HEATEC JIETONG HOLDINGS LTD.

FORGING AHEAD

Annual Report 2022

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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.

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.

This annual report has been prepared by Heatec Jietong Holdings Ltd. (the "Company") and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "Sponsor"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

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

The contact person for the Sponsor is Mr Pong Chen Yih, Chief Operating Officer, at 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.

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. In FY2022, our primary business segments were:

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; and
- fabrication and restoration of work.

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 an ASME-U Stamp 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 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.

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; and
- 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; and
- overall project management.

CHEMICAL CLEANING SERVICES

Our subsidiaries, Chem-Grow Pte Ltd and Chem Grow Engineering Pte. Ltd. (collectively, "**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:
- Ultrasonic cleaning (charged air cooler, filters etc);
- 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;
- Chemical sales;
- Rental of portable steam boiler/borescope/particle counter; and
- 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.

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

Thanks to the reopening of Singapore's borders in April 2022, the foreign labour shortage situation has begun to ease. This was a positive move for the manpower situation in Singapore, which has improved significantly, but not sufficiently for us to secure contracts that have short delivery schedules. Along with the recovery, the market for Singaporean workers has tightened which is something which many companies here have been experiencing.

To mitigate the ongoing labour constraints, the Group has set up another base in Ho Chi Minh City, Vietnam to tap its supply of skilled workers in the established oil and gas industry there. Additionally, having a subsidiary in Vietnam will also enable us to seek opportunities for contracts in the surrounding Indochina region which has a growing marine, oil and gas industry. This venture will help us expand our operations while securing our future as we expect the labour pool in Singapore to be a continual challenge for us.

Meanwhile, our acquisition of the remaining 30% stakes in two of our 70%-owned subsidiaries Chem Grow Engineering Pte. Ltd. and Chem-Grow Pte Ltd has been completed and we are in the midst of integrating their operations into the Group. We believe that Chem-Grow's services are highly complementary to the Group's existing businesses and put us in an even stronger competitive position to accelerate our growth.

FINANCIAL UPDATES

Amidst an extremely challenging operating landscape, the Group managed to narrow its net loss, from the S$2.7 million sustained in FY2021 to a net loss of S$756,000 for the twelve months ended 31 December 2022 ("**FY2022**").

Revenue for the Group decreased slightly by 4.3% to S$21.4 million, with both of its core businesses – Heat Exchanger and Chemical Cleaning – declining by 8.3% and 11.3% respectively. Thankfully, Piping Services bucked the trend, reporting a 6.4% rise in sales.

The Group's cash balance remained healthy even though this was reduced by 63.0% to S$1.7 million despite net operating cash flow surging to S$1.6 million during the year. We spent S$1.4 million in cash for the acquisition of the additional shareholding interest in the two Chem-Grow subsidiaries as well as S$3.0 million to retire existing bank loans.

EXPANDING CAPACITY

With the volatility of oil prices in recent times, the Floating Platform Storage & Offloading ("**FPSO**") market continues to boom. Engineering, Procurement and Construction contractors are very busy with bids and tenders while shipyards are also getting on the FPSO bandwagon and competing for capacity.

> ***"We remain cautiously optimistic about the prospects of the FPSO market and will intensify our efforts to seek new opportunities in this segment ..."***

We remain cautiously optimistic about the prospects of the FPSO market and will intensify our efforts to seek new opportunities in this segment as we leverage on our robust track record and reputation as a one-stop heat exchanger solutions provider. Having access to additional capacity and workers in Vietnam will further enhance our competitive advantage even as we seek further growth through synergistic opportunities.

FINAL SETTLEMENT

We are pleased that our wholly-owned subsidiary, JJY Engineering Construction Pte Ltd ("**JJY**"), has reached a full and final settlement with the owners of the vessel that JJY was working on at a certain shipyard when the vessel's engine room caught fire on 3 May 2019 while JJY was performing relevant works.

The final settlement sum is covered by insurance and does not have any material impact on the net tangible assets and earnings per share for FY2022.

MOVING AHEAD

We are also gratified that the US$2.7 million heat exchanger project that we had secured earlier in February 2022 was successfully completed ahead of the initial target of first quarter of 2023.

MESSAGE TO SHAREHOLDERS

Looking ahead, we anticipate the overall global business environment to remain extremely challenging with inflationary pressures, rising interest rates and the prospect of a global recession.

On 22 December 2022, we were awarded a US$3.3 million contract for the design and build of various specialised heat exchangers for a customer in the oil and gas industry. This is expected to have a positive impact on our financial performance in FY2023.

ACQUISITION

Indeed, we are pleased that the FPSO market is vibrant and our expansion to Vietnam helps to secure our future as we strive to enhance our competitiveness regionally. Apart from focusing on the growing FPSO business, we will also be looking for inorganic growth through synergistic and complementary opportunities.

This is why we announced in October 2022, an all-shares, S$2.7 million acquisition of a 60% stake in Setya Energy Pte. Ltd. ("**Setya**"), a Singapore-based independent trader of marine petroleum products with operations in Southeast Asia.

Setya partners with various licensed bunker suppliers in Singapore to provide marine petroleum products within the inner and outer port limits.

Setya's business is cash generating and will be able to provide the enlarged Group with regular revenue streams which will contribute positively to the Group's earnings.

Setya's core business of trading in marine petroleum products will also help to diversify the Group's existing businesses. While synergistic, the enlarged Group will also have the potential to expand into other services such as tank cleaning, de-slopping, gas freeing and de-mucking and sludge disposal.

We are pleased that majority of the independent shareholders have voted for the transaction and we look forward to moving ahead with this new addition to our core business, and to enhance the Group's shareholder value.

The acquisition of Setya was completed on 6 February 2023, and was announced accordingly.

SUSTAINABILITY

Thanks to the global focus on sustainability issues, the Singapore Exchange now requires listed companies to submit climate-related disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"). This is to begin from FY2022 on a "comply or explain" basis.

Since FY2017, we have been reporting our initiatives on monitoring the Group's energy and water consumption and waste management. We have studied the requirements on the TCFD framework and other reporting guidelines stipulated by SGX and concluded that implementing TCFD in our sustainability would undoubtably be a great challenge to our Group. The associated costs in setting up, operating and reporting the TCFD framework would require far more resources than the Group is able to allocate at this point in time. This adds a further burden to our resources so soon after we recover from the devastating business impact during the pandemic.

We are mindful about the continuing impact of climate change and remain committed to doing our part in minimising the effects that our operations may have on the environment and the community. We may be in a better position to embark on TCFD reporting at a later time.

APPRECIATION

The world has gone through an extremely difficult few years and there will invariably be more challenges ahead. We would like to thank our colleagues on the Board for huddling together through such challenging times.

We are also appreciative of our management and staff for their cooperation during these times and for working so hard at our business recovery. In particular, our ability to complete the heat exchanger project ahead of schedule is testament of our team's capabilities and commitment.

A word of thanks to all of our stakeholders for your continued support. It leaves us now to wish one and all a fantastic year ahead!

SOON YEOW KWEE JOHNNY
Executive Chairman and Non-Independent Director

SOON JEFFREY
Executive Director and Chief Executive Officer

BOARD OF DIRECTORS

SOON YEOW KWEE JOHNNY
Executive Chairman

Mr Johnny Soon is our Executive Chairman and was appointed to our Board on 20 August 2021. As the Executive Chairman, he is responsible for the provision of strategic direction, management of key clients relationships and overseeing the business development of the Group.

From September 2007 to December 2015, he was the Executive Chairman and Chief Executive Officer ("**CEO**") of the Company. He oversaw all day-to-day operations and determines the Group's strategic direction for business growth.

From January 2016 to August 2021, he was an advisor of the Company. He advised the CEO on the overall business and commercial direction of the Group.

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 of Business and Administration from Singapore Management University and a Bachelor of Engineering (Honours) (Mechanical and Production Engineering) from Nanyang Technological University.

BOARD OF DIRECTORS

CHONG ENG WEE (ZHANG YINGWEI)
Non-Executive and Lead Independent Director

Mr Chong Eng Wee 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 the Managing Director and heads the Corporate & Capital Markets Practice at Chevalier Law LLC. He is admitted as an Advocate and Solicitor in Singapore, Solicitor of the High Court of Hong Kong, Lawyer of the Supreme Court of New South Wales, Australia, and a Barrister and Solicitor of the High Court of New Zealand.

Prior to founding his own firm, he was a Partner and Head of Corporate at Kennedys Legal Solutions Pte. Ltd., a joint law venture between Kennedys Singapore LLP and Legal Solutions LLC, the Deputy Head of both the Capital Markets and the International China (South East Asia) practices at RHTLaw Taylor Wessing LLP and the representative for the Shanghai representative office of another joint law venture firm, Duane Morris & Selvam LLP in Singapore.

His areas of practice include capital markets, mergers and acquisitions, private equity, funds, China ("**PRC**"), private wealth, 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 advised clients on variable capital companies, establishment of family offices and their tax incentives and applications to the Monetary Authority of Singapore pertaining to capital market service licenses and registered fund management companies. 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).

Currently, he is a Non-Executive and Lead Independent Director of GS Holdings Limited (Stock Code: 43A) since January 2019 and a Non-Executive and Independent Director of OEL (Holdings) Limited (Stock Code: 584) since June 2020, all of which are SGX-ST Catalist listed companies.

He is also the Company Secretary of Sincap Group Limited (Stock Code: 5UN) since November 2021, LHN Logistics Limited (Stock Code: GIH) since August 2021, both SGX-ST Catalist listed companies, Shanghai Turbo Enterprises Ltd. (Stock Code: AWM), a SGX-ST Mainboard listed company since October 2022, China Vanadium Titano-Magnetite Mining Company Limited (Stock Code: 893), a company listed on Mainboard of the Hong Kong Stock Exchange since December 2019, and LHN Limited, listed on both SGX-ST Catalist Board (Stock Code: 41O) and the Mainboard of Hong Kong Stock Exchange (Stock Code: 1730) since April 2020.

He was previously the joint company secretaries and company secretary, as the case may be, of 3 SGX-ST Mainboard listed companies: Hanwell Holdings Limited (Stock Code: DM0), Intraco Limited (Stock Code: I06), and Tat Seng Packaging Group Ltd (Stock Code: T12) between March 2012 and October 2012. He was also the Non-Executive and Independent Director of Innopac Holdings Limited, a SGX-ST Mainboard listed company (Stock Code: I26) between April 2018 and December 2018, and of CW Group Holdings Limited, a company listed on the Mainboard of the Hong Kong Stock Exchange (Stock Code: 1322) between November 2018 and June 2019 and of KTL Global Limited, a SGX-ST Mainboard listed company (Stock Code: EB7) between 1 August 2019 and 21 March 2022.

BOARD OF **DIRECTORS**

ANTHONY ANG MENG HUAT
Non-Executive and Independent Director

Mr Anthony Ang Meng Huat is our Non-executive and 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 Risk Management Committee.

Mr. Ang is currently the Chairman and CEO of Global Star Acquisition Inc (a SPAC listed on NASDAQ since Sept 2022) that is actively seeking merger candidates. Mr. Ang also presently represents the Republic of Singapore as the Ambassador Extraordinary and Plenipotentiary to the Republic of Tunisia since September 2017. In that role, he represents the interests of Singapore and helps to maintain the relations of amity and concord between the two countries.

Mr. Ang is a global executive with over 40 years of senior management experience. His broad expertise covers international marketing, economic development and investment promotion, manufacturing, consulting and fund management. Mr. Ang started his career at the Singapore Economic Development Board in 1980, and his last position was Regional Director for North America (based in the United States for six years) and he was responsible for the promotion of billion dollars of investments from North America to Singapore. He went on to become Group General Manager of Armstrong Industrial Corporation, a Singapore precision engineering company that he helped list on the Singapore Exchange in 1995. Mr. Ang then joined Vertex Management as Senior Vice President (Investment) in 1999, a leading venture Capital firm with its headquarters in Singapore and subsequently GIC Real Estate Pte. Ltd. (a unit of the Sovereign wealth fund of the Singapore Government) as Executive Vice President for Admin and Corporate Affairs in 2001. Mr. Ang went on to serve as founding Executive Director of Majulah Connection, a consulting and networking organization sponsored by the Government of Singapore.

In 2006, Mr. Ang joined the ARA Group, a leading real estate fund management house with its headquarters in Singapore and asset under management ("AUM") of US$140 billion (after merger in January 2022 with ESR group forming the largest APAC real estate manager and the third largest listed real estate investment manager globally). From 2008 to 2010, Mr. Ang served as the CEO of ARA Asia Dragon Limited ("ADF"), the flagship private equity real estate fund of the ARA Group. ADF had a committed capital of US$1.13 billion and was focused on investments across Asia. Mr. Ang was responsible for raising the fund with global investors and overseeing its investments of over fourteen assets. From February 2010 to December 2016, Mr. Ang served as the CEO and Executive Director of ARA Asset Management (Fortune) Pte. Ltd. (a subsidiary of the ARA Group), as the manager of Fortune Real Estate Investment Trust ("Fortune REIT"), which holds HK$36 billion of retail assets in Hong Kong. During his tenure at Fortune REIT, Mr. Ang was recognized as "Best CEO (Third)" and "Best CEO (First)" for Hong Kong in 2013 and 2014 respectively for successfully expanding Fortune REIT, by the Annual Best Managed Companies Poll by FinanceAsia.

From March 2017 to July 2021, Mr. Ang served as CEO of Sasseur Asset Management Pte Ltd (SGX:CRPU), where he led the listing process for the initial public offering of Sasseur Real Estate Investment Trust ("Sasseur REIT") (AUM US$1.2 billion) in March 2018. In 2019, under Mr. Ang's leadership, Sasseur REIT was recognized as the "REIT of the Year" and "Best Retail REIT (platinum)" in Singapore. Mr. Ang was awarded "Best CEO (platinum)" in Singapore in 2019 and 2020 by The Fortune Times Award.

Mr. Ang currently holds various directorships in publicly listed companies. Since January 2016, Mr. Ang has served as an independent director of Yong Tai Bhd, a property development company listed on Bursa Malaysia, the Malaysian stock exchange. In October 2022, Mr. Ang was also appointed as an independent director of Eurosports Global Limited (primarily the distributor of Lamborghini sports cars in Singapore), that is listed on the Singapore Exchange.

In his private advisory capacity, in December 2020, Mr. Ang became a director of Truufin Pte. Ltd., where he provides guidance for the company in the Fintech industry. Mr. Ang has served as a director of Sinospring Venture Ltd. (Singapore) since May 2021 and as a director of GCIC Ltd since June 2021, both of which are consultancy services companies. In the education consultancy services industry, Mr. Ang has served as a director of ITE Education Services Pte. Ltd. since July 2021. Mr. Ang currently also serves as the Chairman and director for RV SG Pte. Ltd (Real Vantage), a crowd funded real estate investment platform since November 2021, and as Chairman and director of Singapore Digital Exchange Pte. Ltd., a digital exchange of cryptocurrency and digital assets in Singapore since December 2021.

Mr. Ang holds a Bachelor of Science in Mechanical Engineering degree with First Class Honours from the Imperial College of Science and Technology at the University of London, UK. He also obtained an MBA degree and an International Directorship Certificate from INSEAD, France, and completed a Marketing Management Program at the Graduate School of Business at Stanford University, USA.

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 is a member of our Audit and Risks Management Committee and our Remuneration Committee.

Ms Lee is currently the Group Chief Financial Officer and Executive Director of Marco Polo Marine Ltd listed on SGX. She is also the Director of PT BBR Tbk listed on the Indonesia Stock Exchange.

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

CHUA SIONG KIAT
Non-Executive and Independent Director

Mr Chua Siong Kiat was appointed as Independent Non-Executive Director on 1 February 2022. He chairs our Audit and Risk Management Committee.

He has close to 30 years of international broad-based financial and management experience, mainly in real estate investment and development, building construction and materials, healthcare and medical assurance sectors; and having lived and worked in London, Beijing, Ho Chi Minh City and Singapore. Mr Chua Siong Kiat is currently Chief Financial Officer of Memiontec Holdings Limited. He also sits on the board of New Silkroutes Group Limited, China Yuanbang Property Holdings Limited and Ever Glory United Holdings Limited (to be listed in May 2023); all listed on SGX, as well as on the board of VCI Global Limited listed on NASDAQ as an independent director.

Mr Chua is a Fellow member of The Association of Chartered Certified Accountant (FCCA), a Certified Internal Auditor (CIA), a Chartered Accountant of Singapore (CA Singapore), a Chartered Valuer and Appraiser (CVA) and a member of the Singapore Institute of Director (SID). He holds a Master of Business Administration and Diploma of the Imperial College in Management (MBA, DIC) from Imperial College of Science, Technology and Medicine, University of London.

BOARD OF DIRECTORS

LIM SOON HOCK
Non-Executive and Non-Independent Director

Mr Lim Soon Hock is our Non-Executive and Non-Independent Director and was appointed to our Board on 1 May 2018, as a nominee of Tru-Marine Pte Ltd. He is a member of our Remuneration Committee and Nominating Committee.

Mr Lim has more than 30 years of experience as a board member (in the public, private and people sectors), 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 the 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 (local and global); an Adjunct Professor with the National University of Singapore; a Mediator with our State Courts Singapore, Singapore Mediation Centre and Singapore International Mediation Institute; as well as a Justice of the Peace.

He received many accolades, including two National Day Awards, in recognition of his work and public service.

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 has been responsible for the 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 has served 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.

Mr Loke earned his Master of Business Administration from Macquarie University, Australia.

KEY MANAGEMENT PERSONNEL

NG WEI JET
Chief Financial Officer

Mr Ng first joined the Group in August 2019 as Financial Controller and was promoted to Chief Financial Officer in March 2023. He is responsible for all matters relating to finance, administration and human resources management of the Group.

Mr Ng has more than 15 years of experience in finance, accounting and auditing. He worked in various companies including international public accounting firms such as Baker Tilly TFW LLP and companies listed on SGX such as LHN Limited.

Mr Ng is a member of the Institute of Singapore Chartered Accountants and a Fellow member of the Association of Chartered Certified Accountants.

SOON JENSON
Group General Manager (Operation)

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

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

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

KOH LAY CHENG
General Manager – Commercial & Procurement

Ms. Koh is responsible for all commercial and procurement activities relating to our Group's Heat Exchanger and Piping businesses.

Ms. Koh joined Heatec in July 1995, and has held various positions in various departments ranging from that of Manager to that of General Manager – Operations before assuming her current appointment.

Ms. Koh has a Diploma in Marine Engineering from the Singapore Polytechnic.

FINANCIAL REVIEW

PERFORMANCE REVIEW

REVENUE BY SEGMENTS

	FY2022		FY2021		Variance	
	S$'000	%	S$'000	%	S$'000	%
Heat Exchanger	11,611	54.4	12,665	56.8	(1,054)	(8.3)
Chemical Cleaning	2,574	12.0	2,903	13.0	(329)	(11.3)
Piping	7,176	33.6	6,745	30.2	431	6.4
	21,361	**100.0**	**22,313**	**100.0**	**(952)**	**(4.3)**

In FY2022, the Group posted a 4.3% decline in revenue to S$21.4 million, as its core Heat Exchanger business reported a 8.3% dip in sale to S$11.6 million while its Chemical Cleaning segment saw a 11.3% decrease to S$2.6 million. Its Piping Services segment, however, registered a 6.4% rise in sales to S$7.2 million.

On a segmental basis, Heat Exchanger business accounted for 54.4% of total revenue (FY2021: 56.8%) while Chemical Cleaning contributed 12.0% (FY2021: 13.0%) and Piping accounted for 33.6% (FY2021: 30.2%).

PROFITABILITY

	FY2022	FY2021	Variance	
	S$'000	S$'000	S$'000	%
Gross profit	6,786	4,162	2,624	63.0
Gross profit margin	31.8%	18.7%	–	13.1 ppt
Other operating income	816	1,191	(375)	(31.5)
Administrative expenses	(7,757)	(7,237)	520	7.2
Other operating expenses	–	(204)	(204)	NM
Net impairment losses on financial assets	(141)	(77)	64	83.1
Finance costs	(497)	(505)	(8)	(1.6)
Share of results of associates	41	52	(11)	(21.2)
Loss before tax	**(752)**	**(2,618)**	**(1,866)**	**(71.2)**
Income tax expense	(4)	(51)	(47)	(92.2)
Loss for the year	**(756)**	**(2,669)**	**(1,913)**	**(71.7)**

Ppt – percentage points
NM – not meaningful

FINANCIAL REVIEW

For the full-year ended 31 December 2022, the Group achieved gross profit of S$6.8 million which was a 63% surge year-on-year, which saw gross profit margin increase by 13.1 percentage points to 31.8%. This was mainly attributable to the reversal of liquidated damages previously provided for in 2H2021 as well as better project management.

Other operating income was down by 31.5% to S$816,000 from the decline in pandemic-related support grants from the Singapore government.

Administrative expenses inched up by 7.2% to S$7.8 million due to higher professional fees incurred in FY2022.

Finance cost was lower by 1.6% to S$497,000.

Amidst an extremely challenging operating landscape, the Group managed to narrow the net loss of S$2.7 million reported in FY2021 to a net loss of S$756,000 in the latest full-year.

FINANCIAL POSITION

	As at 31 December 2022	As at 31 December 2021	Variance	
	S$'000	S$'000	S$'000	%
Non-current assets	8,741	9,787	(1,046)	(10.7)
Current assets	13,819	17,434	(3,615)	(20.7)
Non-current liabilities	2,488	7,771	(5,283)	(68.0)
Current liabilities	9,373	6,304	3,069	48.7
Working capital	4,446	11,130	(6,684)	(60.1)
Equity attributable to owners of the Company	10,726	11,219	(493)	(4.4)
Net asset value per share (Singapore cents)	8.72	9.12	(0.40)	(4.4)

As of 31 December 2022, the Group's net asset value per share was 8.72 Singapore cents, a 4.4% decline from the year-ago period. The Group's working capital decreased by 60.1% to S$4.4 million.

Non-current assets

Non-current assets decreased by 10.7% to S$8.7 million as a result of depreciation charges to property, plant and equipment incurred during the year.

Current assets

The Group's current assets were lower by 20.7% to S$13.8 million, attributed to lower cash and bank balances as well as trade receivables that were in line with the decline in revenue in FY2022. Cash and bank balances decreased from S$4.7 million as at end 2021 to S$1.9 million as at end 2022. The reasons for the lower balances are further discussed in the section on Cash Flow below.

Non-current liabilities

Non-current liabilities dipped by 68.0% to S$2.5 million mainly due to loan repayment in FY2022 and the reclassification of certain loans from non-current to current liabilities.

Current liabilities

Current liabilities were elevated by 48.7% to S$9.4 million from the increase in contract liabilities and reclassification of certain loans from non-current to current liabilities.

FINANCIAL REVIEW

CASH FLOW

	FY2022	FY2021	Variance	
	S$'000	S$'000	S$'000	%
Net cash generated from operating activities	1,558	702	856	>100
Net cash (used in) investing activities	(58)	(157)	(99)	(63.1)
Net cash (used in)/generated from financing activities	(4,475)	356	NM	NM
Cash and cash equivalents as at end of the financial year	1,749	4,725	(2,976)	(63.0)

In FY2022, the Group's net cash flow from operating activities surged to S$1.6 million, comprising mainly of:

- Operating cash inflow before changes in working capital of S$0.9 million;
- Net working capital inflow of S$0.7 million from an increase in trade and other payables and contract liabilities of S$0.1 million and trade and other receivables and contract assets of S$0.6 million, and
- Interest and income tax paid of S$0.1 million.

Net cash used in investing activities due to purchases of property, plant and equipment.

Net cash used in financing activities grew to S$4.5 million as a result of repayment of bank loans amounting to S$2.7 million as well as paid interest of S$0.4 million and acquisition of the additional shareholding interest in Chem Grow Engineering Pte. Ltd. and Chem-Grow Pte Ltd.

Overall, the Group's cash and cash equivalents decreased by 63.0% to S$1.7 million as of 31 December 2022.

