compliance with the Catalist Rules. The Sponsor has not independently verified the contents of this notice.

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

   The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

   * A Relevant Intermediary is:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore 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 licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, 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) to attend, speak and vote at the Annual General Meeting of the Company 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) 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 or service providers), 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 or service providers) 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.

HEATEC JIETONG HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200717808Z)

IMPORTANT:

1. A relevant intermediary may appoint more than two (2) proxies to attend and vote the annual general meeting of the Company ("**AGM**") (please see Note 3 for the definition of "relevant intermediary").
2. For investor who holds shares under the Supplementary Retirement Scheme ("**SRS Investor**"), this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. SRS Investors should contact their respective SRS Operators if they have any queries regarding their appointment as proxies.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, ______________________ (Name) ______________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of **Heatec Jietong Holdings Ltd.** (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the AGM as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM to be held at 10 Tuas South Street 15, Singapore 637076 on Tuesday, 30 April 2019, at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion, as he/she/they* will on any other matter arising at the AGM and at any adjournment thereof.

All resolutions put to the vote at the AGM shall be decided by way of poll.

No.	Resolutions relating to:	Number of Votes For(1)	Number of Votes Against(1)
1	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018, together with the Independent Auditor's Report thereon		
2	Re-election of Mr Soon Jeffrey as a Director of the Company		
3	Re-election of Mr Lim Soon Hock as a Director of the Company		
4	Re-election of Mr Chong Eng Wee (Zhang Yingwei) as a Director of the Company		
5	Re-election of Ms Lie Ly @ Liely Lee as a Director of the Company		
6	Approval of payment of Directors' fees of S$151,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears		
7	Appointment of Messrs Baker Tilly TFW LLP as auditors of the Company in place of the retiring auditors of the Company, Messrs Deloitte & Touche LLP and to authorise the Directors of the Company to fix their remuneration		
8	Authority to issue shares		
9	Authority to offer and grant options and to allot and issue shares under the Heatec Employee Share Option Scheme ("Heatec ESOS") and to offer and grant awards and to allot and issue shares under the Heatec Performance Share Plan ("Heatec PSP")		
10	Approval of the proposed extension of the duration of each of the Heatec ESOS and Heatec PSP		

(1) If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of April 2019

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

____
Signature of Shareholder(s) or, Common Seal of Corporate Shareholder

** Delete where inapplicable*

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 (Cap. 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, 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 the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Where a member of the Company appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

3. A member of the Company who is a Relevant Intermediary entitled to attend the AGM and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number and class of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (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 licence to provide custodial services for securities under the Securities and 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 Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Tuas South Street 15, Singapore 637076 not less than seventy-two (72) hours before the time appointed for holding the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either 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.

7. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, (Cap. 50), 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.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 April 2019.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member of the Company, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Soon Hock
(Non-Executive Chairman and Non-Independent Director)

Soon Jeffrey
(Executive Director and Chief Executive Officer)

Chong Eng Wee (Zhang Yingwei)
(Non-Executive and Lead Independent Director)

Anthony Ang Meng Huat
(Non-Executive and Independent Director)

Lie Ly @ Liely Lee
(Non-Executive and Independent Director)

Loke Weng Seng
(Alternate Director to Mr Lim Soon Hock)

AUDIT AND RISKS MANAGEMENT COMMITTEE

Lie Ly @ Liely Lee (Chairman)
Chong Eng Wee (Zhang Yingwei)
Anthony Ang Meng Huat

NOMINATING COMMITTEE

Chong Eng Wee (Zhang Yingwei) (Chairman)
Lim Soon Hock
Soon Jeffrey

REMUNERATION COMMITTEE

Anthony Ang Meng Huat (Chairman)
Lim Soon Hock
Lie Ly @ Liely Lee

COMPANY SECRETARY

Kelly Kiar Lee Noi

REGISTERED OFFICE

10 Tuas South Street 15
Singapore 637076
Tel: (65) 6861 1433
Fax: (65) 6861 1347
Email: admin@heatec.com.sg
Website: http://www.heatecholdings.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

SPONSOR

ZICO Capital Pte. Ltd.
8 Robinson Road
#09-00 ASO Building
Singapore 048544

AUDITORS

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809

Lim Bee Hui
Engagement Partner
Appointed since financial year ended 31 December 2015

PRINCIPAL BANKER

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

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HEATEC JIETONG HOLDINGS LTD.

Company Registration Number: 200717808Z

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