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE:

Soon Yeow Kwee Johnny
(Executive Chairman)
Soon Jeffrey
(Executive Director and Chief Executive Officer)

NON-EXECUTIVE:

Chong Eng Wee (Zhang Yingwei)
(Non-Executive and Lead Independent Director)
Lim Soon Hock
(Non-Executive and Non-Independent Director)
Anthony Ang Meng Huat
(Non-Executive and Independent Director)
Lie Ly @ Liely Lee
(Non-Executive and Independent Director)
Chua Siong Kiat
(Non-Executive and Independent Director)

ALTERNATE:

Loke Weng Seng
(Alternate Director to Mr Lim Soon Hock)

AUDIT AND RISKS MANAGEMENT COMMITTEE

Chua Siong Kiat (Chairman)
Lie Ly @ Liely Lee
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

Tan Wei Yang

REGISTERED OFFICE

10 Tuas South Street 15, Singapore 637076
Tel: (65) 6861 1433
Fax: (65) 6861 1347
Email: finance@heatec.com.sg
Website: http://www.heatecholdings.com

SHARE REGISTRAR/SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632
Tel: (65) 6536 5355
Fax: (65) 6536 1360

AUDITORS

Crowe Horwath First Trust LLP
Public Accountants and Chartered Accountants
9 Raffles Place
#19-20 Republic Plaza Tower 2
Singapore 048619

AUDIT PARTNER-IN-CHARGE

Teo Yen Lin
(Since the financial year ended 31 December 2022)

CONTINUING SPONSOR

Novus Corporate Finance Pte. Ltd.
7 Temasek Boulevard, #18-03B Suntec Tower 1
Singapore 038987

FINANCIAL **CONTENTS**

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 2018 issued in August 2018 (the "**Code**") are complied with. The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment that 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 2022 ("**FY2022**"), with specific reference made to the Principles and the Provisions of the Code, which forms part of the continuing obligations under the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

The Company confirms that during FY2022, it has adhered to the Principles of the Code and the Provisions of the Code (except where otherwise explained). In areas where the Company's practices vary from any Provision of the Code, the Company has stated herein the Provision of the Code from which it has varied, and appropriate explanations are provided for the variation and how the practices the Company has adopted are consistent with the intent of the relevant Principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

I. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Provision 1.1

Principle Duties of 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 personnel of the Company (the "**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 risks 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.

Code of Business Conduct and Ethics

The Company strives to uphold the highest levels of business conduct and integrity in all transactions and interactions. All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Board has thus put in place a Code of Business Conduct and Ethics which serves to guide the Directors on the areas of ethical risk and a framework where integrity and accountability are paramount. The Company is also committed to ensuring that its affairs are conducted with the highest standard of probity and in compliance with the law.

CORPORATE GOVERNANCE REPORT

Conflict of Interests

The Board acts in good faith and in the best interests of the Company by exercising due care, skills and diligence, and avoiding conflicts of interest. The Directors are cognisant of their fiduciary duties at law. When a potential conflict of interest situation arises, the affected Director will recuse himself or herself from the discussion and decisions involving the areas of potential conflict, unless the Board is of the opinion that his or her participation is necessary. Where such participation is permitted, the conflicted Director excuses himself or herself for an appropriate period during the discussions to facilitate full and frank exchange by the other Directors and shall, in any event, recuse himself or herself from the decision-making process.

Pursuant to Section 156 of the Companies Act 1967 of Singapore (the "**Companies Act**"), each Director is to declare to the Company his or her interests (direct or indirect) in all transactions with the Company and/or the Group and provide details on the nature of such interests as soon as practicable after the relevant facts have come to his or her knowledge. On an annual basis, each Director is also required to submit details of his or her associates for the purpose of monitoring interested person transactions.

Provision 1.2

Director Competencies

All Directors have a good understanding of the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors).

While the duties imposed by law are the same for all Directors, a listed Board will generally have different classes of directors with different roles:

- **Executive Directors (EDs)** are members of Management who are involved in the day-to-day running of the business. They work closely with the Non-Executive Directors on the long-term sustainability and success of the businesses. They provide insight and recommendations on the Group's operations at the Board and Board Committees meetings.

- **Non-Executive Directors (NEDs)** do not participate in the business operations. They constructively challenge Management on its decisions and contribute to the development of the Group's strategic goals and policies. They participate in the review of Management's performance in achieving the strategic objectives of the Group as well as the appointment, assessment and remuneration of the Executive Directors and key personnel of the Group.

- **Independent Directors (IDs)** are Non-Executive Directors who are unrelated to any of the Executive Directors and are deemed to be impartial by the Board. Independent Directors have similar duties as the Non-Executive Directors, with the additional responsibility of providing independent and objective advice and insight to the Board and Management.

Directors are expected to develop their competencies to effectively discharge their duties and are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense.

Appointment Letter

Each newly appointed Director will be provided with a formal letter of appointment, explaining, among other matters, the roles, obligations, duties and responsibilities, and the expectations of his or her contribution to the Company as a member of the Board.

CORPORATE GOVERNANCE REPORT

Directors' Orientation and Training

The Company does not have a formal training program for Directors, however, 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 better understand the Group's business, 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, organised by the Singapore Institute of Directors (the "**SID**") as required under Rule 406(3)(a) of the Catalist Rules, as well as other courses relating to areas such as accounting, legal and industry-specific knowledge as appropriate, organised by other training institutions. The training of Directors will be arranged and funded by the Company. During FY2022, Mr. Chua Siong Kiat was appointed as a Director of the Company and has undergone an orientation and received the formal letter of appointment setting out his duties and obligations.

The Company encourages existing Directors to attend training courses organised by the Singapore Institute of Directors 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 developments in financial reporting and governance standards, as well as 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, Accounting and Corporate Regulatory Authority ("**ACRA**") and other relevant regulatory bodies which are relevant to the Group and/or Directors are circulated to the Board.

Seminars and Training attended by Directors in FY2022

Details of updates provided to, and seminars and training programs attended by the Directors in FY2022 include, amongst others, the following:

- LED – Environmental, Social and Governance Essentials
- ESG Essentials for SMEs: Kickstart your ESG Journey
- Sustainability Transformation through Green Compass

All Directors attended the requisite training on sustainability matters in FY2022.

CORPORATE GOVERNANCE REPORT

Provision 1.3

Matters Requiring Board's Approval

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

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

(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 personnel;

(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 Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those prescribed limits to Board Committees and specific members of the key management of the Company via a structured delegation of authority matrix, which is reviewed on a regular basis and revised accordingly when necessary.

Provision 1.4

Delegation by the Board

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, along with the committee structures and membership, to ensure their continued relevance, taking into consideration any changes in the governance and legal environment. 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. Any change to the terms of reference for any Board Committee requires the specific written approval of the Board. The responsibilities and authority of the Board Committees set out in their respective terms of reference are revised as and when appropriate for alignment with the Code.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Each Board Committee reports its activities regularly to the Board. Please refer to the respective principles as set out in this report for further information on the activities of each Board Committee. Minutes of the Board Committees meetings are regularly provided to the Board and are available to all Board members. The Board acknowledges that while the Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation from Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or senior Management personnel to attend their meetings.

CORPORATE GOVERNANCE REPORT

Provision 1.5

Board and Board Committees Meetings

The schedule of all the Board and Board Committees meetings as well as the annual general meeting of the Company (the "**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 and/or Board Committees meetings may be convened to deliberate on urgent substantial matters. In addition to the scheduled meetings, the Board undertakes 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 allows Board meetings to be conducted by means of conference telephone, videoconferencing, audiovisual, or other electronic means of communication by which all persons participating in the meeting can hear one another contemporaneously. Board and Board Committees meetings in FY2022 were conducted through a mixture of physical meetings, video conference and/or other means of telecommunication, in line with government advisories amidst the COVID-19 pandemic. Decisions of the Board and Board Committees may also be obtained through circulating resolutions in writing.

The attendance of each Director at meetings of the Board and Board Committees in FY2022 as well as the frequency of such meetings held are set out in the table below:

No. of Meetings held	Board of Directors					Audit and Risks Management Committee						Nominating Committee		Remuneration Committee	
	5					5						1		1	
	1/4	2/4	3/4	4/4	5/5	Member	1/4	2/4	3/4	4/4	5/5	Member	1/1	Member	1/1
Present Directors															
Soon Yeow Kwee Johnny	✓	✓	✓	×	✓	No	✓*	✓*	✓*	×	✓*	No	✓*	No	✓*
Lim Soon Hock (or in his absence, Loke Weng Seng)	✓	✓	✓	✓	✓	No	✓*	✓*	✓*	×	✓*	Yes	✓	Yes	✓
Soon Jeffrey	✓	✓	✓	×	✓	No	✓*	✓*	✓*	×	✓*	Yes	✓	No	✓*
Chong Eng Wee (Zhang Yingwei)	✓	✓	✓	✓	✓	Yes	✓	✓	✓	✓	✓	Chairman	✓	No	✓*
Anthony Ang Meng Huat	✓	✓	✓	✓	✓	Yes	✓	✓	✓	✓	✓	No	✓*	Chairman	✓
Lie Ly @ Liely Lee(1)	✓	✓	✓	✓	✓	Yes	✓	✓	✓	✓	✓	No	✓*	Yes	✓
Chua Siong Kiat(2)	✓	✓	✓	✓	✓	Chairman	✓	✓	✓	✓	✓	N.A.	✓*	N.A.	✓*

N.A. – Attendance of meeting by the Director was not applicable as the meeting was held prior to his or her appointment/as he or she is not a member of the Board Committee (as the case may be)
✓ – Attendance at the meeting as a member of the Board/Board Committee
* – Attendance by invitation of the relevant Board Committee

(1) Ms. Lie Ly @ Liely Lee relinquished her role as Chairman of the ARMC with effect on and from 1 February 2022. She remains a Non-Executive and Independent Director of the Company, and a member of the ARMC and the RC.
(2) Mr. Chua Siong Kiat was appointed as Non-Executive and Independent Director and the Chairman of the ARMC with effect on and from 1 February 2022.

CORPORATE GOVERNANCE REPORT

If a Director is unable to attend a Board or Board Committee meeting, he/she will still receive all the papers and materials for discussion at that meeting. He/she will review them and advise the Chairman of the Board or the Board Committees of his/her views and comments on the matters to be discussed so that they can be conveyed to other members at the meeting.

Multiple Board Representations

All Directors are required to declare their board representations on an annual basis and as soon as practicable after the relevant facts have come to his or her knowledge. Where a Director has multiple board representations, and in considering the nomination or re-nomination of Directors for appointment, the NC will evaluate whether or not the Director is able to and has been adequately carrying out his or her duties as a Director, as well as whether sufficient time and attention are given to the affairs of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.

The NC has reviewed all the declarations from the Directors and is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company, and that sufficient time and attention are given to the affairs of the Company, after taking into consideration the number of listed company board representations and other principal commitments in FY2022 of each Director. In view of this, the Board does not limit the maximum number of listed company board representations which a Director may hold as long as each Director is able to commit his or her time and attention to the affairs of the Company and adequately carries out his or her duties as a Director. The Board believes that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, bearing in mind his or her other commitments. The Board and the NC will review the requirement to determine the maximum number of listed company board representations as and when they deem fit.

Provision 1.6

Access to Information

All Directors have unrestricted access to the Company's records and information and are kept informed of the Company's business and affairs as well as about the industry in which the Company operates in. From time to time, the Directors are furnished with complete, accurate and adequate information in a timely manner to enable them to be fully cognisant of the decisions and actions of Management. This knowledge is essential for the Directors to engage in informed and constructive discussions.

Detailed Board papers are prepared and circulated to the Directors before each Board and Board Committees 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 and Board Committees meetings. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Members of the Management who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting and Board Committees meetings.

The Board receives half-yearly financial performance results, annual budgets and explanations 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 updated on the Group's matters during quarterly board meetings, and as and when there are any significant developments or events relating to the Group's business operations.

In particular, to ensure that Non-Executive Directors are well supported by accurate, complete and timely information, all Non-Executive Directors have unrestricted access to Management. Besides receiving regular Board briefings on latest market developments and trends, and key business initiatives, periodic information papers, industry and market reports, the Non-Executive Directors are regularly briefed by Management on major decisions and prospective business deals.

CORPORATE GOVERNANCE REPORT

Provision 1.7

Access to Management and Company Secretary

The Directors have separate and independent access to Management and the Company Secretary, who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with, at all times through email, telephone and face-to-face meetings.

The Directors may also liaise with Management as and when required to seek additional information. Any additional materials or information requested by the Directors to make informed decisions is promptly furnished.

The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees meetings. The Company Secretary and/or his representatives attend all the Board and Board Committees meetings and prepare minutes of the meetings. The appointment and removal of the Company Secretary is decided by the Board as a whole.

As announced by the Company on 14 July 2022 and as decided collectively by the Board, Mr. Tan Wei Yang was appointed as the Company Secretary in place of Ms. Lee Yi Han with effect on and from 25 July 2022. The foregoing change in Company Secretary was decided by the Board as a whole.

Independent Professional Advice

Should the Directors, whether as a group or individually, need independent professional advice in furtherance of their duties and responsibilities, the Company will appoint such professional adviser(s) to render the appropriate professional advice. The cost of such professional advice will be borne by the Company.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1

Director Independence

The criterion for independence is based on the definition set out in the Code and the Practice Guidance of the Code of Corporate Governance issued in August 2018 (the "**Practice Guidance**") 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 is independent in conduct, character and judgment, has no relationship with the Company, its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Company.

The NC shall conduct an annual review to determine the independence of the Independent Directors according to the Code and the Practice Guidance, as well as Rule 406(3)(d) of the Catalist Rules. In its review, the NC shall consider all nature of relationships and circumstances that could influence the judgement and decisions of the Independent Directors before tabling its finding and recommendations to the Board for approval.

CORPORATE GOVERNANCE REPORT

For FY2022, the Independent Directors (namely Mr. Chong Eng Wee (Zhang Yingwei), Mr. Anthony Ang Meng Huat, Ms. Lie Ly @ Liely Lee and Mr. Chua Siong Kiat) have confirmed that neither they nor their immediate family members have any relationship with the Company or any of its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment in the best interests of the Company, and do not fall under any of the circumstances set out in Rule 406(3)(d) of the Catalist Rules. The foregoing Independent Directors, including Mr. Chua Siong Kiat, who has a direct interest in 1,600 shares in the issued and paid-up share capital of the Company, have also confirmed that they were not in any foreseeable situation that could compromise their independence of thought and decision.

The Board, based on the review conducted by the NC, has determined that the foregoing Directors are independent.

Duration of Independent Directors' Tenure

As at the date of this report, none of the Independent Directors has served on the Board beyond nine (9) years since the date of his or her first appointment. The Company is also cognizant of the removal of the two-tier vote mechanism by the Singapore Exchange Regulation and will ensure that the tenure of each of its Independent Directors do not exceed the nine-year limit.

Provision 2.2

Proportion of Independent Non-Executive Directors

Provision 2.2 of the Code states that independent directors are to make up the majority of the Board where the Chairman is not independent.

Mr. Soon Yeow Kwee Johnny, the Executive Chairman of the Company, is not independent. Notwithstanding the foregoing, following the appointment of Mr. Chua Siong Kiat as an Independent Director on 1 February 2022 and given that the Board comprises a majority of four (4) Independent Directors (out of a seven (7)-member Board) as at the date of this report, the Company is in compliance with Provision 2.2 of the Code.

Provision 2.3

Proportion of Non-Executive Directors

Provision 2.3 of the Code states that non-executive directors should make up a majority of the Board. As at the date of this report, the Board comprises a majority of five (5) Directors (out of a seven (7)-member Board) who are Non-Executive Directors.

Provision 2.4

Board Composition and Size

As at the date of this report, the Board comprises the following seven (7) Directors, two (2) of whom are Executive Directors and five (5) of whom are Non-Executive Directors, of which four (4) are Independent Directors:

Executive Directors

Soon Yeow Kwee Johnny	–	Executive Chairman and Director
Soon Jeffrey	–	Executive Director and Chief Executive Officer ("**CEO**")

CORPORATE GOVERNANCE REPORT

Non-Executive Directors

Lim Soon Hock (Alternate Director – Loke Weng Seng)	–	Non-Executive 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
Chua Siong Kiat	–	Non-Executive and Independent Director

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 Committees effectively serve the Group. It provides sufficient diversity of skills, experience and knowledge of the Group without interfering with efficient decision-making.

Board Diversity

The Company has a Board Diversity Policy which sets out guidelines in identifying nominees for directorship positions withing the Company, and is primarily focused on having an appropriate mix of expertise with complementary skills, core competencies and experiences for facilitating effective decision-making, regardless of gender. The Board Diversity Policy emphasises that a balanced composition of skills, experience, and background at the Board level is essential to provide a range of perspectives, insights, and challenges. This will enable the Board to discharge its duties and responsibilities effectively, make informed decisions that align with the Company's core businesses and strategy, and support succession planning and development of the Board. In recognition of the importance and value of gender diversity in the composition of the Board, the Company appointed a female Director in July 2018. Each Director has been appointed based on his or her skills, experience and knowledge, and is expected to bring forth his or her experience and expertise to the Board for the continuous development of the Group.

The Board Diversity Policy does not specify any specific targets or accompanying plans and timelines for achieving diversity. Instead, the policy emphasises that measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness. Nonetheless, the NC believes that the Board is diverse, having considered, among others, the diversity of skills, experience, knowledge, and gender representations. When a vacancy on the Board arises, the NC will consider the guidelines set out in the Board Diversity Policy and will ensure the right candidate is identified to maintain a diverse Board. It is the responsibility of the NC to monitor the achievement of these measurable objectives and report on progress in the Corporate Governance Report annually. The NC reviews the policy at least annually to ensure its effectiveness. The NC will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

All Directors possess the right 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.

CORPORATE GOVERNANCE REPORT

Provision 2.5

Meeting of Non-Executive Directors (including Independent Directors) without Management

Although all Directors have equal responsibility for the performance of the Group, the role of the Non-Executive 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 Non-Executive Directors (including Independent Directors) are encouraged to meet without the presence of Management, so as to facilitate a more effective check on Management. The Lead Independent Director shall lead the meetings among the Non-Executive Directors (including Independent Directors) without the presence of other Directors. The Lead Independent Director shall provide feedback to the Board and the Chairman of the Board after such meetings, where necessary.

In FY2022, the Non-Executive Directors, led by the Lead Independent Director, have met informally at least once without the presence of Management via video conference or other means of telecommunication, in line with government advisories amidst the COVID-19 pandemic, 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 ("**KMPs**"), and the impact of the COVID-19 pandemic on the Group's operations and affairs.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1

Separation of the Role of Chairman and Chief Executive Officer

The Chairman of the Board and the CEO are 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 Management responsible for managing the Group's business operations. The Executive Chairman, Mr. Soon Yeow Kwee Johnny, is the father of the CEO, Mr. Soon Jeffrey, and the Group's General Manager (Operations), Mr. Soon Jenson.

Provision 3.2

Role of Chairman and Chief Executive Officer

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 from the 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 his representatives) and ensuring that adequate time is available for discussion of all agenda items, in particular, strategic issues;

CORPORATE GOVERNANCE REPORT

(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 the 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 the RC. As of the date of this report, the majority of the Board comprises Independent Directors, and 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.

Provision 3.3

Lead Independent Director

The Board has a Lead Independent Director, Mr. Chong Eng Wee (Zhang Yingwei), to provide leadership in situations where the Executive Chairman, who is not an Independent Director, is conflicted. The Lead Independent Director is a key member of the Board, representing the views of the Independent Directors and facilitating a two-way flow of information between Shareholders, the Chairman and the Board.

The Lead Independent Director's role may include chairing Board meetings in the absence of the Chairman, working with the Chairman in leading the Board, and providing a channel to Non-Executive Directors for confidential discussions on any concerns and to resolve conflicts of interest as and when necessary.

In addition, the Lead Independent Director may also assist the NC in conducting annual performance evaluations and development of succession plans for the Chairman and CEO, and the RC with designing and assessing both the Chairman's and CEO's remuneration.

The Lead Independent Director makes himself available at all times when Shareholders have concerns and for which contact through the normal channels of communication with the Chairman, the CEO or Management have failed to resolve or is inappropriate. Shareholders may reach out directly to the Lead Independent Director at engwee.chong@heatec.com.sg. Further, while the Lead Independent Director generally makes himself available to Shareholders at the Company's general meetings, in FY2022, Shareholders were invited to submit their questions in advance in relation to any resolutions set out in the notice of AGM in light of the lack of physical meetings amidst the COVID-19 pandemic. There was no query or request received in FY2022 on any matters which required the Lead Independent Director's attention.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1

Roles and Duties of Nominating Committee

The Board has established the NC since 2009 with written terms of reference which clearly set out its authority and duties. The NC reports to the Board directly.

CORPORATE GOVERNANCE REPORT

The terms of reference of the NC, which was revised and adopted for alignment with the Code and Catalist Rules, set out its duties and responsibilities. Amongst them, the NC is responsible for:–

1. regularly and strategically reviewing the structure, size and composition (including the skills, gender, age, qualification, experience and diversity) of the Board and Board Committees;

2. identifying and nominating candidates to fill Board vacancies as they occur;

3. requesting nominated candidates to disclose any existing or expected future business interests that may lead to a conflict of interest. This disclosure is to be included in any recommendations to the Board;

4. sending the newly appointed Director a formal appointment letter which clearly sets out his or her roles and responsibilities, authority, and the Board's expectations in respect of his or her time commitment as a Director of the Company;

5. recommending the membership of the Board Committees to the Board;

6. reviewing the independent status of the Independent Directors (in accordance with Catalist Rule 406(3)(d) and Provision 2.1 of the Code), if applicable, annually, or when necessary, along with issues of conflict of interests;

7. developing the performance evaluation framework for the Board, the Board Committees and individual Directors and proposing objective performance criteria for the Board, the Board Committees and individual Directors;

8. recommending that the Board removes or reappoints a Director (including alternate director(s)) at the end of his or her term, and recommending the Directors to be re-elected under the provisions of the Company's Constitution on the policy of retirement by rotation. In making these recommendations, the NC should consider the Director's performance, commitment and his or her ability to continue contributing to the Board;

9. reviewing other directorships held by each Director and deciding whether or not a Director is able to carry out, and has been adequately carrying out, his or her duties as a Director;

10. reviewing and ensuring that there is a clear division of responsibilities between the Chairman and CEO of the Company in place;

11. reviewing the Board with its succession plans for the Board Chairman, Directors, CEO and KMPs of the Company;

12. keeping up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates;

13. review of training and professional development programmes for the Board and its Directors, where applicable; and

14. undertaking such other functions and duties as may be required by the Board under the Code, statute or the Catalist Rules (where applicable).

CORPORATE GOVERNANCE REPORT

Provision 4.2

Nominating Committee Composition

As of the end of FY2022, the NC comprised three (3) members, namely the Lead Independent Director (as Chairman), an Executive Director and a Non-Executive Director, as follows:

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

Currently, the composition of the NC is not in compliance with the Code, which requires the majority of the NC members to be independent. The Board had 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 NC and the Board note that the Company is required to comply with the requirement for Independent Directors to constitute the majority of the NC and is considering making arrangements to reconstitute the NC composition to comply with the Code's requirements as and when appropriate. Nevertheless, the Board notes that the NC is able to effectively discharge its duties and responsibilities and exercise objective judgement on the NC's affairs independently and constructively challenge key decisions and report to the Board in all respects. Taking into account the foregoing, and that the Company is in compliance with the remaining Provisions under Principle 4 of the Code, the Board is of the view that the Company complies with Principle 4 of the Code.

Provision 4.3

Nomination and Selection of Directors

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 a particular skillset, the NC, in consultation with the Board, will determine the selection criteria and select 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 and the Board approves such appointment.

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

Re-election of Directors

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 (3) 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 (3) 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 or herself 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 (3) 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.

In this respect, the Board has accepted the NC's nomination of the following Directors for re-election at the forthcoming AGM:–

(a) Mr. Lim Soon Hock, who is retiring by rotation pursuant to Regulations 98 and 99 of the Company's Constitution; Mr Loke Weng Seng, who is currently the alternate Director to Mr Lim Soon Hock, will continue in office if Mr Lim Soon Hock is re-elected as a Director of the Company at the forthcoming AGM.

(b) Mr. Chong Eng Wee, who is retiring by rotation pursuant to Regulations 98 and 99 of the Company's Constitution; and

(c) Ms. Lie Ly @ Liely Lee, who is retiring by rotation pursuant to Regulations 98 and 99 of the Company's Constitution.

Mr. Lim Soon Hock has given his consent for re-election and he will, upon re-election as a Director of the Company, remain as a Non-Executive and Non-Independent Director, member of the Remuneration Committee and member of the NC.

Mr. Chong Eng Wee has given his consent for re-election and he will, upon re-election as a Director of the Company, remain as a Non-Executive and Lead Independent Director, Chairman of the NC and member of the Audit and Risks Management Committee, 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 of the Company, remain as a Non-Executive and Independent Director, member of the Audit and Risks Management Committee and member of the Remuneration Committee, and is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules.

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

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 720(5) of the Catalist Rules, information relating to the retiring Directors as set out in Appendix 7F of the Catalist Rules is disclosed as follows.

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
Date of Appointment	1 May 2018	28 July 2018	16 April 2018	28 July 2018
Date of last re-appointment (if applicable)	26 April 2021	26 April 2021	20 April 2020	26 April 2021
Age	73	74	43	49
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process).	The re-election of Mr Lim Soon Hock ("Mr Lim") as the Non-Executive and Non-Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experience and overall contribution since he was appointed as a Director of the Company.	Mr Loke Weng Seng, who is currently the alternate Director to Mr Lim Soon Hock (Non-Executive and Non-Independent Director of the Company), will continue in office if Mr Lim Soon Hock is re-elected as a Director of the Company at the forthcoming AGM. 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 Weng Seng is appropriately qualified to serve as an alternate Director to Mr Lim Soon Hock.	The re-election of Mr Chong Eng Wee as the Non-Executive and Lead Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experience and overall contribution since he was appointed as a Director of the Company. The Board considers Mr. Chong Eng Wee to be independent for the purpose of Rule 704(7) of the Catalist Rules.	The re-election of Ms Lie Ly @ Liely Lee as the Non-Executive and Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration her qualifications, expertise, past experience and overall contribution since she was appointed as a Director of the Company. The Board considers Ms Lie Ly @ Liely 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	Non-Executive	Non-Executive	Non-Executive	Non-Executive

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
Job Title (e.g. Lead ID, ARMC Chairman, ARMC member etc.)	Non-Executive and Non-Independent Director, member of the RC and member of NC	Alternate Director to Mr Lim Soon Hock	Non-Executive and Lead Independent Director, Chairman of the NC and member of the ARMC	Non-Executive and Independent Director, member of the ARMC and member of the RC
Professional qualifications	– Bachelor of Engineering (Hon), University of Singapore, Singapore – Diploma of Business Administration, National University of Singapore, Singapore – 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 (UK)	– Master of Business Administration, Macquarie University, Australia	– Advocate & Solicitor, Supreme Court of Singapore – Solicitor, High Court of Hong Kong – Lawyer, Supreme Court of New South Wales, Australia – Barrister & Solicitor, High Court of New Zealand – Bachelor of Laws, Victoria University of Wellington, New Zealand – Graduate Diploma in Singapore Law, National University of Singapore, Singapore – Overseas Lawyers Qualification, the Law Society of Hong Kong	– CPA Australia – Master of Accounting, Curtin University, Australia – Bachelor of Commerce, Murdoch University, Australia

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
	– Honorary Fellow of ASEAN Federation of Engineering Organisations – 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			

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
Working experience and occupation(s) during the past 10 years	**2019 – Present** Mediator, Singapore International Mediation Institute **2018 – Present** Adjunct Professor, National University of Singapore **2017 – Present** Deputy Chairman and Senior Advisor of Tru-Marine Pte Ltd **2013 – Present** Mediator, State Courts Singapore **2015 – Present** Mediator, Singapore Mediation Centre **2006 – Present** Managing Director and member of PLAN-B ICAG Pte Ltd	**2011 – Present** Group Managing Director of Tru-Marine Pte. Ltd.	**July 2021 – Present** Managing Director and Member at Chevalier Law LLC **October 2017 – June 2021** Partner & Head of Corporate at Kennedys Legal Solutions Pte Ltd **July 2015 – October 2017** Partner & Deputy Head, Capital Markets & International China Practice (South East Asia) at RHTLaw Taylor Wessing LLP **April 2011 – June 2015** Associate Director & Representative of Shanghai Representative office at Duane Morris & Selvam LLP	**February 2020 – Present** Executive Director and Group CFO, Marco Polo Marine Ltd **March 2018 – February 2020** Alternate Director to the Chairman of the Board and Group CFO, Marco Polo Marine Ltd **2006 – February 2018** Executive Director and Group CFO, Marco Polo Marine Ltd
Shareholding interest in the listed issuer and its subsidiaries	None	Yes. Indirect interests in 32,030,678 shares in the Company, representing 15.64% of the issued share capital of the Company, which is held by Tru-Marine Pte. Ltd. Mr Loke Weng Seng is deemed to have an interest in the shares in the Company held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967 of Singapore.	None	None

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	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	Yes, he is currently the Deputy Chairman and Senior Advisor of Tru-Marine Pte. Ltd., which is a substantial shareholder of the Company.	Mr Loke Weng Seng is the group managing director and shareholder of Tru-Marine Pte. Ltd., which is a substantial shareholder of the Company.	None	None
Conflict of interest (including any competing business)	None	Mr Loke Weng Seng is the group managing director and shareholder of Tru-Marine Pte. Ltd., which is a substantial shareholder of the Company. Tru-Marine Pte. Ltd. operates in the same general industry as the Company and its subsidiaries. However, Tru-Marine Pte. Ltd. is not a competitor of the Company and its subsidiaries as it provides different products and services as compared to the Company and its subsidiaries.	None	None

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
		In the event any conflict of interest arises of which Mr Loke Weng Seng is reasonably aware in respect of himself and/or Mr Lim Soon Hock, Mr Loke Weng Seng will make such conflict known to the Board as soon as he is reasonably aware so that he may recuse himself from such related discussions and/or decisions and resolutions as most appropriate. Further, any future transactions between the Company or its subsidiaries and any company where Mr Loke Weng Seng and/or Mr Lim Soon Hock is a director of or has substantial interest in, will be done on an arms-length basis, normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.		
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
Other Principal Commitments including Directorships				
Past (for the last 5 years)	1. Medibank Asia Pte Ltd 2. Medibank Health Singapore Pte Ltd 3. DasCoin (HK) Ltd 4. Invictus Group Pte Ltd 5. Solustar Pte Ltd 6. Accu Healthcare Pte Ltd 7. Halogen Foundation (Singapore)	1. Tru-Marine Shanghai Pte Ltd 2. Tru-Marine Houston LLC	1. CW Group Holdings Limited 2. Innopac Holdings Limited 3. Kennedys Legal Solutions Pte Ltd 4. Legal Solutions LLC 5. Wish Hospitality Holdings Private Limited 6. Wish Health Management (Shanghai) Co. Ltd. 7. KTL Global Limited 8. Kingsblade Asia Pte. Ltd.	1. Marco Polo Drilling Pte. Ltd. 2. Marco Polo Drilling (I) Pte. Ltd. 3. MPST Marine Pte. Ltd. 4. MPMT Pte. Ltd. 5. MPMT 1 Tankers Pte. Ltd 6. Marco Polo Shipping (Hong Kong) Limited Marco Polo Offshore (VI) Pte Ltd
Present	1. China Fishery Group Limited (incorporated in Cayman Islands) 2. DISA Limited 3. PLAN-B ICAG Pte Ltd 4. REDA Industrial Materials (Holding) Ltd 5. Tru-Marine Pte Ltd 6. REDA Pte Ltd 7. Archer (S) Pte Ltd 8. Verita Healthcare Group Ltd 9. Mundipharma Singapore Holding Pte. Limited 10. Institution of Engineers (Singapore) Fund Ltd	1. Tru-Marine Pte Ltd 2. Tru-Marine Technologies Pte Ltd 3. Tru-Marine Machinery & Engineering (S) Pte. Ltd. 4. Tru-Marine Tianjin (S) Pte Ltd 5. TurboWorld Pte Ltd 6. TruAero Pte Ltd 7. Pmax One Technologies Pte Ltd 8. Tru-Marine Turbocharger Services LLC 9. Tru-Marine Machinery & Engineering Shanghai Co., Ltd	1. Chevalier Law LLC 2. Chevalier CS Pte. Ltd. 3. GS Holdings Limited 4. OEL (Holdings) Limited	1. Marco Polo Marine Ltd 2. Marco Polo Shipyard Pte. Ltd. (F.K.A. Bina Marine Pte. Ltd.) 3. MP Marine Pte. Ltd. 4. MP Shipping Pte. Ltd. 5. MP Ventures Pte. Ltd. 6. Marco Polo Offshore Pte. Ltd. 7. Marco Polo Shipping Co Pte Ltd 8. Marco Polo Wind Private Limited 9. Marco Polo Offshore (II) Pte. Ltd. 10. MP Offshore Pte. Ltd.

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
	Other Principal Commitments 1. Adjunct Professor, National University of Singapore, Singapore 2. Mediator, State Courts Singapore, Singapore Mediation Centre & Singapore International Mediation Institute 3. Justice of Peace – Member of Board of Visiting Justices, Singapore Prison Service; Deputy Registrar of Marriages/ Licensed Solemnizer, Registration of Marriages 4. Member, Board of Governors, Raffles Girls' Secondary School	10. Tru-Marine Machinery & Engineering Guangzhou Co., Ltd 11. Tru-Marine Cosco (Tianjin) Engineering Co., Ltd 12. Tru-Marine (Myanmar) Co., Ltd 13. Turbo Blower Service B.V.		11. Marco Polo Offshore (III) Pte. Ltd. 12. PT. Pelayaran Nasional Bina Buana Raya TBK 13. BBR Shipping Pte. Ltd. 14. PT. Sinar Bintang Makmur 15. Marco Polo Offshore (VII) Pte. Ltd. 16. Nautical International Holdings Ltd (BVI) 17. PT. Adhi Mineral Sejahtera 18. PT. Kencano Semar Gemilang

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
Disclose the following matters concerning an appointment of director. If the answer to any question is "yes", full details must be given.				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(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?	Yes 1. China Fishery Group Limited, of which Mr Lim is an independent director, filed for judicial provisional liquidation in Hong Kong by its bank creditors in November 2015. The Company won the case and subsequently filed for Chapter 11 in the United States of America.	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
	2. Globalroam Group Ltd, of which Mr Lim was the chairman, filed for judicial management after he stepped down on 4 August 2017. The provisional liquidator and liquidator was appointed on 22 November 2017 and 5 February 2018 respectively.			
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(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?	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	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?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(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?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:				

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	Yes 1. In February 2006, while Mr Lim was an independent director of Stratech Systems Limited ("Stratech"), Stratech was investigated by the Commercial Affairs Department ("CAD") in relation to a possible breach of the Securities and Futures Act 2001 of Singapore ("SFA") in relation to a past announcement made relating to the civil litigation brought against it by a former director. The relevant announcement was released by the management without prior approval from the board of directors of Stratech. To the best of Mr Lim's knowledge, the investigation has been closed and no charges were made against any director of Stratech. However, Stratech was subsequently issued a warning by the SGX-ST for the relevant announcement.	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
	2. In August 2015, China Fishery Group Limited ("China Fishery") and its subsidiaries were investigated by the Monetary Authority of Singapore and the CAD into an offence under the SFA pursuant to the provisions of the Criminal Procedure Code 2010. This investigation arose out of investigation into the parent company in Hong Kong. None of the independent directors (including Mr Lim) was investigated. In October 2019, China Fishery was informed that the investigation by the authorities had been concluded without any further action being taken with respect to China Fishery and its parent company.			
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	Lie Ly @ Liely Lee
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?				
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Chong Eng Wee	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).	Not applicable. These disclosures are in respect of the re-election of a Director of the Company.	Not applicable. Mr Loke Weng Seng, who is currently the alternate Director to Mr Lim Soon Hock (Non-Executive and Non-Independent Director of the Company), will continue in office if Mr Lim Soon Hock is re-elected as a Director of the Company at the forthcoming AGM.	Not applicable. These disclosures are in respect of the re-election of a Director of the Company.	Not applicable. These disclosures are in respect of the re-election of a Director of the Company.

Provision 4.4

Continuous Review of Directors' Independence

The Company has put in place a process to ensure the continuous monitoring of the independence of the Directors whereby the Directors must immediately report any changes in their external appointments that could affect their independence on the Board.

The NC reviews the independence of each Director annually in accordance with the definition of independence as set out in the Code and the Practice Guidance, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Independent Directors have submitted their confirmation of independence annually for the NC's review. In respect of the Company's current Independent Directors, namely Mr. Chong Eng Wee (Zhang Yingwei), Mr. Anthony Ang Meng Huat, Ms. Lie Ly @ Liely Lee and Mr. Chua Siong Kiat, the Board is of the view that they are independent, taking into account the circumstances set forth in the Code, Rule 406(3)(d) of the Catalist Rules and any other salient factors. For FY2022, the Independent Directors have also confirmed their independence in accordance with the Code and Rule 406(3)(d) of the Catalist Rules.

Provision 4.5

Directors' Time Commitments

In addition to the current procedures for the review of the attendance records and analysis of directorships, a policy has also been put in place for Directors to notify the Board of any changes in their external appointments. This would allow the Director to review his or her time commitments with the proposed new appointment and in the case of an Independent Director, to also ensure that his or her independence would not be affected.

The NC undertakes an annual review of the declarations from the Directors on their principal time commitments and directorships in other listed companies and is satisfied that all the Directors of the Company are able to and have adequately carried out their duties as Directors of the Company, and that sufficient time and attention are given to the affairs of the Company, after taking into consideration the number of listed company board representations and other principal commitments in FY2022 of each Director.

CORPORATE GOVERNANCE REPORT

Duties and obligations of new directors

As mentioned in respect of Provision 4.1 above, the NC is responsible for sending each newly appointed Director a formal appointment letter which clearly sets out his or her roles and responsibilities, authority, and the Board's expectations in respect of his or her time commitment as a Director of the Company.

Listed Company Directorships and Principal Commitments

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 in other listed companies and other principal commitments
Mr. Soon Yeow Kwee Johnny	29 April 2022	Executive	Executive Chairman and Director	Nil	Other Principal Commitments Heatec Marine Phils Construction Inc. Present Listed Company Directorships –
Mr. Lim Soon Hock	26 April 2021 (shall retire and be subject to re-election at the forthcoming AGM)	Non-Executive and Non-Independent	Member of the RC and NC	• Bachelor of Engineering (Electrical, Honours), University of Singapore, Singapore • Post-grad Diploma of Business Administration, National University of Singapore, Singapore • Graduate Certificate in International Arbitration • Registered Professional Engineer(s) • Fellow of Institution of Engineers Singapore • Fellow of Academy of Engineering Singapore	Other Principal Commitments Member, Board of Governors – Raffles Girls' Secondary School Member, Board of Visiting – Singapore Prison Service, Ministry of Home Affairs Adjunct Professor – National University of Singapore, Singapore Mediator – State Courts Singapore, Singapore Mediation Centre, Singapore International Mediation Institute Deputy Registrar and Licensed Solemniser – Registrar of Marriages

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
				• Chartered Electrical Engineer and Fellow of Institution of Engineering & Technology, UK • Honorary Fellow of The ASEAN Federation of Engineering Organisations • 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	Director – Verita Healthcare Group Limited Director – REDA Industrial Materials (Holding) Ltd Director – Tru-Marine Pte Ltd (also as Deputy Chairman & Senior Advisor) Director – REDA Pte Ltd Director – Archer (S) Pte Ltd Director – Mundipharma Singapore Holding Pte. Limited Board Member – Institution of Engineers (Singapore) Fund Ltd Founder and Managing Director – PLAN-B ICAG Pte Ltd Present Listed Company Directorships China Fishery Group Limited DiSa Limited

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Mr. Soon Jeffrey	29 April 2022	Executive	Chief Executive Officer and a member of the NC	• Master of Business and Administration, Singapore Management University, Singapore • Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering), Nanyang Technology University, Singapore	<u>Other Principal Commitments</u> Director – Heatec Jietong Pte. Ltd. Director – Heatec Veslink Marine Services Co. Ltd Director – HJT Engineering & Construction Pte. Ltd. Director – Chem-grow Pte. Ltd. Director – Chem Grow Engineering Pte. Ltd. Director – JTY Engineering Pte Ltd. Director – Heatec (Shanghai) Co., Ltd. Director – Zhoushan Heatec IMC-YY Engineering Co. Ltd <u>Present Listed Company Directorships</u> –

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Mr. Chong Eng Wee (Zhang Yingwei)	20 April 2020 (shall retire and be subject to re-election at the forthcoming AGM)	Non-Executive and Independent	Lead Independent Director, 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 • Solicitor of the High Court of Hong Kong • Bachelor of Laws, Victoria University of Wellington, New Zealand • Graduate Diploma in Singapore Law, National University of Singapore, Singapore • Overseas Lawyers Qualification, the Law Society of Hong Kong	Other Principal Commitments Managing Director, Chevalier Law LLC Director, Chevalier CS Pte. Ltd. Present Listed Company Directorships GS Holdings Limited OEL (Holdings) Limited
Mr. Anthony Ang Meng Huat	29 April 2022	Non-Executive and Independent	Chairman of the RC and member of the ARMC	• International Directorship Programme, INSEAD • Master of Business Administration from INSEAD in France • Bachelor of Science (Engineering) (Mechanical Engineering) with First Class Honours from the Imperial College of Science and Technology, United Kingdom	Other Principal Commitments Non-Resident Ambassador of the Republic of Singapore to the Republic of Tunisia, Ministry of Foreign Affairs Chairman and CEO – Global Star Acquisition Inc Director – Singapore Digital Exchange Pte Ltd Present Listed Company Directorships Yong Tai Berhad Global Star Acquisition Inc Eurosports Global Limited

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Ms. Lie Ly @ Liely Lee	26 April 2021 (shall retire and be subject to re-election at the forthcoming AGM)	Non-Executive and Independent	Member of the ARMC and RC	• Qualified Chartered Public Accountant, CPA Australia • Master of Accounting, Curtin University, Australia • Bachelor of Commerce, Murdoch University, Australia	Other Principal Commitments Executive Director and Group Chief Financial Officer – Marco Polo Marine Ltd Director – Marco Polo Shipyard Pte. Ltd. (F.K.A. Bina Marine Pte. Ltd.) Director – MP Marine Pte. Ltd. Director – MP Shipping Pte. Ltd. Director – MP Ventures Pte. Ltd. Director – Marco Polo Offshore Pte. Ltd. Director – Marco Polo Shipping Co Pte Ltd Director – Marco Polo Wind Private Limited Director – Marco Polo Offshore (II) Pte. Ltd. Director – MP Offshore Pte. Ltd.

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
					Director – Marco Polo Offshore (III) Pte. Ltd. Director – BBR Shipping Pte. Ltd. Director – PT. Sinar Bintang Makmur Director – Marco Polo Offshore (VII) Pte. Ltd. Director – Nautical International Holdings Ltd (BVI) Commissioner – PT. Adhi Mineral Sejahtera Commissioner – PT. Kencano Semar Gemilang Present Listed Company Directorships Marco Polo Marine Ltd PT. Pelayaran Nasional Bina Buana Raya TBK

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Mr. Chua Siong Kiat	29 April 2022	Non-Executive and Independent	Chairman of the ARMC	• Chartered Valuer and Appraiser (CVA) • Master of Business Administration and Diploma of the Imperial College in Management (MBA, DIC) Imperial College of Science, Technology and Medicine, University of London, United Kingdom • Chartered Accountant, Singapore (CA Singapore) • Certified Internal Auditor (CIA) • Fellow member of The Association of Chartered Certified Accountants (FCCA)	Other Principal Commitments Director – Lighthouse Business Consulting Pte. Ltd. Non-executive Director – Starwork Vision Pte. Ltd. Non-Executive Director – Robotic Vision Inc. Pte. Ltd. Lead Independent Director – Ever Glory United Holdings Limited Present Listed Company Directorships New Silkroutes Group Limited China Yuanbang Property Holdings Limited VCI Global Limited

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Mr. Loke Weng Seng	26 April 2021 (shall be subject to re-election at the forthcoming AGM)	Alternate director to Mr. Lim Soon Hock	Alternate director to Mr. Lim Soon Hock	• Master of Business Administration, Macquarie University, Australia	Other Principal Commitments Group Managing Director of Tru-Marine Pte. Ltd. Director – Tru-Marine Technologies Pte. Ltd. Director – Tru-Marine Shanghai Pte. Ltd. Director – Tru-Marine Tianjin (S) Pte. Ltd. Director – Turboworld Pte. Ltd. Director – Tru-Aero Pte. Ltd. Director – Pmax One Technologies Pte. Ltd. Director – Tru-Marine Houston LLC Director – Tru-Mariner Turbocharger Services LLC Director – Tru-Marine Machinery & Engineering Shanghai Co., Ltd Director – Tru-Marine Machinery & Engineering Guangzhou Co., Ltd Director – Tru-Marine Cosco (Tianjin) Engineering Co Ltd Director – Tru-Mariner (Myanmar) Co., Ltd Present Listed Company Directorships –

CORPORATE GOVERNANCE REPORT

Information on the interests of the Directors who held office at the end of FY2022 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 74 to 78 of this annual report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole and that of each of its board committees and individual directors.

Provisions 5.1 and 5.2

Performance Criteria

The Board, through the NC, has used its best efforts to ensure that Directors appointed to the Board and Board Committees, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each Director, with his or her special contributions, brings the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The NC has been tasked to assist the Board in developing a performance evaluation framework for the Board, Board Committees and individual Directors, and to propose performance criteria and assist in the conduct of the evaluation, analyse the findings, and report the results to the Board.

The NC, together with the Board, has established a formal process setting out the performance criteria for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each individual Directors to the effectiveness of the Board to align with the applicable principles and provisions set out in the Code.

On an annual basis, all the Directors are required to complete the following:

- Board Performance Evaluation Questionnaire;
- Audit and Risks Management Committee Performance Evaluation Questionnaire;
- Nominating Committee Performance Evaluation Questionnaire;
- Remuneration Committee Performance Evaluation Questionnaire; and
- Individual Director Self-Assessment Form.

For FY2022, the NC conducted a formal review of the performance evaluation of the Board, Board Committees and individual Directors, by way of circulating the questionnaires to the Board and Board Committees and self-assessment form to each individual Director for completion. The summary of findings of each evaluation together with the feedback and recommendations from the Board, Board Committees and each individual Director has been discussed and reviewed by the NC.

Board Evaluation Process

The evaluation serves to assess the effectiveness of the Board as a whole on the following parameters:

(a) Board composition;

(b) Board conduct of affairs;

(c) Internal controls and risk management;

(d) Board accountability;

(e) CEO performance/succession planning; and

(f) Standard of conduct.

CORPORATE GOVERNANCE REPORT

Based on the summary of findings of the evaluation for FY2022 together with the feedback and recommendations from each Director, the NC is satisfied that the Board has, as a whole, met its performance objective in FY2022.

Board Committees Evaluation Process

The evaluation serves to assess the effectiveness of the Board Committees on the following parameters:

Audit and Risks Management Committee

(a) Composition;

(b) Meetings;

(c) Financial reporting;

(d) Internal audit and external audit process; and

(e) Communication with Shareholders.

Nominating Committee

(a) Composition;

(b) Meetings; and

(c) Accountability.

Remuneration Committee

(a) Composition;

(b) Meetings; and

(c) Accountability.

Based on the summary of the evaluation for FY2022 together with the feedback and recommendations from members of the respective Board Committees, the NC is satisfied that each of the Board Committees has met its performance objective in FY2022.

The primary objective of the Board evaluation exercise is to create a platform for the Board and Board Committees members to provide constructive feedback on the procedures and processes of the Board, and the changes which should be made to enhance the effectiveness of the Board and Board Committees.

The NC has, without the engagement of any external facilitator, assessed the Board's and Board Committees' overall performance to-date and is of the view that the performance of the Board as a whole and Board Committees was satisfactory.

Individual Directors Evaluation Process

The evaluation serves to assess the effectiveness of each of the individual Directors on the following parameters:

(a) Attendance at Board and related activities;

(b) Adequacy of preparation for Board meetings;

(c) Contribution in certain key aspects of business;

(d) Initiative;

(e) Participation in constructive debate/discussion;

(f) Maintenance of independence;

(g) Disclosure of interested person transactions; and

(h) Overall assessment.

Based on the summary of the evaluation for FY2022 together with the feedback and recommendations from the respective individual Directors, the NC is satisfied that each individual Directors has met his or her performance objective in FY2022.

The individual Director evaluation exercise assists the NC in determining whether to re-nominate Directors who are due for retirement at the forthcoming AGM, and in determining whether Directors with multiple board representations are able to and have adequately discharged their duties as Directors of the Company.

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

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1

Roles and Duties of Remuneration Committee

The Board has established the RC since 2009 with written terms of reference, which clearly set out its authority and duties. The RC reports to the Board directly.

The terms of reference of the RC, which was revised and adapted for alignment with the Code and Catalist Rules, set out its duties and responsibilities. Amongst them, the RC is responsible for:–

1. determining the Company's remuneration policies. In doing so, it should also consider the Company's risk appetite and ensure that the policies are aligned to long-term goals;

2. ensuring that the level and structure of remuneration of the Board and KMPs are appropriate and proportionate to the sustained performance and value creation of the Company;

3. setting the remuneration policy for Directors (both Executive Directors and Non-Executive Directors) and KMPs;

CORPORATE GOVERNANCE REPORT

4. reviewing and recommending to the Board, the specific remuneration packages for each Director and KMP;

5. recommending proposed Directors' fees for Shareholders' approval;

6. monitoring the level and structure of remuneration for KMPs relative to the internal and external peers and competitors;

7. ensuring that the remuneration of the Non-Executive Directors is appropriate to the level of contribution;

8. reviewing the remuneration of employees related to the Directors, CEO or substantial Shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;

9. reviewing the ongoing appropriateness and relevance of the Company's remuneration policy (including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered) and other benefit programmes (where appropriate);

10. obtaining reliable, up-to-date information on the remuneration practices of other companies and the relevant market benchmarks through the appointment of external consultants;

11. overseeing any major changes in employee benefits or remuneration structures;

12. reviewing the design of all long-term and short-term incentive schemes for approval by the Board and Shareholders;

13. ensuring that the contractual terms and any termination payments are fair to the individual and the Company, and that poor performance is not rewarded;

14. setting performance measures and determining targets for any performance-related pay schemes operated by the Company;

15. ensuring that a significant and appropriate proportion of Executive Directors' and KMPs' remuneration is structured so as to link rewards to corporate and individual performance;

16. working and liaising, as necessary, with all other Board Committees on any other matters connected with remuneration matters; and

17. undertaking such other functions and duties as may be required by the Board under the Code, statute or the Catalist Rules (where applicable).

Provision 6.2

Remuneration Committee Composition

As at the end of FY2022, the RC comprised the following three (3) members, all of whom are Non-Executive Directors, and of which two (2) are Independent Directors (including the Chairman):

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

CORPORATE GOVERNANCE REPORT

Provision 6.3

Remuneration Packages and Framework

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

The RC will also review the Company's obligations under the respective service agreements entered into with the Executive Directors and KMPs 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 to avoid rewarding poor performance.

Provision 6.4

Engagement of Remuneration Consultants

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 FY2022.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value of creation of the company, taking into account the strategic objectives of the company.

Provisions 7.1 and 7.3

Remuneration of Executive Directors and KMPs

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

The Executive Directors (other than the Executive Chairman) do not receive Directors' fees. Other than the Director's fees payable to him in his capacity as a Director of the Company, the remuneration of Mr. Soon Yeow Kwee Johnny, the Executive Chairman and a substantial Shareholder of the Company, is governed by his service agreement effective 20 August 2021. The remuneration of Mr. Soon Jeffrey, Executive Director and CEO of the Company, and Mr. Soon Jenson, one of the KMPs (who is the brother of Mr. Soon Jeffrey and son of Mr. Soon Yeow Kwee Johnny), are governed by their respective service agreements effective 1 January 2016. The respective service agreements of Mr. Soon Jeffrey and Mr. Soon Jenson have been renewed on a yearly basis. To align the interests of the Executive Directors and KMPs with those of Shareholders, Mr. Soon Jeffrey and Mr. Soon Jenson are allowed to participate in a profit-sharing incentive scheme pursuant to which the performance condition is based on the Group's profit before tax for each of the financial years. The RC and the Board have reviewed and approved the service agreements without any changes to the remuneration packages.

Having reviewed and considered the variable components in the remuneration packages of the Executive Directors and KMPs, which are moderate, the RC is of the view that there is no urgent need presently 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

Provision 7.2

Remuneration of Non-Executive Directors

The Non-Executive Directors receive Directors' fees in accordance with their contributions. Directors' fees for the Non-Executive Directors are proposed by Mr. Soon Jeffrey, the Executive Director and CEO of the Company 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 or 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 Directors (including Non-Executive Directors) is recommended for Shareholders' approval at each AGM.

As disclosed in the annual report of the Company in respect of the financial year ended 31 December 2021, the Directors' fees of S$191,000 for FY2022 (with payment to be made quarterly in arrears) was to be approved by Shareholders at the AGM which was to be held in respect of the financial year ended 31 December 2021. The foregoing Directors' fees was subsequently duly approved by Shareholders at the AGM of the Company held on 29 April 2022.

The Directors' fees for the Non-Executive Directors of S$191,000 for the financial year ending 31 December 2023 (with payment to be made quarterly in arrears) have been recommended by the Board and will be tabled for approval by Shareholders at the forthcoming AGM.

Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and relationships between remuneration, performance and value creation.

Provision 8.1

Remuneration Criteria

The compensation packages for employees, including the Executive Directors and the KMPs, comprises a fixed component (base salary), a variable component (cash-based annual bonus) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices.

An annual review of the compensation is carried out by the RC to ensure that the remuneration of the Executive Directors and KMPs is 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 Directors and CEO of the Company (together with other KMPs) 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.

CORPORATE GOVERNANCE REPORT

Disclosure on Fees and Remuneration of Directors and CEO

A breakdown showing the level and mix of the remuneration payable to each individual Director for FY2022 is as follows:

Name of Director	Salary[(1)] (%)	Bonus[(1)] and/or profit sharing (%)	Directors' fees (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000					
Soon Yeow Kwee Johnny	84	7	9	–	100
Lim Soon Hock	–	–	100	–	100
Soon Jeffrey[(2)]	79	7	–	14	100
Chong Eng Wee (Zhang Yingwei)	–	–	100	–	100
Anthony Ang Meng Huat	–	–	100	–	100
Lie Ly @ Liely Lee	–	–	100	–	100
Chua Siong Kiat	–	–	100	–	100

Notes:
(1) The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.
(2) Mr. Soon Jeffrey is also the CEO of the Company.

Disclosure on Remuneration of Key Management Personnel

A breakdown of the remuneration bands payable to the top three (3) KMPs (who are not Directors or the CEO), including the immediate family members of a Director or the CEO or a substantial Shareholder exceeding S$100,000 for FY2022, is as follows:

Name of Key Management Personnel	Salary[(1)] (%)	Bonus[(1)] and/or profit sharing (%)	Allowances and other benefit (%)	Total (%)
S$200,001 – S$300,000				
Soon Jenson[(2)]	82	7	11	100
S$100,001 – S$200,000				
Ng Wei Jet	82	8	10	100
Koh Lay Cheng	86	7	7	100

Notes:
(1) The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.
(2) Mr. Soon Jenson is the brother of Mr. Soon Jeffrey, Executive Director and CEO, and the son of Mr. Soon Yeow Kwee Johnny, Executive Chairman and a substantial Shareholder of the Company.

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The Company has no other KMPs other than as disclosed above. The RC will review the remuneration of the Directors and the KMPs from time to time. All Directors and KMPs are remunerated on an earned basis, and there were no termination, retirement and post-employment benefits granted during FY2022.

The Code recommends that:

(a) the Company should fully disclose the amount and breakdown of remuneration of each individual Director and the CEO on a named basis; and

(b) the Company should disclose in aggregate the total remuneration paid to the top three (3) KMPs (who are not Directors or the CEO).

The Board has decided not to disclose the above details as recommended by the Code, given the competitive business environment and possible negative impact on the Group's business interest and that the disclosure of such detailed remuneration amongst the immediate family members of the Executive Directors and the CEO of the Company, as well as a substantial Shareholder, could have an adverse effect on working relationships and contributions to the operations of the Group. The total remuneration of the top three (3) KMPs (who are not Directors or the CEO), including the immediate family member of a Director or CEO, was not disclosed to prevent poaching of KMPs.

After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders with information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company has complied with Principle 8 of the Code.

Provision 8.2

Disclosure on Remuneration of Immediate Family Member of Substantial Shareholder

Saved as disclosed above under Provision 8.1 – Disclosure on Remuneration of Key Management Personnel and in the table set out below, there were no other employees who are substantial Shareholders, or are immediate family members of a Director, the CEO or a substantial Shareholder, and whose remuneration exceeded S$100,000 during FY2022.

The following table shows a breakdown of the annual remuneration (in percentage terms) of an immediate family member of a substantial Shareholder (who is not a KMP) and whose remuneration exceeds S$100,000 for FY2022.

Name	**Salary[(1)] (%)**	**Bonus[(1)] and/or profit sharing (%)**	**Allowances and other benefits (%)**	**Total (%)**
Yong Chin Seng[(2)]	76	12	12	100

Notes:

(1) The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.

(2) Mr. Yong Chin Seng is an assistant general manager of Chem-Grow Pte. Ltd. and is responsible for sourcing new clients, sales administrative and sales management for the chemical cleaning segment of the Company. He is the son of Mr. Yong Yeow Sin, who is a substantial Shareholder. His remuneration was in the band of between S$100,001 and S$200,000 for FY2022.

CORPORATE GOVERNANCE REPORT

Provision 8.3

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

The Company has a share option scheme known as the Heatec Employee Share Option Scheme (the "**Heatec ESOS**") and a performance share plan known as the Heatec Performance Share Plan (the "**Performance Share Plan**") which were approved by Shareholders at the extraordinary general meeting of the Company ("**EGM**") held on 18 June 2009. The Heatec ESOS and Performance Share Plan expired on 17 June 2019, and the Company obtained the approval of its Shareholders at the AGM held on 30 April 2019 for the extension of the respective durations of the Heatec ESOS and Performance Share Plan for a further period of 10 years from 18 June 2019 up to 17 June 2029.

The Heatec ESOS and Performance Share Plan comply with the relevant rules as set out in Chapter 8 of the Catalist Rules. The Heatec ESOS and Performance Share Plan 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 Performance Share Plan are administered by the RC. Details of the Heatec ESOS and Performance Share Plan were set out in the Company's Offer Document dated 30 June 2009.

As at 31 December 2022, the Company has granted an aggregate of 1,772,000 share awards pursuant to the Performance Share Plan, all of which had been granted prior to FY2022. 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 Performance Share Plan in FY2022.

As at 31 December 2022, there were 3,000,000 outstanding share options granted under the Heatec ESOS that may be exercised by Mr. Soon Jeffrey to subscribe for 3,000,000 new ordinary shares in the capital of the Company. Movements in the number of unissued shares of the Company under the Heatec ESOS during FY2022 were as follows:

Exercise period		**Outstanding options as at 1 January 2022**	**Number of options granted in FY2022**	**Number of options cancelled in FY2022**	**Outstanding options as at 31 December 2022**	**Exercise price (S$)**
From	**To**					
18 April 2017	17 April 2026	1,800,000	–	–	1,800,000	0.085
16 April 2019	15 April 2028	1,200,000	–	–	1,200,000	0.062
Total		**3,000,000**	**–**	**–**	**3,000,000**	

Please refer to the Directors' Statement and Note 27 to the Financial Statements set out in this annual report for more information on the Heatec ESOS.

CORPORATE GOVERNANCE REPORT

III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1

Nature and Extent of Risks

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.

The Company has put in place risk management and internal control systems, 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 to undertake risk assessment, which is an on-going process, with a view to improving the Group's internal control systems.

Provision 9.2

Assurance from the Chief Executive Officer, Chief Financial Officer and Key Management Personnel

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.

The Board has received written assurance from the CEO and Chief Financial Officer that, as at 31 December 2022, the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received written assurance from the CEO and the relevant KMPs that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place were adequate and effective as at 31 December 2022 to address the risks that the Group considers relevant and material to its business operations.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the Board Committees and the Board, as well as the said assurances set out above, the Board is satisfied, and the ARMC concurs with the Board that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2022 to address the risks that the Group considers relevant and material to its business operations.

CORPORATE GOVERNANCE REPORT

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

Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

<u>Audit and Risks Management Committee</u>

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

<u>Provision 10.1</u>

Roles and Duties of Audit and Risks Management Committee

The Board has established the Audit Committee since 2009 (which was later renamed as ARMC on 28 July 2018), with written terms of reference which clearly set out its authority and duties. The ARMC reports to the Board directly.

The terms of reference of the ARMC, which was revised and adopted for alignment with the Code and the Catalist Rules, sets out its duties and responsibilities. Amongst them, the ARMC is responsible for:–

1. reviewing the financial reporting issues and judgements so as to ensure the integrity of financial statements, and of announcements on the Company's financial performance and recommend changes;

2. overseeing and reviewing the adequacy and effectiveness of the Company's risk management function;

3. overseeing Management in establishing the risk management framework of the Company;

4. reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal controls;

5. reviewing the assurance from the CEO and the Chief Financial Officer on the financial records and financial statements;

6. reviewing the adequacy, effectiveness, independence, scope and results of the Company's external audit and the Company's internal audit function;

7. reviewing the independence and objectivity of the external auditors;

8. making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and its remuneration and terms of engagement;

9. ensuring that the Company complies with the requisite laws and regulations;

10. ensuring that the Company has programmes and policies in place to identify and prevent fraud;

11. overseeing the establishment and operation of the whistle-blowing policy and procedures of the Company;

12. reviewing all interested person transactions and related party transactions; and

13. undertaking such other functions and duties as may be required by the Board under the Code, statute or the Catalist Rules (where applicable).

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 properly discharge its responsibilities.

CORPORATE GOVERNANCE REPORT

Provisions 10.2 and 10.3

Audit and Risks Management Committee Composition

As at the date of this report, the ARMC comprises the following four (4) members, all of whom, including the ARMC Chairman, are Non-Executive and Independent Directors:

Chua Siong Kiat	–	Chairman (Appointed on 1 February 2022)
Lie Ly @ Liely Lee	–	Member
Anthony Ang Meng Huat	–	Member
Chong Eng Wee (Zhang Yingwei)	–	Member

As announced by the Company on 28 January 2022, the Chairman of the ARMC was re-designated on 1 February 2022.

The Board is of the view that the members of the ARMC, including the ARMC Chairman for FY2022 and as of the date of this report, are appropriately qualified and possess recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. All ARMC members possess extensive expertise in and have years of experience in accounting, finance and/or legal related matters.

No former partner or director of the Company's existing auditing firm is a member of the ARMC and the members of ARMC also confirmed that they have no financial interest in the Company's existing auditing firm.

Provision 10.4

Internal Audit Function

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 Advisory Pte. Ltd ("BDO"), a member of the BDO network. BDO is a full-resourced service provider, providing internal audit, corporate governance and risk management services.

The engagement team is led by a partner who has more than 25 years of internal audit and risk advisory experience. BDO is currently serving clients primarily listed on SGX-ST, privately held entities and public sector entities, ranging from multi-national companies to local small and medium enterprises, in a wide range of industries. The BDO team engaged to undertake the Company's internal audit function is a team of approximately 3 to 5 persons for each review.

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 FY2022, the internal auditors carried out the review, which references to 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.

CORPORATE GOVERNANCE REPORT

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 risk management systems of the Company and the Group for FY2022. 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 references to International Standards for the Professional Practice of Internal Auditing established 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 adequacy and effectiveness of the internal audit function.

External Audit Function

The ARMC reviews the scope and results of the audit carried out by the external auditors, the quality of the audit, as well as their independence and objectivity. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide high quality professional services at a reasonable price. The ARMC also recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors. The appointment of external auditors and re-appointment of the external auditors (if any) is always subject to Shareholders' approval at the AGM.

Crowe Horwath First Trust LLP ("**CHFT LLP**") was appointed as the external auditors of the Company at the AGM held on 29 April 2022 in place of the retiring auditors Baker Tilly TFW LLP until the conclusion of the forthcoming AGM. The aggregate amount of audit fees paid to CHFT LLP in FY2022 was S$86,000. There were no non-audit fees paid to CHFT LLP in FY2022.

In reviewing the nomination of CHFT LLP for re-appointment for the financial year ending 31 December 2023, the ARMC has considered the adequacy of the resources, experience and competence of CHFT LLP, and has taken into account the Audit Quality Indicators relating to CHFT LLP at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members who shall be handling the audit matters of the Group. The Board also considered the audit team's expected ability to work in a cooperative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines.

On the foregoing bases, the ARMC and the Board are satisfied with the standard and quality of work performed by CHFT LLP and have recommended the nomination of CHFT LLP for re-appointment as external auditors of the Company for the ensuring year be tabled for Shareholders' approval at the forthcoming AGM.

For FY2022, 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 and the Board are satisfied with the standards and the effectiveness of the audits performed by the independent external auditors of the subsidiaries and significant associated companies of the Group, other than those of the Company.

Provision 10.5

Meeting Auditors without the Management

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 audits. The ARMC also meets regularly with Management, the Chief Financial Officer, and external and internal 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.

The ARMC has separately met with the external and internal auditors once in the absence of Management in FY2022, through video conference or other means of telecommunication, in line with government advisories amidst the COVID-19 pandemic.

CORPORATE GOVERNANCE REPORT

Whistleblowing Policy

The Company has implemented a whistleblowing 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 whistleblowing policy (and any amendments thereto) and procedures for raising such concerns are disclosed and clearly communicated to all employees of the Group.

An employee of the Company may raise concerns about possible improprieties of financial reporting or other matters directly to the Company's dedicated independent external party handling our whistleblowing hotline. The independent external party will escalate the matter to the ARMC for investigation and follow-up. The ARMC reviews the whistleblowing policy and its effectiveness from time to time, with recommendations regarding any amendments thereto to be made to the Board for approval. The ARMC oversees the administration of and is responsible for the oversight and monitoring of whistleblowing policy.

The identity of the whistleblower is treated with strict confidentiality and will not be disclosed at any time by the independent external party to the Management of the Company. The Company is committed to ensuring that any employee raising a genuine concern and acting in good faith under its whistleblowing policy will not be at risk of losing his or her job or suffering from retribution, harassment or any other detrimental or unfair treatment as a result.

Audit and Risks Management Committee Activities

In FY2022, 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 the same to the Board for approval and release to the SGX-ST via SGXNet;

(b) reviewed the assurance from the CEO and the Chief Financial Officer on the financial records and financial statements;

(c) reviewed the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;

(d) reviewed interested person transactions of the Group;

(e) reviewed and approved the annual audit plan of the external auditors;

(f) reviewed and approved the internal audit plan of the internal auditors, having considered the scope of the internal audit procedures;

(g) reviewed the effectiveness of the Group's internal audit function;

(h) reviewed the audit findings of the internal auditors and Management's responses to those findings;

(i) reviewed the independence of the external auditors;

(j) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for the Board's approval; and

(k) met with the internal and external auditors once without the presence of Management.

CORPORATE GOVERNANCE REPORT

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(s) impacting the financial statements were discussed with Management and the external auditors, and were reviewed by the ARMC:

Matter considered	How the ARMC reviewed this matter and what decisions were made
Impairment assessment of cost of investment in subsidiaries (Company)	The ARMC discussed with Management and the external auditor on the impairment assessment of cost of investment in subsidiaries, and ensured that it is in compliance with SFRS (I) 1-36 Impairment of Assets. The ARMC reviewed the recoverable amounts of the investment in subsidiaries determined by Management, based on both fair value less cost to sell and value-in-use using the discounted cash flow method. The ARMC has also evaluated the key assumptions made in determining the recoverable amounts, as well as considered the external auditors' report which had outlined the audit procedures to address the key audit matter. In light of the above procedures, the ARMC was of the view that the assessment of recoverable amount applied by the Management was reasonable. The impairment assessment of cost of investment in subsidiaries was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for FY2022. Please refer to page 80 of this annual report.

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of performance, position and prospects.

Provision 11.1

Shareholders' Participation in General Meetings

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all Shareholders. These notices are posted onto the SGXNet. The notice of AGM, together with the Annual Report 2022, is distributed to all Shareholders at least fourteen (14) days before the scheduled AGM date in order to provide ample time for Shareholders to review the same. Shareholders are encouraged to attend the general meetings to ensure a high level of participation and accountability.

CORPORATE GOVERNANCE REPORT

If a Shareholder is not able to attend in person, the Shareholder is generally able to appoint one (1) or two (2) proxies to attend and vote in his or her stead at general meetings. On 3 January 2016, the Companies Act was amended, among other things, to allow certain members, defined as a "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirements. A relevant intermediary includes corporations holding licenses in providing nominee and custodial services and the 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.

The Company's AGM in FY2022 was conducted through live webcast in light of the COVID-19 pandemic, pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 and guidance from ACRA, the Monetary Authority of Singapore, and/or SGX Regco on the conduct of general meetings. Shareholders were invited to submit any question they may have in advance in relation to any resolution set out in the notice of AGM via email to the Investor Relations team of the Company.

Shareholders were also informed of the voting procedures in respect of voting via submission of the proxy forms in the Notice of AGM.

Provision 11.2

Conduct of Resolutions and Voting

The resolutions tabled at the general meetings are in respect of each substantially separate issue, unless the issues are interdependent and linked so as to form one significant proposal. If a scenario arises where the resolutions are inter-conditional, it is the Company's current intention to explain the reasons and material implications in the notice of meeting. The Company typically ensures that there are separate resolutions at general meetings on each distinct issue. Detailed information on each item in the AGM/EGM agenda is provided in the explanatory notes to the Notice of AGM/EGM.

Provision 11.3

Interaction with Shareholders

The Company typically requires all Directors to be present at all general meetings of shareholders. The external auditor is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report.

Due to the COVID-19 regulations and the manner in which the Company convened the live webcast for the AGM held during FY2022, the Company invited Shareholders to submit their questions in advance in relation to any resolutions set out in the notice of meeting for the AGM held on 29 April 2022. The Company did not receive any questions from Shareholders prior to the AGM. All Directors were present via video conference at the AGM of the Company held on 29 April 2022.

Save for the AGM held on 29 April 2022, there were no other general meetings of the Company held during FY2022.

CORPORATE GOVERNANCE REPORT

Provision 11.4

Absentia Voting

The Company had 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. Notwithstanding the foregoing, in light of the COVID-19 pandemic, Shareholders were invited to exercise their voting rights during the AGM in FY2022 through the submission of proxy forms nominating the Chairman of the AGM to vote on their behalf.

Provision 11.5

Minutes of General Meetings

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 on the Company's corporate website. In respect of the previous AGM held on 29 April 2022, the Company published the minutes of the AGM on the SGXNet and its corporate website on 29 April 2022, within one month from the date of the AGM.

Provision 11.6

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 loss attributable to equity holders of the Company recorded for FY2022, the Board has not recommended any dividends for FY2022.

CORPORATE GOVERNANCE REPORT

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provisions 12.1, 12.2 and 12.3

Investor Relations Practices

The Company has in place an Investor Relations Policy to ensure the dissemination of material information in a timely and useful manner to the Shareholders, analysts, and other stakeholders in the investment community in compliance with the Catalist Rules and the Code.

In accordance with the Investor Relations Policy, the Company ensures that, among others, all Shareholders are 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. Notwithstanding the foregoing, in light of the COVID-19 pandemic, Shareholders were invited to submit their questions in advance of the AGM held on 29 April 2022 in relation to any resolutions set out in the notice of meeting for the AGM held on 29 April 2022 to the investor relations team of the Company.

Disclosure of Information

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) full-year 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/media releases.

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 thereto.

Outside of the financial announcement periods, when necessary and appropriate, the 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.

CORPORATE GOVERNANCE REPORT

Dialogue with Shareholders

The AGM is the principal forum for dialogue with Shareholders. The Company recognises the value of feedback from Shareholders. Before general meetings or virtual general meetings (as the case may be), Shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend each AGM and EGM of the Company, 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.

Alternatively, Shareholders may contact the Company at finance@heatec.com.sg directly with questions, and the Company will respond to such questions through such channel.

V. MANAGING RELATIONSHIPS WITH STAKEHOLDERS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provisions 13.1 and 13.2

Stakeholders' Engagement

The Company and the Group have regularly engaged its stakeholders through various mediums and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address their concerns so as to improve services and product standards, as well as to sustain business operations for long-term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly able to impact the Group's business and operations. Six stakeholder groups have been identified through an assessment of their significance to the business operations. They are namely, employees, investors/Shareholders, customers, local communities, suppliers and service providers, and government and regulators.

The Company and the Group have undertaken a process to determine the economic, environmental, social and governance issues, which are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

A detailed approach to the stakeholder engagement and materiality assessment (including commitments, key areas of focus and activities) are disclosed under the Sustainability Report on pages 149 to 166 of this annual report.

Provision 13.3

Corporate Website

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.

CORPORATE GOVERNANCE REPORT

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.

All interested person transactions are subject 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 FY2022. For the purposes of Catalist Rule 907, the Company has entered into one (1) interested person transaction with a value of S$100,000 or more in FY2022. The details of the interested person transaction are:

Name of interested person	Megane Marine Pte. Ltd. (the "Vendor")
Nature of relationship	As announced by the Company on 4 October 2022, the Company had entered into a definitive sale and purchase agreement (the "**SPA**") with the Vendor for the acquisition of 60% of the shareholding interests in Setya Energy Pte. Ltd. for a purchase consideration of S$2,700,000 (the "**Proposed Acquisition**"). Mr. Soon Jeffrey is the Executive Director and Chief Executive Officer of the Company. Mr. Johnny Soon, the Executive Chairman of the Company, is the father of Mr. Soon Jeffrey. Mr. Johnny Soon is also a controlling shareholder of the Company, holding both direct and deemed interests in an aggregate of 27,089,677 Shares, representing 22.0% of the issued Share capital of the Company as at the date of the entry into the SPA. As Mr. Soon Jeffrey (being an immediate family member of Mr. Johnny Soon) has an interest of more than 30% in the Vendor, the Vendor constitutes an associate of: (a) Mr. Soon Jeffrey, being a Director of the Company; and (b) Mr. Johnny Soon, being a Director and controlling shareholder of the Company, and is thus an interested person of the Company. As further announced by the Company on 6 February 2023, the Proposed Acquisition was completed on 6 February 2023.
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)	S$2,700,000
Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	Nil

CORPORATE GOVERNANCE REPORT

VII. MATERIAL CONTRACTS

Save for the SPA disclosed above, the service agreements entered into between the Company and each of the Executive Chairman and Executive Directors and CEO as well as the consultancy agreements entered into between the Company and Mr Yong Yeow Sin as disclosed in the Directors' Statement and notes 9 and 29 of the Financial Statements, 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 FY2022 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 periods.

IX. NON-SPONSORSHIP FEES

With reference to Rule 1204(21) of the Catalist Rules, S$10,000 non-sponsorship fees was paid to the Company's sponsor, Novus Corporate Finance Pte. Ltd., for the period commencing from 1 January 2022 and ending on 31 December 2022.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The directors present their statement to the members together with the audited consolidated financial statements of Heatec Jietong Holdings Ltd. (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2022.

In the opinion of the directors:

(a) 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 84 to 148 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of 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 in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Soon Yeow Kwee Johnny
Lim Soon Hock
Chua Siong Kiat (appointed on 1 February 2022)
Soon Jeffrey
Anthony Ang Meng Huat
Chong Eng Wee
Lie Ly @ Liely Lee
Loke Weng Seng (alternate director to Lim Soon Hock)

Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than share options as disclosed in this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Directors' interest in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, except as follows:

	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
	At 1.1.2022 or date of appointment (if later)	At 31.12.2022	At 1.1.2022	At 31.12.2022
The Company				
Soon Yeow Kwee Johnny	22,273,599	22,273,599	4,816,078	4,816,078
Soon Jeffrey	1,400,000	1,400,000	–	–
Loke Weng Seng	–	–	32,030,678	32,030,678
Chua Siong Kiat	1,600	1,600	–	–
Subsidiary corporation				
Heatec Veslink Marine Services Corp.				
Soon Jeffrey	1	1	–	–

The directors, Mr Soon Yeow Kwee Johnny and Mr Loke Weng Seng, by virtue of Section 7 of the Act, are deemed to have an interest in the shares held by the Company in its wholly-owned subsidiary corporations.

The directors, Mr Soon Yeow Kwee Johnny and Mr Loke Weng Seng, by virtue of his interest of not less than 20% of the issued share capital of the Company, are deemed to have an interest in the shares of the following subsidiary corporations that are not wholly-owned by the Group:

	Number of ordinary shares	
	At 1.1.2022	At 31.12.2022
Chem-Grow Pte Ltd*	266,000	380,000
Chem Grow Engineering Pte. Ltd.*	70,000	100,000
Chem Grow Services Pte. Ltd.#	70,000	–
Heatec Veslink Marine Services Corp.	5,399,997	5,399,997

The directors' interests in the shares of the Company at 21 January 2023 were the same as those as at 31 December 2022.

* The Group has acquired the remaining 30% of the issued share capital of Chem-Grow Pte Ltd ("CGPL") and Chem Grow Engineering Pte. Ltd. ("CGEPL") during the year, and CGPL and CGEPL became wholly-owned subsidiaries of the Group.

\# Struck off during the financial year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Share options

(a) The Company 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 18 June 2009. The Scheme is administered by the Remuneration Committee which comprise of these three directors, Anthony Ang Meng Huat (Chairman), Lim Soon Hock and Lie Ly @ Liely Lee.

(b) Information regarding the Scheme is set out below:

1) The exercise price of the options is determined 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.

2) The options vest 12 months after the grant date and expire 10 years after vesting date unless cancelled or lapsed prior to that date.

(c) Share options outstanding at the end of the financial year, details of the options granted under the Scheme on the unissued shares at exercise per share of S$0.062 to S$0.085 each of the Company are as follows:

Number of options to subscribe for ordinary shares of the Company

Date of grant of option	Exercise price per share	Options outstanding at 1.1.2022	Options granted	Cancelled/ lapsed	Options outstanding at 31.12.2022	Exercisable period
18 April 2016	S$0.085	1,800,000	–	–	1,800,000	18 April 2017 to 17 April 2026
16 April 2018	S$0.062	1,200,000	–	–	1,200,000	16 April 2019 to 15 April 2028
Total		3,000,000	–	–	3,000,000	

Except as disclosed, there were no unissued shares of the Company or its subsidiary corporations under options granted by the Company or its subsidiary corporations as at the end of the financial year.

(d) In accordance with Rule 851(1)(b) of the Catalist Rules, the following table sets out the options granted to the following Director:

Name of Director	Options granted in FY2022	Aggregate options granted since the commencement of the Scheme till the end of FY2022	Aggregate options exercised since the commencement of the Scheme till the end of FY2022	Aggregate options outstanding as at the end of FY2022
Soon Jeffrey	–	3,000,000	–	3,000,000

(e) Since the commencement of the Scheme till the end of the financial year:

– No options have been granted to directors or controlling shareholders of the Company and their associates (save for Soon Jeffrey, who is a director and controlling shareholder of the Company).

– No participant under the Scheme has received 5% or more of the total options available under the Scheme.

– No options have been granted at a discount.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Audit and Risks Management Committee

The members of the Audit and Risks Management Committee during the financial year ended 31 December 2022 and as at 31 December 2022 were:

Chua Siong Kiat	(Chairman)
Lie Ly @ Liely Lee	(Member)
Chong Eng Wee	(Member)
Anthony Ang Meng Huat	(Member)

Chua Siong Kiat was appointed as the Chairman of the Audit and Risks Management Committee on 1 February 2022, following which Lie Ly @ Liely Lee remained as a member of the Audit and Risks Management Committee.

The Audit and Risks Management Committee carried out its functions specified in Section 201B(5) of the Companies Act 1967. Their functions are detailed in the Report on Corporate Governance.

In performing those functions, the Audit and Risks Management Committee reviewed:

– the scope and the results of internal audit procedures with internal auditor;

– the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;

– the assistance given by the Company's management to the independent auditors;

– 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 of Directors (the "Board") for approval;

– the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2022 prior to their submission to the Board, as well as the independent auditors' report on the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group; and

– interested person transactions (as defined in Chapter 9 of the Catalist Rules).

The Audit and Risk Management Committee has recommended to the Board that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit and Risk Management Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report included in the Annual Report of the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

SOON YEOW KWEE JOHNNY	**SOON JEFFREY**
Director	Director

4 May 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Heatec Jietong Holdings Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 84 to 148, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of other 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

Basis for Qualified Opinion

1) Consultancy service arrangements

As disclosed in Note 8 to the financial statements, the Company has made payments for consultancy services totaling S$490,000 to a company ("Service Provider") during the current financial year ended 31 December 2022 ("FY2022") for some purported corporate mergers and acquisitions ("M&A") related advisory services ("Purported Corporate M&A Services") pursuant to three service agreements (collectively, "Consultancy Agreements"). These payments were substantial relative to the net loss recorded by the Group for FY2022 of S$756,340.

We noted that the scope of work as outlined in the Consultancy Agreements appeared to be generic, and there was a lack of specifications on service deliverables and/or milestones which was uncommon with market practice, especially given the quantum and fixed nature of the fees charged by the Service Provider. While management has provided us with some background information of the Service Provider (including the brief resumes of some individual consultants purportedly designated to service the Company) to further justify the nature and the quantum of payments, we were unable to observe any substantive work or deliverables from the Service Provider. In addition, we were unable to assess relevant track records and credentials of the Service Provider (including its designated individual consultants) to satisfy ourselves that they indeed have the same to undertake the Purported Corporate M&A Services. There were also instances of material inconsistencies in certain information in the Consultancy Agreements as opposed to the M&A strategy of the Group, which were not satisfactorily explained by management, upon our inquiries.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Basis for Qualified Opinion (Continued)

1) Consultancy service arrangements (Continued)

In view of the foregoing, we were unable to satisfy ourselves as to the true nature of the consultancy service arrangements and hence whether the payments amounting to S$490,000 during FY2022 were indeed for the purpose or services as represented by management and/or purportedly outlined in the Consultancy Agreements. Accordingly, we were unable to determine whether any adjustments in the accompanying financial statements that may be necessary.

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

Key Audit Matters

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

Impairment assessment of non-financial assets
Refer to following notes to the financial statements
~ Note 3 "Critical accounting judgements and key sources of estimation uncertainty"
~ Note 12 "Property, Plant and Equipment"
~ Note 13 "Investment in subsidiaries"

The key audit matters	***How the matter was addressed in our audit***
As at 31 December 2022, the Group recorded property, plant and equipment (including Right-of-Use assets) of S$8,488,183. The Company also recorded net carrying amount of investment in subsidiaries at S$5,502,799 as at the reporting date. Management estimates the value-in-use ("VIU") using discounted cash flow method to determine the recoverable amounts of the CGUs. The impairment review requires management's significant judgement in forecasting the cash flows and estimating the key assumptions, such as (a) revenue growth rate and perpetual growth rate; (b) gross margin; and (c) discount rate underpinning the cash flows.	Our audit procedures focused on evaluating and challenging the key estimates used by management in determining the recoverable amounts of these assets. Our key procedures applied include: • Obtained an understanding of management's estimation process, focusing on planned strategies on revenue growth, list of projects in the pipeline, and cost initiatives for the CGU; • Tested the robustness of management's forecast by comparing previous forecast to actual past historical performance and considering the current developments arising from the COVID-19 pandemic.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Key Audit Matters (Continued)

Impairment assessment of non-financial assets (Continued) *Refer to following notes to the financial statements* *~ Note 3 "Critical accounting judgements and key sources of estimation uncertainty"* *~ Note 12 "Property, Plant and Equipment"* *~ Note 13 "Investment in subsidiaries"*	
The key audit matters	***How the matter was addressed in our audit***
As a result of the impairment review, the Group assessed that no further impairment loss is required with regards to the carrying amounts of property, plant and equipment as at the reporting date. In addition, the Company assessed that no further impairment loss is required with regards the carrying amount of its investment in its subsidiaries as at the reporting date. As disclosed in Note 13 to the financial statements, due to management's significant estimation involved in the key assumptions used in the cash flows projection, this is a key audit matter given changes in the key assumptions in the estimation process would significantly affect the recoverable amounts relating to the respective non-financial assets.	• Challenged the reasonableness of key assumptions mainly the (a) budgeted gross margin, (b) revenue growth rate and perpetual growth rate and (c) discount rate, by comparing to the CGU's historical financial performance and considering market conditions to assess the likely achievability of the cash flow forecasts; • Performed sensitivity analysis in consideration of the reasonably plausible impact on the VIU by varying these key assumptions; • Checked mathematical accuracy of management's calculations including the carrying amounts of assets within the CGUs; and • Assessed the adequacy and appropriateness of relevant disclosures in the financial statements. Based on the results of the above procedures, we note that the judgements applied by management were balanced; the key assumptions and estimates used in determining the recoverable amounts were reasonable; and the disclosures were appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2022 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate audit evidence regarding the nature of consultancy service arrangements and whether any adjustments in the accompanying financial statements that may be necessary. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to this matter.

Other Matter

The financial statements for the year ended 31 December 2021 were audited by another auditor whose report dated 28 March 2022 expressed an unqualified opinion on those financial statements.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

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

- 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.

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

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

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

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

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

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

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 described 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 Teo Yen Lin.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

4 May 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars)

	Note	Group 2022 S$	Group 2021 S$
Revenue	4	21,360,569	22,313,231
Cost of sales		(14,574,450)	(18,151,067)
Gross profit		6,786,119	4,162,164
Other income			
– Interest		455	9,157
– Others	5	816,047	1,181,832
Expenses			
Administrative expenses		(7,757,213)	(7,236,895)
Other operating expenses	6	–	(204,489)
Net impairment losses on financial assets		(141,112)	(76,937)
Finance costs	7	(497,391)	(504,947)
Share of results of associates		40,739	52,373
Loss before tax	8	(752,356)	(2,617,742)
Income tax expense	10	(3,984)	(51,460)
Loss for the financial year		(756,340)	(2,669,202)
(Loss)/Profit attributable to:			
Equity holders of the Company		(776,848)	(2,690,239)
Non-controlling interests		20,508	21,037
Loss for the financial year		(756,340)	(2,669,202)
Loss per share attributable to equity holders of the Company ***(expressed in cents per share)***	11		
Basic		(0.63)	(2.19)
Diluted		(0.63)	(2.19)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars)

	Note	Group 2022 S$	Group 2021 S$
Loss for the financial year		(756,340)	(2,669,202)
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		(68,430)	35,423
Share of other comprehensive (loss)/income of associates		(22,216)	13,618
Other comprehensive (loss)/income for the financial year, net of tax		(90,646)	49,041
Total comprehensive loss for the financial year		(846,986)	(2,620,161)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(867,494)	(2,641,198)
Non-controlling interests		20,508	21,037
Total comprehensive loss for the financial year		(846,986)	(2,620,161)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022
(Amounts in Singapore dollars)

	Note	Group		Company	
		2022	2021	2022	2021
		S$	S$	S$	S$
Non-current assets					
Property, plant and equipment	12	8,488,183	9,505,176	3,917,057	4,482,742
Investment in subsidiaries	13	–	–	5,502,799	5,502,799
Investment in associates	14	252,911	281,828	–	–
Total non-current assets		8,741,094	9,787,004	9,419,856	9,985,541
Current assets					
Inventories	15	357,556	360,467	–	–
Contract assets	16	6,340,108	5,407,003	–	–
Trade receivables	17	4,724,083	6,043,355	–	–
Other receivables	18	546,948	898,828	4,483,464	3,036,206
Cash and bank balances	19	1,850,355	4,724,728	88,383	1,316,863
Total current assets		13,819,050	17,434,381	4,571,847	4,353,069
Total assets		22,560,144	27,221,385	13,991,703	14,338,610
Non-current liabilities					
Borrowings	20	2,218,847	7,482,855	1,612,996	2,239,993
Deferred tax liabilities	21	269,486	288,562	–	–
Total non-current liabilities		2,488,333	7,771,417	1,612,996	2,239,993
Current liabilities					
Contract liabilities	16	825,381	379	–	–
Trade payables	22	887,626	1,051,200	–	–
Other payables	23	1,986,585	2,335,349	736,333	437,546
Provision for warranty	24	44,853	44,853	–	–
Borrowings	20	5,597,427	2,840,410	764,214	811,876
Tax payable		30,762	31,614	–	–
Total current liabilities		9,372,634	6,303,805	1,500,547	1,249,422
Total liabilities		11,860,967	14,075,222	3,113,543	3,489,415
Net assets		10,699,177	13,146,163	10,878,160	10,849,195
Equity					
Share capital	25	11,554,627	11,554,627	11,554,627	11,554,627
Reserves	26	(828,599)	(336,012)	(676,467)	(705,432)
Equity attributable to equity holders of the Company, total		10,726,028	11,218,615	10,878,160	10,849,195
Non-controlling interests		(26,851)	1,927,548	–	–
Total equity		10,699,177	13,146,163	10,878,160	10,849,195

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

(Amounts in Singapore dollars)

		Attributable to equity holders of the Company								
	Note	**Share capital S$**	**Translation reserve S$**	**Merger reserve S$**	**Share options reserve S$**	**Net discount received on equity S$**	**Retained earnings S$**	**Total S$**	**Non-controlling interest S$**	**Total S$**
Group										
2022										
At 1 January 2022		11,554,627	(44,786)	(3,913,614)	69,690	221,206	3,331,492	11,218,615	1,927,548	13,146,163
(Loss)/profit for the financial year		–	–	–	–	–	(776,848)	(776,848)	20,508	(756,340)
Other comprehensive income										
Currency translation differences arising on consolidation		–	(68,430)	–	–	–	–	(68,430)	–	(68,430)
Share of other comprehensive loss of associates		–	(22,216)	–	–	–	–	(22,216)	–	(22,216)
Other comprehensive loss for the financial year, net of tax		–	(90,646)	–	–	–	–	(90,646)	–	(90,646)
Total comprehensive loss for the financial year		–	(90,646)	–	–	–	(776,848)	(867,494)	20,508	(846,986)
Acquisition of equity interest from Non-Controlling Interest without a change in control	13(A)	–	–	–	–	374,907	–	374,907	(1,974,907)	(1,600,000)
At 31 December 2022	26	11,554,627	(135,432)	(3,913,614)	69,690	596,113	2,554,644	10,726,028	(26,851)	10,699,177

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars)

	Note	Share capital S$	Translation reserve S$	Merger reserve S$	Share options reserve S$	Net discount received on equity S$	Retained earnings S$	Total S$	Non-controlling interest S$	Total S$
		← Attributable to equity holders of the Company →								
Group										
2021										
At 1 January 2021		11,554,627	(93,287)	(3,913,614)	69,690	221,206	6,021,731	13,859,813	2,117,411	15,977,224
(Loss)/profit for the financial year		–	–	–	–	–	(2,690,239)	(2,690,239)	21,037	(2,669,202)
Other comprehensive income										
Currency translation differences arising on consolidation		–	35,423	–	–	–	–	35,423	–	35,423
Share of other comprehensive income of associates		–	13,618	–	–	–	–	13,618	–	13,618
Other comprehensive income for the financial year, net of tax		–	49,041	–	–	–	–	49,041	–	49,041
Total comprehensive income/(loss) for the financial year		–	49,041	–	–	–	(2,690,239)	(2,641,198)	21,037	(2,620,161)
Dividend to non-controlling shareholders		–	–	–	–	–	–	–	(210,900)	(210,900)
At 31 December 2021	26	11,554,627	(44,786)	(3,913,614)	69,690	221,206	3,331,492	11,218,615	1,927,548	13,146,163

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars)

	Note	Share capital S$	Share options reserve S$	Accumulated losses S$	Total equity S$
Company					
At 1 January 2021		11,554,627	69,690	(936,173)	10,688,144
Profit and total comprehensive income for the financial year		–	–	161,051	161,051
At 31 December 2021	26	11,554,627	69,690	(775,122)	10,849,195
At 1 January 2022		11,554,627	69,690	(775,122)	10,849,195
Profit and total comprehensive income for the financial year		–	–	28,965	28,965
At 31 December 2022	26	11,554,627	69,690	(746,157)	10,878,160

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars)

	Note	Group 2022 S$	Group 2021 S$ (Restated)
Cash flows from operating activities			
Loss before tax		(752,356)	(2,617,742)
Adjustments for:			
Interest income		(455)	(9,157)
Interest expenses	7	497,391	504,947
Net impairment losses on financial assets		141,112	76,937
Depreciation of property, plant and equipment	12	1,140,021	1,235,893
Gain on disposal of property, plant and equipment		(3,000)	–
Property, plant and equipment written off		–	203,287
Share of results of associates		(40,739)	(52,373)
(Write back)/allowance for inventory obsolescence	8	(16,520)	65,066
Exchange differences		(64,831)	33,734
Operating profit/(loss) before working capital changes		900,623	(559,408)
Trade and other receivables and contract assets		595,749	1,652,098
Inventories		19,431	131,946
Trade and other payables and contract liabilities		112,664	(447,080)
Cash generated from operations		1,628,467	777,556
Interest received		455	9,157
Interest paid		(46,824)	(50,031)
Income tax paid		(23,912)	(34,363)
Net cash generated from operating activities		1,558,186	702,319
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(108,619)	(242,742)
Proceeds from disposal of property, plant and equipment		3,000	–
Dividends received from an associate		47,440	85,800
Net cash used in investing activities		(58,179)	(156,942)
Cash flows from financing activities			
Interest paid		(449,381)	(454,916)
(Increase)/decrease in pledged fixed deposits		(100,923)	825,567
Dividend paid to non-controlling shareholders	29	–	(330,600)
Acquisition of additional interest in subsidiaries		(1,400,000)	–
Proceeds from bank loans	20	100,000	2,000,000
Proceeds from trade financing	20	2,599,486	1,794,218
Repayments of bank loans		(2,701,818)	(1,591,858)
Repayment of trade financing		(2,424,977)	(1,794,218)
Repayments of lease liabilities		(97,690)	(92,113)
Net cash (used in)/generated from financing activities		(4,475,303)	356,080
Net (decrease)/increase in cash and cash equivalents		(2,975,296)	901,457
Cash and cash equivalents at beginning of the financial year		4,724,728	3,823,271
Cash and cash equivalents at end of the financial year	19	1,749,432	4,724,728

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 CORPORATE INFORMATION

The Company (Co. Reg. No. 200717808Z) is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of its registered office and principal place of business is at 10 Tuas South Street 15, Singapore 637076.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 13 to the financial statements.

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 4 May 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are presented in Singapore Dollars ("S$"), which is the Company's functional currency. The financial statements have been prepared in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

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.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

New and revised standards

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2022:

- Amendments to SFRS(I) 16: *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16: *Property, plant and equipment – Proceeds before Intended Use*
- Amendments to SFRS(I) 37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual improvements to SFRS(I)s 2018-2020

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New and revised standards not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS (I) 17: *Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendment to SFRS(I) 17: *Initial Application of SFRS(I) 17 and SFRS(I) 9 – Comparative Information*	1 January 2023
Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-Current; and Amendments to SFRS(I) 1-1: Non-current Liabilities with Covenants*	1 January 2024
Amendments to SFRS(I) 16: *Lease Liabilities in a Sale and Leaseback*	1 January 2024
Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Except as described below, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial adoption.

<u>Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*</u>

The amendments clarify that classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. If the right to defer settlement is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date. Classification is unaffected by management intentions or expectations. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The standard has been further amended to specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). The amendments specify that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

Entities shall apply the amendments for annual reporting periods beginning on or after 1 January 2024 retrospectively. Early application is permitted with disclosures.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) 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 contractually required to perform the services at the customers' specified sites that the Group's performance creates or enhances an asset that the customer controls as the Group performs.

Revenue from provision of such services is therefore recognised over time using input method, based on the actual contract costs incurred by the Group to-date compare with the total budgeted contract costs 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 *Revenue from Contracts with Customers*.

The Group is 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 for acknowledgement. The Group 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 input method then the Group recognises a contract liability for the difference. This 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 input method and the milestone payment is usually made within a year.

For certain design-and-build contracts with variable considerations, mainly performance bonus or penalty for achieving and failing to achieve certain milestone in accordance with the contracts, the Group will estimate the amount of performance bonus or penalty using expected value/more likely amount method and include in transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue would not occur. The estimated performance bonus/(penalty) will be reflected in contract asset/ contract (liability) correspondingly.

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 contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group's performance creates or enhances an asset that the customer controls as the Group performs. Such services are recognised as performance obligations are satisfied over time. Revenue is recognised for these piping services based on the stage of completion of the contract at the expected settlement rates. Management has assessed and determined that recognition of revenue on actual man hours delivered at the expected settlement rate per man hour to be an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15 as it represents an amount that corresponds directly with the value to customers of the Group's performance completed to date, and as allowed by practical expedient in SFRS(I) 15.

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Revenue recognition (continued)

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 performance obligations are satisfied over time. Due to the short duration 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.

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.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investment in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Basis of consolidation (continued)

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. Under this method, the Company has been treated as the holding company of the subsidiaries as if the combination had occurred from the date the subsidiaries first came under the control of the same shareholders. Accordingly, the results of the Group include the results of the subsidiaries for the full year, irrespective of when the combination took place. Such manner of presentation reflects the economic substance of the companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiary relationships were not established.

Pursuant to this:

– Assets and liabilities are reflected at their existing carrying amounts;
– No adjustments are made to reflect the fair values on the date of combination or recognise any new assets or liabilities;
– No additional goodwill is recognised as a result of the combination;
– Prior to the issue of shares by the Company, the aggregate equity of the subsidiaries held directly by the Company is shown as the Group's equity; and
– Any difference between the consideration paid by the Company and the equity 'acquired' is reflected within the equity of the Group as merger reserve.

All other business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill initially measured at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill will be tested for impairment annually or more frequently if there are indications that goodwill might be impaired. Impairment assessment of goodwill is stated in Note 2(g). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Basis of consolidation (continued)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and corresponding gain or loss, if any, is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to equity holders of the Company.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific SFRS(I).

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

e) Associates

An associate is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investment in associate is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the post-acquisition profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Distributions received from associates are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Associates (continued)

Where a Group entity transacts with an associate of the Group, unrealised gains are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's statement of financial position, investments in associates are carried at cost less accumulated impairment loss, if any. On disposal of investment in associate, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

f) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss, if any.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

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

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is calculated on a straight-line basis to allocate the depreciable amount of property, plant and equipment over their expected useful lives. The estimated depreciation rates are as follows:

Leasehold industrial buildings	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	10% to 20%

The estimated depreciation rates and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment of non-financial assets

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

The recoverable amount of an assets or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded comparable public companies or other available fair value indicators.

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

An impairment loss in respect of subsidiaries is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group is the lessee:

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (e.g. leases of tablet and personal computers, small items of office equipment and telephones). For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented within "borrowings" in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Leases (continued)

Right-of-use assets (continued)

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within "Property, plant and equipment" in the statements of financial position. The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(g).

j) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

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

The Group classifies its financial assets at amortised cost.

The classification is based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when, and only when, its business model for managing those assets changes.

Subsequent measurement

Financial assets at amortised costs

Financial assets at amortised costs include cash and bank balances and trade and other receivables (excluding prepayments, GST recoverable, grant receivable and advance payment to supplier). The subsequent measurement category, based on the Group's business model for managing the asset and cash flow characteristics of the asset, is as follows:

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial assets (continued)

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

For trade receivables and contract assets that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset 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 all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

l) Cash and cash equivalents in the consolidated statement of cash flows

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of changes in value 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 and excludes pledged deposits.

m) Financial liabilities

Financial liabilities include trade and other payables and borrowings. Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Financial liabilities (continued)

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

n) Financial guarantees

Financial guarantee contract are initially recognised as a liability at their fair values, adjusted for transaction costs directly attributable to the issuance of the guarantees.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

i) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

ii) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

o) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

p) 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.

q) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Provisions for other liabilities (continued)

The Group recognises the estimated liability to repair or replace products still under warranty at the end of the reporting period. This provision is calculated based on past historical experience of the level of repairs and replacements.

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

r) Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

s) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

t) Employee benefits

Employee leave entitlements

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.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in Singapore dollars unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Employee benefits (continued)

Share-based compensation

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options granted on the date of the grant. This cost is recognised in profit or loss, with a corresponding increase in the share options reserve, over the vesting period. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At end of the reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share options reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share options reserve are credited to share capital account if new ordinary shares are issued, or credited to the "treasury shares" account if treasury shares are re-issued to the employees. Upon expiry of the options, the balance in the share options reserve is transferred to retained earnings.

u) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The financial statements of the Group and the Company are presented in Singapore Dollars ("S$"), which is the Company's functional currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the translation reserve within equity in the consolidated financial statements. The translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Foreign currencies (continued)

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the translation reserve within equity.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

v) Dividends

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

w) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the grant is presented in the statements of financial position by deducting the grant in arriving at the carrying amount of the asset and is amortised to profit or loss over the expected useful life of the relevant asset by equal instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

y) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group'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.

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.

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions with consideration on the impact of COVID-19 pandemic and how these conditions will affect the Group's ECL assessment. 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 and integral credit enhancements. 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.

As the calculation of loss allowance on trade receivables and contract assets are subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognized and the carrying amounts of trade receivables and contract assets. Details of ECL measurement and carrying value of trade receivables and contract assets at reporting date are disclosed in Note 31.

Revenue and costs of contracts

Heat exchanger services

Revenue from the provision of heat exchanger services is recognised over time using input method. The measures of progress is determined based on the actual contract costs incurred by the Group to-date compared as a proportion of the total budgeted contract costs. Significant assumptions are required in determining the stage of completion and the estimated total contract costs to complete. In making these estimates, the Group relied on past experience, knowledge of the project managers, as well as appropriate source documents and records such as quotations from sub-contractors.

When it is probable that the unavoidable aggregate costs of meeting the obligations under the contracts exceed the economic benefits expected to be received, a provision for onerous contract is to be recognised immediately. These are based on the presumption that the outcome of the project can be estimated reliably.

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 amount of provision is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Revenue and costs of contracts (continued)

Piping services

Revenue from the provision of piping services is recognised based on the stage of completion of the contract determined based on the labour hours delivered at the expected settlement rates. Management estimates the expected settlement rates based on historical settlement rates and actual settlement rates during the financial year, taking into consideration discounts provided to the customers.

Revenue from the provision of heat exchanger services and piping services are disclosed in Note 4. The carrying amounts of contract assets and liabilities are disclosed in Note 16.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date or whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable or when there are indicators that an impairment loss recognised may no longer exist or may have decreased. The continually evolving situation due to COVID-19 pandemic has resulted in inherent uncertainty in the impairment assessment. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset or cash-generating unit and a suitable discount rate, in order to determine the present value of those cash flows. The carrying values of the Group's property, plant and equipment and the Company's investment in subsidiaries are disclosed in Note 12 and Note 13 respectively. Further details of the key assumptions applied in the impairment assessment of the Company's investment in subsidiaries are disclosed in Note 13. Changes in assumptions made and discount rate applied could affect the carrying value of these assets.

4 REVENUE

	Group	
	2022	**2021**
	S$	**S$**
Segment revenue		
Heat exchanger	11,610,934	12,665,166
Piping	7,175,647	6,745,409
Chemical cleaning	2,573,988	2,902,656
	21,360,569	22,313,231

NOTES TO THE FINANCIAL STATEMENTS

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4 REVENUE (CONTINUED)

The following table provides a disaggregation of the Group's revenue by timing of revenue recognition:

	Group	
	2022	**2021**
	S$	**S$**
Timing of revenue recognition		
At a point in time:		
Chemical cleaning	2,573,988	2,902,656
Over time:		
Heat exchanger	11,610,934	12,665,166
Piping	7,175,647	6,745,409
	21,360,569	22,313,231

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about its remaining unsatisfied performance obligation if the performance obligation is part of a contract that has an original expected duration of one year or less.

5 OTHER INCOME

	Group	
	2022	**2021**
	S$	**S$**
Government grant income	668,187	1,096,152
Sundry income	115,635	19,044
Net foreign exchange gain	32,225	66,636
	816,047	1,181,832

Government grant income of S$Nil (2021: S$301,263) was recognised during the financial year under the Jobs Support Scheme (the "JSS"). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objective of helping employers retain local employees during the period of economic uncertainty. In determining the recognition of the JSS grant income, management has evaluated and concluded that the period of economic uncertainty commenced in April 2020 when the COVID-19 pandemic started affecting the Group's operations.

Government grant income of S$480,250 (2021: S$639,460) relates to Foreign Worker Levy rebates received from the Singapore Government to help businesses deal with the impact of the COVID-19 pandemic. The rebates were paid with the objective of helping employers to defray labour costs during the period of economic uncertainty. These incentives were granted in the form of cash payout.

6 OTHER OPERATING EXPENSES

	Group	
	2022	**2021**
	S$	**S$**
Property, plant and equipment written off	–	203,287
Others	–	1,202
	–	204,489

NOTES TO THE FINANCIAL STATEMENTS

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7 FINANCE COSTS

	Group	
	2022	**2021**
	S$	**S$**
Interest expense on:		
– Term loans	282,336	341,735
– Lease liabilities	107,326	113,181
– Trade financing	59,719	34,579
– Others	48,010	15,452
	497,391	504,947

8 LOSS BEFORE TAX

	Group	
	2022	**2021**
	S$	**S$**
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (Note 12), included in:		
– Cost of sales	323,031	376,266
– Administrative expenses	816,990	859,627
Audit fees paid/payable to the auditors of the Company	86,000	64,500
Staff costs (Note 9), included in:		
– Cost of sales	7,876,799	8,018,342
– Administrative expenses	4,548,361	4,780,486
Professional fees:		
– corporate advisory services[#]	634,000	316,364
– others[*]	541,201	240,799
Costs for subcontractor work and materials included in cost of sales	6,054,887	9,125,799
(Write back)/allowance for inventory obsolescence	(16,520)	65,066
Lease expenses (Note 34)	1,027,965	1,139,859

In 2022 and 2021, there is no non-audit fees paid to the auditors of the Company.

(*) This includes the professional fee amounting to S$80,550 (2021: S$47,500) for legal and corporate secretarial services rendered by an entity managed and controlled by one of the directors of the Company. In addition, the Group incurred professional fees totalling S$361,500 in relation to the proposed acquisition of Setya Energy Pte. Ltd. which was completed on 20 January 2023 (Note 36), and step-acquisition of remaining 30% equity interests in CGE and CG during the financial year (Note 13(A)).

(#) On 15 June 2021, the Company entered into an agreement entitled "Consultancy Service Agreement" with an entity incorporated in Singapore in April 2018 (the "Service Provider"). Pursuant thereto, the Company engaged the Service Provider to provide corporate advisory work relating to the Company's business with a "focus on the corporate aspect of the business as well as monetisation of existing businesses to enable successful fund raise". The Company was to pay the Service Provider a monthly consultancy service fee of S$45,000.

While the service period was not specified, the Agreement had expired on 31 July 2022; hence, the execution of further two separate agreements with the Service Provider on 1 August 2022 are as follows:

- An agreement entitled "Consultancy Service Agreement", with a service period from 1 August 2022 to 31 March 2023, to expand the scope of corporate advisory work in the earlier agreement (see above) to include, among others, due diligence work, valuation, identification and facilitation of merger and acquisition ("M&A") activities. The Service Provider was to be paid a monthly consultancy fee of S$25,000. This agreement was not further renewed upon its expiry on 31 March 2023.
- Another agreement entitled "Client Service Agreement", with a service period of 1 year from 1 August 2022, under which the Service Provider will provide mortgage brokerage and funding assistance as an intermediary between the Company and potential lenders. The service remuneration under this agreement comprises a fixed charge of S$10,000 per month and a variable brokerage fee of 0.25% on the loan amount.

Pursuant to the abovementioned agreements, the Group and the Company have incurred and paid a total of S$490,000 to the Service Provider during the current year.

NOTES TO THE FINANCIAL STATEMENTS

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9 STAFF COSTS

	Group 2022 S$	Group 2021 S$
Directors' fees	187,833	151,000
Directors' remuneration		
– Salaries, bonuses and other benefits	364,500	363,818
– Contribution to defined contribution plans	21,443	20,946
	385,943	384,764
Key management personnel		
– Salaries, bonuses and other benefits	415,770	406,820
– Contribution to defined contribution plans	41,591	41,548
	457,361	448,368
Other staff costs		
– Salaries, bonuses and other benefits	11,050,030	11,395,132
– Contribution to defined contribution plans	343,993	419,564
	11,394,023	11,814,696
	12,425,160	12,798,828
Short-term employees benefits	12,018,133	12,316,770
Contribution to defined contribution plans	407,027	482,058
	12,425,160	12,798,828

10 INCOME TAX EXPENSE

	Group 2022 S$	Group 2021 S$
Tax expense attributable to loss is made up of:		
– Provision for current year	27,000	23,000
– (Over)/under provision in respect of previous financial years	(3,940)	36,536
Deferred tax (Note 21)		
– Provision for current year	(37,076)	(8,076)
– Under provision in respect of previous financial years	18,000	–
Tax expense	3,984	51,460

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10 INCOME TAX EXPENSE (CONTINUED)

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable in the countries where the Group entities operates due to the following factors:

	Group	
	2022	**2021**
	S$	**S$**
Loss before tax	(752,356)	(2,617,742)
Notional tax expense on loss before tax, calculated at the domestic rates applicable in the tax jurisdictions concerned	(127,901)	(445,016)
Effect of share of results of associate	(6,926)	(8,903)
Effect of different tax rate in other countries	8,305	461
Effect of income not subject to tax	(39,742)	(47,485)
Effect of expenses that are not deductible for tax purpose	305,869	138,227
Effect of partial tax exempt income	(19,185)	(34,850)
Current year losses for which no deferred tax asset is recognised	87,298	310,044
Utilisation of previously unrecognised deferred tax assets	(239,361)	–
Change in unrecognised temporary differences	19,495	100,251
(Over)/under provision of income tax in respect of previous financial years	(3,940)	36,536
Under provision of deferred tax in respect of previous financial years	18,000	–
Others	2,072	2,195
Total income tax expense	3,984	51,460

The income tax applicable to the Company is 17% (2021: 17%). The corporate income tax rate applicable to the subsidiaries in Singapore and People's Republic of China are 17% (2021: 17%) and 25% (2021: 25%) respectively.

As at 31 December 2022, the Group has deferred tax assets in respect of tax losses of S$10,660,000 (2021: S$11,477,000) and other temporary difference of S$115,000 (2021: S$69,000), available for carry-forward to set-off against future taxable income arising from trade source subject to the agreement of the tax authorities and compliance with relevant provisions of the tax legislation of the respective countries in which the Group operate. The potential deferred tax assets have not been recognised in the financial statements as it is not probable that future taxable profit will be sufficient to allow to related tax benefits to be utilised. The unutilised tax losses do not expire under current tax legislation.

11 LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2022	**2021**
	S$	**S$**
Net loss attributable to equity holders of the Company	(776,848)	(2,690,239)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	122,959,345	122,959,345
Basic and diluted loss per share (cents per share)	(0.63)	(2.19)

The diluted loss per share is equivalent to the basic loss per share as the share options outstanding during the financial year do not have a dilutive effect as at 31 December 2022 and 31 December 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS

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12 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets leasehold land (Note 34) S$	Leasehold Industrial buildings S$	Leasehold improvement S$	Plant and equipment S$	Motor vehicle S$	Renovation S$	Total S$
Group							
2022							
Cost							
Balance at 1 January 2022	1,963,446	9,760,184	177,242	4,146,695	290,569	310,549	16,648,685
Additions	–	–	–	108,619	–	–	108,619
Disposals	–	–	–	(71,800)	–	–	(71,800)
Write-offs	–	–	–	(79,690)	–	–	(79,690)
Modification on lease liabilities	18,008	–	–	–	–	–	18,008
Currency translation differences	–	–	–	(3,793)	(5,277)	–	(9,070)
Balance at 31 December 2022	1,981,454	9,760,184	177,242	4,100,031	285,292	310,549	16,614,752
Accumulated depreciation							
Balance at 1 January 2022	391,080	3,763,045	52,946	2,453,199	197,889	244,581	7,102,740
Depreciation charge	128,992	435,912	11,017	474,897	54,384	34,819	1,140,021
Disposals	–	–	–	(71,800)	–	–	(71,800)
Write-offs	–	–	–	(79,690)	–	–	(79,690)
Currency translation differences	–	–	–	(3,356)	(2,115)	–	(5,471)
Balance at 31 December 2022	520,072	4,198,957	63,963	2,773,250	250,158	279,400	8,085,800
Accumulated impairment loss							
Balance at 1 January 2022 and 31 December 2022	–	–	–	40,769	–	–	40,769
Net carrying value							
Balance at 31 December 2022	1,461,382	5,561,227	113,279	1,286,012	35,134	31,149	8,488,183

(Amounts in Singapore dollars unless otherwise stated)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Right-of-use assets leasehold land (Note 34) S$	Leasehold Industrial buildings S$	Leasehold improvement S$	Plant and equipment S$	Motor vehicle S$	Renovation S$	Total S$
Group							
2021							
Cost							
Balance at 1 January 2021	1,983,834	9,760,184	177,242	4,408,030	363,457	344,879	17,037,626
Additions	–	–	–	242,742	–	–	242,742
Write-offs	–	–	–	(505,878)	(75,800)	(34,330)	(616,008)
Modification on lease liabilities	(20,388)	–	–	–	–	–	(20,388)
Currency translation differences	–	–	–	1,801	2,912	–	4,713
Balance at 31 December 2021	1,963,446	9,760,184	177,242	4,146,695	290,569	310,549	16,648,685
Accumulated depreciation							
Balance at 1 January 2021	261,788	3,327,132	41,927	2,242,819	162,546	240,332	6,276,544
Depreciation charge	129,292	435,913	11,017	510,796	110,296	38,579	1,235,893
Write-offs	–	–	–	(302,591)	(75,800)	(34,330)	(412,721)
Currency translation differences	–	–	–	2,177	847	–	3,024
Balance at 31 December 2021	391,080	3,763,045	52,944	2,453,201	197,889	244,581	7,102,740
Accumulated impairment loss							
Balance at 1 January 2021 and 31 December 2021	–	–	–	40,769	–	–	40,769
Net carrying value							
Balance at 31 December 2021	1,572,366	5,997,139	124,298	1,652,725	92,680	65,968	9,505,176

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12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Right-of-use assets leasehold land (Note 34) S$	Leasehold industrial buildings S$	Leasehold improvements S$	Plant and equipment S$	Total S$
Company					
2022					
Cost					
Balance at 1 January 2022	1,353,505	6,036,700	177,242	984,669	8,552,116
Additions	–	–	–	27,900	27,900
Balance at 31 December 2022	1,353,505	6,036,700	177,242	1,012,569	8,580,016
Accumulated depreciation					
Balance at 1 January 2022	341,745	2,915,249	52,944	759,436	4,069,374
Depreciation charge	112,418	353,364	11,019	116,784	593,585
Balance at 31 December 2022	454,163	3,268,613	63,963	876,220	4,662,959
Net carrying value					
Balance at 31 December 2022	899,342	2,768,087	113,279	136,349	3,917,057
2021					
Cost					
Balance at 1 January 2021	1,373,893	6,036,700	177,242	984,669	8,572,504
Modifications on lease liabilities	(20,388)	–	–	–	(20,388)
Balance at 31 December 2021	1,353,505	6,036,700	177,242	984,669	8,552,116
Accumulated depreciation					
Balance at 1 January 2021	228,982	2,561,884	41,925	654,035	3,486,826
Depreciation charge	112,763	353,365	11,019	105,401	582,548
Balance at 31 December 2021	341,745	2,915,249	52,944	759,436	4,069,374
Net carrying value					
Balance at 31 December 2021	1,011,760	3,121,451	124,298	225,233	4,482,742

The Group's and the Company's leasehold industrial buildings with the net carrying value of S$5,561,227 (2021: S$5,997,139) and S$2,768,087 (2021: S$3,121,451) respectively are pledged to secure certain banking facilities granted to the Group (Note 20).

13 INVESTMENT IN SUBSIDIARIES

	Company 2022 S$	Company 2021 S$
Unquoted equity shares, at cost	16,083,928	16,083,928
Impairment allowances	(10,581,129)	(10,581,129)
Balance at end of financial year	5,502,799	5,502,799

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows:

Name of subsidiaries (Country of incorporation)	Principal activities	Group's effective equity interest 2022 %	2021 %
Held by the Company			
Heatec Jietong Pte. Ltd.(1) (Singapore)	Servicing and fabrication of heat exchanger.	100	100
JJY Engineering & Construction Pte. Ltd.(1) (Singapore)	To carry on the businesses of repairing ships, tankers and other ocean-going vessels.	100	100
HJT Engineering & Construction Pte. Ltd.(1) (Singapore)	To carry on the businesses of repairing ships, tankers and other ocean-going vessels.	100	100
Held by Heatec Jietong Pte. Ltd.			
Heatec (Shanghai) Co., Ltd.(2) (People's Republic of China)	Sales and repair of air cooler(s) evaporator, heat exchanger and related auxiliaries.	100	100
Chem-Grow Pte Ltd(1) (Singapore)	Provide chemical cleaning services to ships and tankers.	100	70
Chem Grow Engineering Pte. Ltd.(1) (Singapore)	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers.	100	70
Heatec Veslink Marine Services Corp.(3) (Philippines)	To engage in the business of trading, selling, servicing, manufacturing, distributing, marketing, maintenance, export and import.	60	60
JTY Engineering Pte. Ltd.(1) (Singapore)	To carry on business of repairing ships, tankers and other ocean-going tankers.	100	100
Heatec Vietnam Company Ltd.(3) (Vietnam)	Technical and management consultancy services	100*	–
Held by Chem-Grow Pte Ltd			
Chem Grow Services Pte. Ltd.# (Singapore)	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers.	–	70

(1) Audited by Crowe Horwath First Trust LLP.

(2) Audited by Shanghai Zhong Chuang Haijia CPA Co., Ltd, a firm of Certified Public Accountants in People's Republic of China for local statutory, regulatory and reaudited/reviewed by Crowth Horwath First Trust LLP for the purpose expressing an opinion on the Consolidated Financial Statement of the Company.

(3) Dormant entities which are not material to the Group.

(*) Incorporated on 7 December 2022.

(#) Struck off on 10 January 2022.

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Note A: Acquisition of Non-Controlling Interest

On 18 May 2022, the Group's wholly-owned subsidiary, Heatec Jietong Pte. Ltd. acquired the remaining 30% of the issued shares of Chem Grow Engineering Pte. Ltd. ("CGE") and Chem-Grow Pte Ltd ("CG") for a total purchase consideration of S$1,600,000 following which the Group now holds 100% of the equity interests in of CGE and CG.

The carrying amount of the non-controlling interests in CGE and CG on the date of acquisition was S$1,974,907. The Group derecognised non-controlling interest of S$1,974,907 and recorded an increase in equity attributable to owners of S$374,907.

The effect of changes in the ownership interest of CGE and CG on the equity attributable to owners of the Company during the year is summarised as follows:

		As at 30 April 2022 (Prior to acquisition of remaining 30% equity interest)		
		CG	**CGE**	**Total**
		S$	**S$**	**S$**
Carrying amount of remaining 30% non-controlling interest acquired	(a)	1,590,896	384,011	1,974,907
Purchase consideration for the step-acquisition				
– Paid		994,000	406,000	1,400,000
– Deferred (Note 23)		142,000	58,000	200,000
	(b)	1,136,000	464,000	1,600,000
Net discount recognised in parent's equity	**(a) – (b)**	454,896	(79,989)	374,907

Note B: Summary financial information of subsidiary with material non-controlling interests ("NCI")

The Group has the following subsidiary that have NCI that are considered by management to be material to the Group:

Name of subsidiaries	**Principal place of business/ Country of incorporation**	**Ownership interests**	
		2022	**2021**
		%	**%**
Chem-Grow Pte Ltd	Singapore	–	30
Chem Grow Engineering Pte. Ltd.	Singapore	–	30

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Note B: Summary financial information of subsidiary with material non-controlling interests ("NCI") (continued)

The following are the summarised financial information of the Group's subsidiary with NCI that were considered by management to be material to the Group. These financial information include consolidation adjustments but before inter-company eliminations.

Summarised Statement of Financial Position

	Chem-Grow Pte Ltd		Chem Grow Engineering Pte. Ltd.	
	As at 30 April 2022	As at 31 December 2021	**As at 30 April 2022**	As at 31 December 2021
	S$	S$	**S$**	S$
Non-current assets	4,266,750	4,368,048	591	729
Current assets	2,350,990	2,313,104	1,563,530	1,888,290
Non-current liabilities	(984,777)	(986,553)	–	–
Current liabilities	(329,976)	(416,345)	(284,084)	(688,736)
Net assets	5,302,987	5,278,254	1,280,037	1,200,283
Net assets attributable to NCI	1,590,896	1,583,476	384,011	360,085

Summarised Income Statement

	Chem-Grow Pte Ltd		Chem Grow Engineering Pte. Ltd.	
	1.1.2022 to 30.4.2022	1.1.2021 to 31.12.2021	**1.1.2022 to 30.4.2022**	1.1.2021 to 31.12.2021
	S$	S$	**S$**	S$
Revenue	899,409	2,408,596	290,571	1,157,836
Profit before tax	32,913	376,673	101,283	190,221
Income tax expense	–	(27,842)	–	(32,054)
Profit after tax and total comprehensive income	32,913	348,831	101,283	158,167
Profit after tax and total comprehensive income allocated to NCI	9,874	104,649	30,385	47,450
Dividends to NCI	–	210,900	–	–

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Note B: Summary financial information of subsidiary with material non-controlling interests ("NCI") (continued)

Summarised Cash Flows

	Chem-Grow Pte Ltd		Chem Grow Engineering Pte. Ltd.	
	1.1.2022 to 30.4.2022	1.1.2021 to 31.12.2021	**1.1.2022 to 30.4.2022**	1.1.2021 to 31.12.2021
	S$	S$	**S$**	S$
Cash flows generated from/(used in) operating activities	357,087	257,368	(309,929)	428,248
Cash flows (used in)/generated from investing activities	(3,358)	452,110	–	–
Cash flows used in financing activities	(14,439)	(865,936)	–	–
Net increase/(decrease) in cash and cash equivalents	339,290	(156,458)	(309,929)	428,248

Note C: Company level – Assessment of carrying value of cost of investment in subsidiaries

(i) *Heatec Jietong Pte. Ltd. and its subsidiaries ("HJPL Group")*

In previous financial years, an impairment loss of S$4,632,495 was recognised to write down the cost of investment in HJPL Group to its aggregate recoverable amount of S$5,402,799, which was derived from the recoverable amounts of the subsidiaries of HJPL Group.

During the financial year, management performed a review for the carrying value of the Company's investments in HJPL Group to determine if further impairment or reversal of impairment loss may be necessary. The recoverable amounts of certain subsidiaries within HJPL Group were determined based on value-in-use calculations using cash flow projections from forecast approved by management covering a five-year period, having factored in changes in assumptions and conditions arising from ongoing development of the COVID-19 pandemic. The forecasted revenue growth rates range from -13% to 27% (2021: 2.5% to 83.8%) and forecasted gross margins range from 22.2% to 24.3% (2021: 21.7% to 33.8%). The pre-tax discount rate applied to the cash flow projections are between 11% to 12% (2021: 11% to 12%) and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period is 2% (2021: 2.5%). Based on the review, no adjustment was made to the carrying amount as at 31 December 2022.

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Note C: Company level – Assessment of carrying value of cost of investment in subsidiaries (continued)

(i) *Heatec Jietong Pte. Ltd. and its subsidiaries ("HJPL Group") (continued)*

Sensitivity analysis

Management has determined the discount rate to be the most significant assumption used in the value-in-use calculation is the discount rate applied. Had the discount rate varied from management's estimation, the estimated recoverable amount of the investment in HJPL Group and the impairment loss would be affected as follows:

	Estimated recoverable amount S$	Increase in/ (write back of) impairment charge S$
HJPL Group		
Discount rate at:		
2022		
2% higher than the management's projection	5,002,799	400,000
2% lower than the management's projection	8,302,799	(2,900,000)
2021		
1% higher than the management's projection	3,531,799	1,871,000
1% lower than the management's projection	8,708,799	(3,306,000)

(ii) *HJT Engineering & Construction Pte. Ltd.*

In previous financial years, an impairment loss of S$3,057,482 was recognised to write down the cost of investment in HJT Engineering & Construction Pte. Ltd. ("HJT") to its recoverable amount of S$100,000.

During the financial year, management performed a review for the carrying value of the Company's investment in HJT to determine if further impairment or reversal of impairment loss may be necessary. The recoverable amount of the investment was determined based on value-in-use calculations using cash flow projections from forecast approved by management covering a five-year period, having factored in changes in assumptions and conditions arising from ongoing development of the COVID-19 pandemic. The forecasted revenue growth rate range from -23.4% to 2.1% (2021: 2.5% to 58.5%) and forecasted gross margin is 19.7% (2021: 22.7%). The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 10% (2021: 11%) and 2% (2021: 2.5%) respectively. Based on the review, no adjustment was made to the carrying amount as at 31 December 2022.

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Note C: Company level – Assessment of carrying value of cost of investment in subsidiaries (continued)

(ii) *HJT Engineering & Construction Pte. Ltd. (continued)*

Sensitivity analysis

Management has considered the most significant assumption used in the value-in-use calculations is the discount rate applied. Had the discount rate varied from the management's estimation, the estimated recoverable amount of the investment in HJT and the impairment charge would be as follows:

	Estimated recoverable amount S$	Increase in/ (write back of) impairment charge S$
HJT		
Discount rate at:		
2022		
1% higher than the management's projection	435,000	(335,000)
1% lower than the management's projection	630,000	(530,000)
2021		
1% higher than the management's projection	–	100,000
1% lower than the management's projection	278,000	(178,000)

14 INVESTMENT IN ASSOCIATES

	Group 2022 S$	Group 2021 S$
Unquoted equity shares, at cost	187,616	387,616
Share of post-acquisition reserves, net of dividend received	135,295	164,212
Impairment loss	(70,000)	(270,000)
	252,911	281,828

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 loss has been recognised in respect of the financial years ended 31 December 2022 and 2021.

Movements in allowance for impairment loss are as follows:

	Group 2022 S$	Group 2021 S$
At beginning of financial year	270,000	270,000
Written off during the year	(200,000)	–
At end of financial year	70,000	270,000

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14 INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates are as follows:

Name of associates (Country of incorporation)	**Principal activities**	**Group's effective equity interest 2022 %**	**Group's effective equity interest 2021 %**
Held by Heatec Jietong Pte. Ltd.			
Zhoushan Heatec IMC-YY Engineering Co., Ltd. (People's Republic of China)	Service and repair all kinds of heat exchangers and piping works.	45	45
Heatec Marine Phils Construction Inc. (Philippines)	Dormant.	39.97	39.97
Karnot Technology Pte. Ltd. (Singapore)	Dormant.	–	20

Management has evaluated and concluded that the associates are not individually nor collectively material to the Group. Therefore, the information required by SFRS(I) 12 *Disclosure of Interests in Other Entities* ("SFRS(I) 12") on the associates are not presented.

Karnot Technology Pte. Ltd. was struck off on 8 August 2022, and the cost of investments and impairment has been written off accordingly.

15 INVENTORIES

	Group 2022 S$	**Group 2021 S$**
Raw materials and supplies	355,302	354,493
Goods-in-transit	2,254	5,974
	357,556	360,467

In 2022, cost of inventories included as cost of sales amounted to S$4,181,460 (2021: S$5,958,166). The Group reversed S$16,520, part of an inventory written down made in 2021, as the inventories were sold above the carrying amounts in 2022. The reversal has been included in 'cost of sales' in the profit or loss.

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16 CONTRACT ASSETS AND LIABILITIES

	Group	
	2022	**2021**
	S$	**S$**
Contract assets	6,420,108	6,515,018
Less: Provision for liquidated damages	–	(1,108,015)
Less: Allowance for impairment loss (Note 31)	(80,000)	–
	6,340,108	5,407,003

The Group receives payments from customers based on performance milestone as established in contract.

Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date on the Group's heat exchanger and piping businesses. Contract liabilities relate to advance consideration received from customers and billings in-excess of revenue recognised to-date. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

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

	Group	
	2022	**2021**
	S$	**S$**
Trade receivables from contract with customers (Note 17)	4,724,083	6,043,355
Contract assets	6,340,108	5,407,003
Contract liabilities	825,381	379

There were no significant changes in the contract assets balances during the financial year.

Contract liabilities balance increased significantly due to billing in-excess of revenue from two major contracts during the financial year.

17 TRADE RECEIVABLES

	Group	
	2022	**2021**
	S$	**S$**
Third parties	5,234,758	6,492,918
Less: Allowance for impairment loss (Note 31)	(510,675)	(449,563)
	4,724,083	6,043,355

Impairment loss on trade receivables recognised as an expense amounted to S$84,685 (2021: S$76,937).

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18 OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Subsidiaries	–	–	4,429,009	2,937,302
Other receivables	136,811	146,331	–	–
GST recoverable	40,839	52,433	–	–
Deposits	207,164	234,120	7,410	7,570
Prepayments	131,532	237,472	47,045	91,334
Advance payment to supplier	30,602	228,472	–	–
	546,948	898,828	4,483,464	3,036,206

Amount receivable from subsidiaries are unsecured, interest-free and repayable on demand.

19 CASH AND BANK BALANCES

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Cash at bank	1,749,432	4,724,728	88,383	1,316,863
Fixed deposits	100,923	–	–	–
Total cash and bank balances	1,850,355	4,724,728	88,383	1,316,863
Less: Pledged fixed deposits	(100,923)	–	–	–
Cash and cash equivalents for presentation on the consolidated statement of cash flows	1,749,432	4,724,728	88,383	1,316,863

As at 31 December 2022, fixed deposits of S$100,923 (2021: S$Nil) are pledged to secure banking facilities granted to the Group (Note 20).

Cash and bank balances of S$74,844 (2021: S$376,965) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

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20 BORROWINGS

	Group		Company	
	2022	**2021**	**2022**	**2021**
	S$	**S$**	**S$**	**S$**
Non-current				
Term loans				
– Lender A	700,188	1,229,088	700,188	1,229,088
– Lender B	–	4,649,399	–	–
Lease liabilities	1,518,659	1,604,368	912,808	1,010,905
	2,218,847	7,482,855	1,612,996	2,239,993
Current				
Term loans				
– Lender A	666,117	719,304	666,117	719,304
– Lender B	4,653,097	2,023,429	–	–
Trade Financing with a financier	174,509	–	–	–
Lease liabilities	103,704	97,677	98,097	92,572
	5,597,427	2,840,410	764,214	811,876
Total borrowings	7,816,274	10,323,265	2,377,210	3,051,869

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.

Lender A

The Company was granted a loan from Lender A on 10 December 2021 which has carrying amount of S$1,366,305 at reporting date (2021: S$1,948,392). Repayment commenced on 16 December 2021 and is repayable over 3 years. The loan is secured by a corporate guarantee by the Company's subsidiary. The loan carries fixed interest at 5.00% per annum.

Lender B

The Group has been granted following loans from Lender B:

(i) A loan with principal amount of S$3,701,156 was raised on 18 October 2018. The loan has carrying amount of S$1,524,547 at reporting date (2021: S$2,062,621). Repayment commenced on 19 November 2018 and is repayable over 7 years. The loan carries interest at 1.73% plus 3 months Swap Offer Rate ("SOR") per annum.

(ii) A loan with principal amount of S$3,000,000 was raised on 16 May 2018 has carrying amount of S$1,156,730 at reporting date (2021: S$1,908,705). Repayment commenced on 18 June 2018 and is repayable over 6 years. The loan carries fixed interest at 6.75% per annum.

(iii) A loan with principal amount of S$1,500,000 was raised on 14 July 2020 has carrying amount of S$985,910 at reporting date (2021: S$1,350,751). Repayment commenced on 14 August 2021 and is repayable over 4 years. The loan carries fixed interest at 2.50% per annum.

(iv) A loan with principal amount of S$1,500,000 was raised on 15 September 2020 has carrying amount of S$985,910 at reporting date (2021: S$1,350,751). Repayment commenced on 14 August 2021 and is repayable over 4 years. The loan carries fixed interest at 2.50% per annum.

(Amounts in Singapore dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

20 BORROWINGS (CONTINUED)

Lender B (Continued)

The above loans are secured by:

(a) A first legal mortgage over the Group's leasehold industrial buildings (Note 12); and
(b) A corporate guarantee by the Company.

Trade Financing with a financier

During the financial year, the subsidiaries of the Group entered into Corporate Vendor Financing Facility agreement with a third party factoring service provider. The facility bears an interest rate of 0.77% per month and is repayable in 5 months from the funding dates, with repayment dated on 23 February 2023.

All borrowings of the Group have not yet transitioned to new benchmark rates.

Fair values

Fixed-rate term loans

The carrying amounts of current borrowings approximate their fair values at the end of the reporting period.

The carrying amounts of non-current borrowings at fixed rates are as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	S$	**S$**	**S$**	**S$**
Term loans	700,188	4,494,854	700,188	1,229,088

Fair values of non-current borrowings at fixed rates for disclosure purposes at the end of the reporting period are as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	S$	**S$**	**S$**	**S$**
Term loans	692,649	3,974,344	692,649	1,316,751

The fair values are determined from discounted cash flow analysis using a discount rate based upon the market borrowing rates at 5% (2021: 5.25%) per annum of an equivalent instrument or market lending rate for similar types of lending arrangement which the directors expect would be available to the Group.

This fair value measurement for disclosure purposes is categorised in Level 3 of the fair value hierarchy.

Floating rate term loans

The fair values of the Group's borrowings approximate the carrying amounts of the borrowings as the term loans are charged market interest rates. This fair value measurement for disclosure purposes is categorised in Level 3 of the fair value hierarchy.

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20 BORROWINGS (CONTINUED)

Future minimum lease payments under lease liabilities together with the present value of the net minimum lease payments are as follows:

	2022		2021	
	Minimum lease payments S$	Present value of minimum lease payments S$	Minimum lease payments S$	Present value of minimum lease payments S$
Group				
Amount payable under lease liabilities:				
Within one year	206,220	103,704	204,906	97,677
Between two to five years	824,881	495,970	819,628	464,534
After five years	1,730,663	1,022,689	1,899,402	1,139,834
Total minimum lease payments	2,761,764	1,622,363	2,923,936	1,702,045
Less: *Future finance charges*	(1,139,401)		(1,221,891)	
Present value of minimum lease payments	1,622,363		1,702,045	
Less:				
Repayable within one year included under current liabilities		(103,704)		(97,677)
Repayable within two to five years and after five years included under non-current liabilities		1,518,659		1,604,368

During the financial year ended 31 December 2022, the lease liabilities weighted average effective interest rates are 6.60% (2021: 6.60%) per annum.

Reconciliation movement of liabilities to cash flows arising from financing activities:

	Term loans S$	Trade financing with a financier S$	Lease liabilities S$	Total S$
Group				
Balance at 1 January 2021	8,213,078	–	1,814,546	10,027,624
Changes from financing cash flows:				
– Proceeds	2,000,000	1,794,218	–	3,794,218
– Repayments	(1,591,858)	(1,794,218)	(92,113)	(3,478,189)
– Interest paid	(341,735)	(34,579)	(113,181)	(489,495)
Non-cash changes:				
– Interest expense	341,735	34,579	113,181	489,495
– Modification on lease liabilities	–	–	(20,388)	(20,388)
Balance at 31 December 2021	8,621,220	–	1,702,045	10,323,265
Balance at 1 January 2022	8,621,220	–	1,702,045	10,323,265
Changes from financing cash flows:				
– Proceeds	100,000	2,599,486	–	2,699,486
– Repayments	(2,701,818)	(2,424,977)	(97,690)	(5,224,485)
– Interest paid	(282,336)	(59,719)	(107,326)	(449,381)
Non-cash changes:				
– Interest expense	282,336	59,719	107,326	449,381
– Modification on lease liabilities	–	–	18,008	18,008
Balance at 31 December 2022	6,019,402	174,509	1,622,363	7,816,274

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20 BORROWINGS (CONTINUED)

The Group is required to maintain net worth of a specified amount in order to comply with covenants in loan agreements with banks. In the financial year ended 31 December 2022, the Group did not fulfil certain financial covenants on its loans from Lender B with a carrying amount of S$4,653,097 (2021: S$6,672,828).

On 22 December 2022, the Group obtained a confirmation from the bank to accommodate the breach for the financial year ended 31 December 2022 on a one-off basis up to 31 October 2023. Accordingly, the affected loans balances were presented within current liabilities.

21 DEFERRED TAX LIABILITIES

The movements in the deferred tax account are as follows:

	Group	
	2022	**2021**
	S$	**S$**
Balance at 1 January	288,562	296,638
Tax credited to profit or loss (Note 10)	(19,076)	(8,076)
Balance at 31 December	269,486	288,562
Presented on the statements of financial position:		
Non-current		
Deferred tax liabilities	269,486	288,562

The following are the major deferred tax liabilities recognised by the Group and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation	**Others**	**Total**
	S$	**S$**	**S$**
Group			
Balance at 1 January 2021	309,073	(12,435)	296,638
Credited to profit or loss for the financial year (Note 10)	(8,076)	–	(8,076)
Balance at 31 December 2021	300,997	(12,435)	288,562
Balance at 1 January 2022	300,997	(12,435)	288,562
Credited to profit or loss for the financial year (Note 10)	(19,076)	–	(19,076)
Balance at 31 December 2022	281,921	(12,435)	269,486

22 TRADE PAYABLES

	Group	
	2022	**2021**
	S$	**S$**
Third parties	887,626	1,051,200

The credit period for trade payables generally ranges from 30 to 60 days (2021: 30 to 60 days).

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23 OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Subsidiaries	–	–	13,972	–
Accruals	1,189,798	1,453,023	330,893	293,179
Other payables	677,928	727,205	74,204	65,050
Financial guarantee (Note 28)	–	–	224,000	–
GST payables	118,859	155,121	93,264	79,317
	1,986,585	2,335,349	736,333	437,546

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

On 29 December 2021, the Company entered into Sale and Purchase Agreement with a third party to purchase the remaining 30% of the issued share capital of CG and CGE with total purchase consideration of S$1,600,000, out of which S$1,400,000 was paid during the year in tranches. The remaining consideration of S$200,000 is payable on the date two years from the completion date (i.e. 18 May 2024), subject to fulfilment of obligation by a third party in accordance with the Sale and Purchase Agreement.

24 PROVISION

This represents provision for warranty, which was estimated by management based on present value of the future outflow of economic benefits that may be required under the Group's warranty program for design-and-build contracts relating to 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.

25 SHARE CAPITAL

	Company			
	2022		2021	
	Number of issued shares	Total share capital S$	Number of issued shares	Total share capital S$
Issued and fully paid up				
– Ordinary shares with no par value				
Balance at 1 January and 31 December	122,959,345	11,554,627	122,959,345	11,554,627

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

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

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26 RESERVES

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Translation reserve[a]	(135,432)	(44,786)	–	–
Merger reserve[b]	(3,913,614)	(3,913,614)	–	–
Share options reserve[c]	69,690	69,690	69,690	69,690
Net discount received on acquisition from non-controlling interests[d]	596,113	221,206	–	–
Retained earnings/(accumulated losses)	2,554,644	3,331,492	(746,158)	(775,122)
	(828,599)	(336,012)	(676,468)	(705,432)

a) **Translation reserve**

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries and associates 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	
	2022	2021
	S$	S$
Balance at 1 January	(44,786)	(93,827)
Changes during the financial year in other comprehensive income	(90,646)	49,041
Balance at 31 December	(135,432)	(44,786)

b) **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 S$3,913,614 as at 31 December 2022 and 2021.

c) **Share options 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 disclosed in Note 27.

d) **Net discount received on acquisition from non-controlling interests**

This represents discount received on acquisition of additional equity interests in subsidiaries from non-controlling interests, whereby the changes in ownership in these subsidiaries did not result in a change in control of the Group.

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26 RESERVES (CONTINUED)

d) Net discount received on acquisition from non-controlling interests (Continued)

In financial year 2022

On 18 May 2022, as disclosed in Note 13(B), Heatec Jietong Pte. Ltd. acquired the remaining shares in each of Chem Grow Entities through step-acquisition from 70% to 100% for a total cash consideration of S$1,600,000. Consequently, the step acquisition has given rise to discount on acquisition of S$374,907 which was directly recognised in equity.

In prior year

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 S$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 1 January 2012, failing which the put option will lapse if it remains unexercised.

On 31 October 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 S$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 statements on the date of acquisition was S$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 acquired amounted to S$221,206, was recognised directly in equity.

27 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme (the "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% of 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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27 SHARE-BASED PAYMENTS (CONTINUED)

Details of the share options outstanding during the financial year are as follows:

	Group and Company			
	2022		2021	
	Number of share options	Weighted average exercise price S$	Number of share options	Weighted average exercise price S$
Outstanding at the beginning and end of the financial year	3,000,000	0.076	3,000,000	0.076
Exercisable at the end of the financial year	3,000,000	0.076	3,000,000	0.076

The options outstanding at the end of the financial year have a weighted average remaining contractual life of 4.30 (2021: 5.30) years.

28 FINANCIAL GUARANTEES

The Company has provided financial guarantees to banks for borrowings of S$4,653,097 (2021: S$6,672,828) and letters of guarantee of S$1,039,856 (2021: S$873,328) taken by its subsidiaries. At the reporting date, the Company recognised a provision of S$224,000 based on ECL methodology for these financial guarantees.

The financial effects of SFRS(I) 9 relating to financial guarantee contracts issued by the Company are material to the financial statements of the Company and therefore are recognised.

29 RELATED PARTY TRANSACTIONS

(a) In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2022 S$	2021 S$
With associates		
Purchases from	228,162	106,996
With non-controlling shareholder of subsidiary		
Dividend	–	210,900
With shareholders which exert significant influence over the Company		
Rendering of services	50,695	29,100
Provision of consultancy services	72,576	213,536
With entity controlled by Director of the Company		
Provision of legal and corporate secretarial services	80,550	47,500

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29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel are directors and those person having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly. Remuneration for key management personnel, including amounts paid to the Company's Directors are disclosed in Note 9.

30 CONTINGENT LIABILITIES

In June 2020, the Company's wholly-owned subsidiary, JJY Engineering & Construction Pte. Ltd. ("JJY") received a letter of demand ("Letter of Demand") from the solicitors representing the non-related owners ("Vessel Owners") of a certain vessel ("Vessel"), which was located at a shipyard where JJY was performing relevant works ("Shipyard"). JJY was engaged by the owner of the Shipyard ("Shipyard Owner"), pursuant to a contract entered into between JJY and the Shipyard Owner, to carry out certain works ("Works") on the Vessel, while the Vessel was docked at the Shipyard. For the avoidance of doubt, there was no contract entered into between JJY and the Vessel Owners.

Pursuant to the Letter of Demand, the Vessel Owners made a claim for damages amounting to the sums of United States Dollars 14,703,716, Euro Dollars 5,350 and British Pound Sterling 3,729 against JJY in respect of damages allegedly caused by the Works carried out by JJY. In August 2021, JJY was also informed by the Shipyard Owner that the Vessel Owners have made similar claims against the Shipyard Owner, and that the Shipyard Owner is seeking *inter alia* an indemnity against JJY in respect of such claims.

On 15 August 2022, JJY entered into a settlement agreement with the Vessel Owners and the Shipyard Owner ("Settlement Agreement") to arrive at a full and final settlement sum which was to be borne by JJY at US$1.425 million (approximately S$2.220 million) to indemnify the alleged damages caused by JJY. Subsequently, the final settlement sum has been paid for by the insurance company of the Group to the Vessel Owner on 25 August 2022, and accordingly the indemnity claim against the Group was concluded and closed.

31 FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	S$	**S$**	**S$**	**S$**
Financial assets				
At amortised cost	6,918,414	11,148,534	4,524,802	4,261,735
Financial liabilities				
At amortised cost	10,571,626	13,554,693	3,020,279	3,410,098

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31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall financial risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group does not hold derivative financial instruments for trading purposes.

Foreign exchange risk

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly United States Dollar ("USD"). The Group does not hedge against foreign exchange exposure as the currency risk is not expected to be significant.

At the end of reporting period, the Group has the following financial assets and financial liabilities denominated in foreign currencies based on information provided to key management:

Denominated in:	**USD** **S$**
At 31 December 2022	
Financial assets	
Cash and bank balances	506,533
Trade receivables	1,530,237
	2,036,770
Financial liabilities	
Trade payables	811,980
Net financial assets denominated in USD	1,224,790

Denominated in:	**USD** **S$**
At 31 December 2021	
Financial assets	
Cash and bank balances	953,587
Trade receivables	3,340,392
	4,293,979
Financial liabilities	
Trade payables	412,745
Net financial assets denominated in USD	3,881,234

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's loss after tax:

		Group **Increase/(decrease)** **in loss after tax** **2022** **S$**	 **2021** **S$**
USD/SGD	– strengthened 10% (2021: 10%)	(101,658)	(322,142)
	– weakened 10% (2021: 10%)	101,658	322,142

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31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Interest rate risk

The Group's exposure to interest rate risk arises primarily from their borrowings. Borrowings at variable rates totalling S$1,524,547 (2021: S$2,062,621) expose the Group to cash flow interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates). Borrowings at fixed rates totalling S$4,669,364 (2021: S$6,558,599) expose the Group to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates). The Group's policy is to obtain most favourable interest rate 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 Note 20. The Group does not utilise derivatives to mitigate its interest rate risk.

As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

Sensitivity analysis for interest rate risk

The sensitivity analysis below have been determined based on the exposure to interest rates for borrowings at the end of 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 borrowings that have floating rates.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in Singapore Dollars ("SGD"). If the SGD interest rates increase/decrease by 200 (2021: 50) basis points with all other variables including tax rate being held constant, the profit after tax of the Group will be higher/lower by S$30,491 (2021: S$10,313) as a result of higher/lower interest expense on these borrowings.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

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.

Concentration of credit risk and maximum exposure

The Group does not have significant credit concentration except that the Group's 3 (2021: 3) largest trade receivables and contract assets represented 88% (2021: 83%) of total trade receivables and contract assets.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statements of financial position and the amount of S$5,692,953 (2021: S$7,546,156) (Note 28) relating to corporate guarantees given by the Company to banks for the subsidiaries' credit facilities.

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31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Concentration of credit risk and maximum exposure (continued)

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	**Basis for recognition and measurement of ECL**
Counterparty has a low risk of default and does not have any past due amounts.	12-month ECL
Contractual payments are more than 3 years past due for major shipyards and more than 1 year past due for other counterparties or there has been a significant increase in credit risk since initial recognition. The presumption of significant increase in credit risk after 30 days past due is not suitable for application in the industries that the Group operates in.	Lifetime ECL – not credit-impaired
Contractual payments are more than 4 years past due for major shipyards and more than 3 years past due for other counterparties or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are over 5 years past due, whichever occurs earlier.	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset 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, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor; and

- 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.

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.

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31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Significant increase in credit risk (continued)

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 3 years past due for major shipyards or more than 1 year past due for other counterparties unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of “investment grade” as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and 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.

Definition of default

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 4 years past due for major shipyards or 3 years past due for other counterparties 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 such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowance, except for the consideration of impact of COVID-19 pandemic.

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31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Estimation techniques and significant assumptions (continued)

Movements in credit loss allowance are as follows:

	Trade receivables S$	Contract assets S$	Total S$
Group			
Balance at 1 January 2021	430,212	–	430,212
Loss allowance measured:			
Lifetime ECL			
– simplified approach	76,937	–	76,937
Receivables recovered	(57,586)	–	(57,586)
Balance at 31 December 2021	449,563	–	449,563
Balance at 1 January 2022	449,563	–	449,563
Loss allowance measured:			
Lifetime ECL			
– simplified approach	84,685	80,000	164,685
Receivables recovered	(23,573)	–	(23,573)
Balance at 31 December 2022	**510,675**	**80,000**	**590,675**

Trade receivables and contract assets

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

Contract assets relate to unbilled work-in-progress, which have substantially the same risk characteristics as trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets. Trade receivables and contract assets that shared the same credit risk characteristics and days past due are grouped together in measuring the expected credit losses.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions with consideration of the impact of COVID-19 pandemic on the ability of the customers to settle the receivables. There has been no change in the estimation techniques or significant assumptions made during the current financial year, except for changing the category of trade receivables over more than 1 year and less than 5 years past due from other customers from categories C and D to category E.

The Group has recognised a loss allowance of 100% against trade receivables over more than 5 years past due from customers that are major shipyards, and against trade receivables over more than 1 year past due from other customers because historical experience has indicated that these receivables are generally not recoverable. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

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31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Trade receivables and contract assets (continued)

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2022 are set out in the provision matrix below:

	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

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2021 were set out in the provision matrix below:

	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 E	Category E	Category E	Category E

	Debts category:					
	Category A	**Category B**	**Category C**	**Category D**	**Category E**	**Total**
	S$	**S$**	**S$**	**S$**	**S$**	**S$**
2022						
Expected credit loss rate	0%	0.5%	1%	1.5%	100%	
Estimated total gross carrying amount at default	8,943,863	2,293,418	200,385	134,181	83,019	11,654,866
Lifetime ECL	–	(174,582)	(200,293)	(132,781)	(83,019)	(590,675)
						11,064,191
2021						
Expected credit loss rate	0%	0.5%	1%	1.5%	100%	
Estimated total gross carrying amount at default	8,171,858	3,279,641	78,660	2,547	367,215	11,899,921
Lifetime ECL	–	(47,747)	(32,611)	(1,990)	(367,215)	(449,563)
						11,450,358

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31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables (excluding prepayments, GST recoverable, grant receivable and advance payment to supplier) and cash and bank balances. The table below details the credit quality of the Group's and the Company's other financial assets at amortised cost:

2022 **Group**	**12-month or lifetime ECL**	**Gross carrying amount** **S$**	**Loss allowance** **S$**	**Net carrying amount** **S$**
Other receivables (excluding prepayments, GST recoverable, grant receivable and advance payment to supplier)	12-month ECL	343,975	–	343,975
Cash and bank balances	N.A. Exposure Limited	1,850,355	–	1,850,355
Company				
Other receivables (excluding prepayments)	12-month ECL	4,436,419	–	4,436,419
Cash and bank balances	N.A. Exposure Limited	88,383	–	88,383

2021 **Group**	**12-month or lifetime ECL**	**Gross carrying amount** **S$**	**Loss allowance** **S$**	**Net carrying amount** **S$**
Other receivables (excluding prepayments, GST recoverable, grant receivable and advance payment to supplier)	12-month ECL	380,451	–	380,451
Cash and bank balances	N.A. Exposure Limited	4,724,728	–	4,724,728
Company				
Other receivables (excluding prepayments)	12-month ECL	2,944,872	–	2,944,872
Cash and bank balances	N.A. Exposure Limited	1,316,863	–	1,316,863

The credit loss exposure for other receivables and cash and bank balances are immaterial as at 31 December 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Financial guarantee

The Company has issued financial guarantees to banks for borrowings of its subsidiaries (Note 28). These guarantees are calculated based on the impairment requirements of SFRS(I) 9. The Company has assessed that a subsidiary has insufficient financial capacity to meet the contractual cash flow obligations and recognised credit losses of S$224,000 arising from these guarantees.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities (Note 20).

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at end of the reporting period based on contractual undiscounted repayment obligations.

	1 year or less S$	2 to 5 years S$	Over 5 years S$	Total S$
Group				
2022				
Trade payables	887,626	–	–	887,626
Other payables	1,867,726	–	–	1,867,726
Borrowings (excluding lease liabilities)	5,574,651	719,296	–	6,293,947
Lease liabilities	206,220	824,881	1,730,663	2,761,764
	8,536,223	1,544,177	1,730,663	11,811,063
2021				
Trade payables	1,051,200	–	–	1,051,200
Other payables	2,180,228	–	–	2,180,228
Borrowings (excluding lease liabilities)	2,947,449	6,267,984	–	9,215,433
Lease liabilities	204,906	819,628	1,899,402	2,923,936
	6,383,783	7,087,612	1,899,402	15,370,797

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Liquidity risk (continued)

	1 year or less S$	2 to 5 years S$	Over 5 years S$	Total S$
Company				
2022				
Other payables	643,069	–	–	643,069
Lease liabilities	161,591	646,366	484,774	1,292,731
Term loan	719,304	719,296	–	1,438,600
Financial guarantees *	5,692,953	–	–	5,692,953
	7,216,917	1,365,662	484,774	9,067,353
2021				
Other payables	358,229	–	–	358,229
Lease liabilities	161,591	646,366	646,864	1,454,821
Term loan	719,304	1,378,658	–	2,097,962
Financial guarantees *	7,546,156	–	–	7,546,156
	8,785,280	2,025,024	646,864	11,457,168

* At the end of the reporting period, the maximum exposure of the Company in respect of the intra-group financial guarantees (Note 28) based on facilities drawn down by the subsidiaries is S$5,692,953 (2021: S$7,546,156).

32 FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group analyses the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and

c) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of the financial assets and financial liabilities (including trade and other receivables, other current assets excluding prepayment, refundable deposit, cash and bank balances and trade and other payables excludes contract liabilities and GST payable) recorded in the financial statements of the Group and the Company approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

32 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Determination of fair values

Borrowings

The basis of determining fair value at end of the financial period is disclosed in Note 20.

33 SEGMENT INFORMATION

The Group is organised into business units based on its services for management purposes. The reportable segments are piping, heat exchanger and chemical cleaning. Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment. Expense other than finance cost of S$146,295 are allocated to the other operating segments.

The segment information provided to management for the reportable segments are as follows:

	Piping S$	Heat exchanger S$	Chemical cleaning S$	Unallocated S$	Consolidated S$
2022					
Segment revenue:					
Sales to external customers, representing total revenue	7,175,647	11,610,934	2,573,988	–	21,360,569
Segment results	(332,789)	416,033	(378,948)	–	(295,704)
Other significant non-cash expenses					
Depreciation of property, plant and equipment	12,577	222,812	311,047	593,585	1,140,021
Impairment losses on financial assets	80,805	60,307	–	–	141,112
Share of results of associates	–	–	–	(40,739)	(40,739)
Write back for inventory obsolescence	–	(16,520)	–	–	(16,520)
Segment assets	5,749,913	7,527,964	3,669,917	5,612,350	22,560,144
Segment assets includes					
Additions to non-current assets	2,198	53,885	24,636	27,900	108,619
Segment liabilities	734,090	6,872,665	1,378,641	2,875,571	11,860,967

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

33 SEGMENT INFORMATION (CONTINUED)

	Piping S$	Heat exchanger S$	Chemical cleaning S$	Head office expenses S$	Consolidated S$
2021					
Segment revenue:					
Sales to external customers, representing total revenue	6,745,409	12,665,166	2,902,656	–	22,313,231
Segment results	(963,276)	(1,375,036)	173,138	6	(2,165,168)
Other significant non-cash expenses					
Depreciation of property, plant and equipment	37,431	251,082	364,832	582,548	1,235,893
Net impairment losses on financial assets	122	75,046	1,769	–	76,937
Share of results of associates	–	–	–	(52,373)	(52,373)
Property, plant and equipment written off	–	201,061	2,226	–	203,287
Allowance for inventory obsolescence	–	65,055	–	–	65,055
Segment assets	5,692,698	8,696,166	5,338,553	7,493,968	27,221,385
Segment assets includes					
Additions to non-current assets	5,464	155,586	81,692	–	242,742
Segment liabilities	525,445	8,665,283	1,395,079	3,489,415	14,075,222

Segment results

Segment revenue represents revenue generated from external and internal customers. Segment results represents the loss earned by each segment without allocation of share of results 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.

A reconciliation of segment results to the consolidated loss before tax is as follows:

	2022 S$	2021 S$
Segment results	(295,704)	(2,165,168)
Share of results of associates	40,739	52,373
Finance costs	(497,391)	(504,947)
Loss before tax	(752,356)	(2,617,742)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

33 SEGMENT INFORMATION (CONTINUED)

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments.

Segment liabilities

The amounts provided to the management with respect to total liabilities are measured in a manner consistent with that of the financial statements.

Geographical information

The Group's operations are primarily carried out in Singapore and People's Republic of China ("PRC"). Management has evaluated and concluded that the non-current assets and revenue from external customers recorded in a subsidiary in PRC are not material to the Group. Accordingly, no geographical segment on non-current assets and revenue from external customers' information are presented.

Information about major customer

Revenue is derived from 3 (2021: 3) external customers who individually contributed 10% or more of the Group's revenue and are attributable to the segments as detailed below:

		Group	
		2022	**2021**
	Attributable segments	**S$**	**S$**
Customer A	Piping segment and Chemical cleaning segment	5,530,591	5,261,670
Customer B	Heat exchanger segment	3,103,887	4,883,751
Customer C	Heat exchanger segment	–	2,959,839
Customer D	Piping segment and Chemical cleaning segment	2,308,613	–
		10,942,591	13,105,260

34 LEASES

Nature of the Group's leasing activities

The Group's activities comprise the following:

i) The Group leases leasehold land from non-related parties. The leases have an average tenure of between 18 to 60 years.

ii) In addition, the Group leases staff accommodation and equipment with contractual terms of an average of one year. These leases are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The maturity analysis of the lease liabilities is disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

34 LEASES (CONTINUED)

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

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Carrying amount of right-of-use assets classified within property, plant and equipment on statement of financial position				
Leasehold land	1,461,382	1,572,366	899,342	1,011,760

	Group		Company	
	2022	2021	2022	2021
	S$	S$	S$	S$
Amounts recognised in profit or loss relating to right-of-use assets				
Depreciation charge for the financial year	128,992	149,680	112,418	133,151
Lease expense not included in the measurement of lease liabilities:				
– Short-term leases	1,021,965	1,133,359	–	–
– Leases of low value assets	6,000	6,500	–	–
Total	1,027,965	1,139,859	–	–
Interest expense on lease liabilities	107,326	113,181	69,019	74,654

During the financial year, total cash flows for the Group's and the Company's leases amounted to S$1,232,981 (2021: S$1,345,152) and S$161,591 (2021: S$176,016) respectively.

As at 31 December 2022, the Group is committed to S$145,360 (2021: S$336,620) for short-term leases and low value leases.

35 CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in Singapore dollars unless otherwise stated)

35 CAPITAL MANAGEMENT (CONTINUED)

	Group		Company	
	2022 S$	2021 S$	2022 S$	2021 S$
Net debt	9,282,716	8,985,086	3,025,160	2,172,552
Total equity	10,699,177	13,146,163	10,878,159	10,849,195
Total capital	19,981,893	22,131,249	13,903,319	13,021,747
Gearing ratio	46%	41%	22%	17%

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 breached a loan covenant for the financial year ended 31 December 2022 and details of the breach is disclosed in Note 20.

36 SUBSEQUENT EVENT

On 20 January 2023, the Company held an Extraordinary General Meeting on the acquisition of 60% of the shareholding interest in Setya Energy Pte. Ltd. ("Setya Acquisition"), which has been duly approved and passed by shareholders of the Company.

The purchase consideration was satisfied entirely by way of issuance and allotment of 81,818,181 consideration shares in the issued share capital of the Company in favour of the vendor. At the date of these financial statements, management has not commenced purchase price allocation exercise to account for the Setya Acquisition and consequently, relevant information pertaining to the financial effects of Setya Acquisition as required under paragraph 59(b) of SFRS(I) 3 have not been disclosed in these financial statements.

37 COMPARATIVES

Prior year comparatives have been audited by another firm of public accountants.

Certain reclassifications have been made to the prior year's financial statements to enhance the comparability with the current year's financial statements.

	Group	
	As restated S$	As previously reported S$
Statement of cash flows for year ended 31 December 2021		
Proceeds from trade financing	1,794,218	–
Repayment of trade financing	(1,794,218)	–
Trade and other payables and contract liabilities	(447,080)	(566,780)
Dividend paid to non-controlling shareholders	(330,600)	(210,900)

SUSTAINABILITY REPORT

BOARD STATEMENT

The Board of Directors (the "**Board**") of Heatec Jietong Holdings Ltd. (the "**Company**" or "**Heatec**", together with its subsidiaries, the "**Group**") affirms that it provides the strategic direction to the Group and specifically considers sustainability issues as part of its strategic formulation. The Board also acknowledges its responsibility for the Group's sustainability reporting and believes that the following report provides a reasonable and transparent presentation of the Group's strategy and environmental, social and governance ("**ESG**") performance.

FOREWORD BY THE CHAIRMAN

Dear Shareholders,

We are pleased to submit to you our 6th Sustainability Report (the "**Sustainability Report**" or the "**Report**"), for the year ended 31 December 2022 ("**FY2022**").

While the world recovers from Covid-19, we are mindful about the continuing impact of climate change and remain committed to doing our part in minimising the effects that our operations have on the environment, the eco-system and the community at large.

We are fully aware that our Group's performance should not be assessed purely on financials; we should also be judged by how we perform on environmental and social fronts as well. We take our ESG responsibilities seriously and continually seek to take purposeful measures to minimise any negative impact that our economic activities may have on the environment to the best of our ability.

The Board, while fully committed to providing guidance and oversight in these issues, endeavours to continue delivering long-term value to all our stakeholders while progressing on our sustainability goals.

Soon Yeow Kwee Johnny
Executive Chairman and Non-Independent Director

9 May 2023

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

Singapore Exchange Regulation (SGX RegCo) requires listed companies to submit climate-related disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on a "comply or explain" basis.

While the Group understands that climate-related reporting is an important step towards mitigating the devastating effects of climate change around the world, the Group, however, does not have the necessary resources to implement TCFD reporting, especially as it is still recovering from the adverse impact on its business and operations wrought by the pandemic. Being mindful of the import of climate change, the Group has implemented initiatives with regards to sustainability and responsible management of the impact of its operations on the environment. It is further noted that based on the Group's reasonable estimation on the Company's GHG emissions and its scope, implementation of TCFD is less relevant to the Group's operations as there is minimal gas emissions produced through the Group's activities.

Nonetheless, in 2022, the Group provided training for the Sustainability Reporting committee and sent a representative to participate in a training on TCFD that was organised by the Singapore Exchange. On an ongoing basis, the Group is collecting TCFD-related data and identifying the root causes and possible sources of emissions. These are just first steps of a continual journey towards implementing TCFD reporting in the Group as the Group is committed to alignment with the TCFD recommendations.

SUSTAINABILITY REPORT

SCOPE OF THIS REPORT

The Group's sustainability report for FY2022 outlines the development and progress of its sustainability journey in the year under review. This sustainability report has been prepared with reference to the Global Reporting Initiative ("GRI") Standards 2021 and in line with Catalist Rules 711A, 711B, Practice Note 7F and also SGX-ST's Sustainability Reporting Guide.

The GRI Standards remains the main reference on the Group's disclosure for sustainability reporting. GRI standards are widely recognized as one of the main frameworks for sustainability reporting, as it provides comprehensive framework and guidelines for the Group to demonstrate its commitment to business sustainability, enhance transparency and business accountability. The GRI Content Index is included on pages 165 to 166, indicating the location of the applicable disclosures within this Report.

In preparing the report for FY2022, the Group continues to focus on communicating value creation through its ESG strategies. This Report covers the ESG performance for all business divisions within the Group over the reporting period. Information is primarily extracted from internal records to ensure accuracy and presented using internationally accepted measurement units.

The Group welcomes feedback from stakeholders with regards to its sustainability efforts as this enables it to improve its policies, systems and results. Any comments and suggestions should be sent to info@heatec.com.sg as the Group believes that stakeholder engagement is essential to responsible business operations.

REPORTING PROCESS

The Board has assigned the responsibility for monitoring and overseeing the Company's sustainability efforts to the Group's Chief Executive Officer ("**CEO**").

STATEMENT OF ASSURANCE

The Company relies on its internal processes to verify the accuracy of the ESG performance data and information presented in this Report, and this Report has been reviewed internally in line with Rule 711B of the Catalist Rules. At the moment, it does not engage the services of an independent assessor to provide external assurance on the contents of this Report, but may consider doing so in the future.

ABOUT THIS REPORT

ORGANISATIONAL STRUCTURE

The Group's sustainability strategy is developed and directed by senior management in consultation with the Board. The Group's Sustainability Reporting Committee (the "**Committee**"), which is led by the CEO, comprises the Chief Financial Officer and various heads of departments.

The Committee is tasked to develop the sustainability strategy, review its material impacts, consider stakeholder priorities and set goals and targets, as well as to collect, verify, monitor, and report performance data for this Sustainability Report.

The Committee aims to develop effective programmes in reduction of resource usage to promote sustainability in progressive milestones over the next three years. Committee members will assist in data collection for reporting and dissemination of the sustainability reporting to stakeholders. The Committee meets every six months to review the goals, and all the relevant departments ensure that these goals are carried out. Any targets behind schedule will be closely monitored and will be brought to the attention of all members to resolve any such issues.

SUSTAINABILITY REPORT

CONTENTS OF THE REPORT

This Report will begin with a review of the material aspects that both stakeholders and the Company view as being critical to the success and sustainability of the Company. The Group seeks to assess any changes in these material aspects as compared to the preceding year, where applicable, and look into issues that may have a large variance. These may include changes to the business environment, stakeholder feedback and sustainability trends.

OUR SUSTAINABILITY POLICY

Heatec places much emphasis on executing a sustainable business strategy with profitability and shareholder value as foremost priorities. As a responsible corporate citizen operating in Singapore and the Asia-Pacific region, the Group's values are articulated in the following principles:

1. CODE OF CONDUCT AND BUSINESS ETHICS

The Group adopts a Code of Conduct and Business Ethics that stipulates the principles of conduct and business ethics that apply to all of the Group's employees. This Code covers areas such as workplace conduct, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest.

A whistle-blowing mechanism has been established to aid in the reporting of corporate misconduct, if any. For more details of the whistle-blowing mechanism, please refer to the section below on whistle-blowing. The Group does not engage in child labour nor employs unethical means, directly or indirectly, to provide business services in our day-to-day operations. By "indirectly", the Group refers to its policy to refrain from conducting business with partners, suppliers or third-party manufacturers that are known to employ unethical means in their business processes.

2. HEALTH, SAFETY AND THE ENVIRONMENT

Management of health, safety and the environment is a high priority. The Group continuously seeks to minimise the impact of its activities through water and energy conservation, as well as through having a robust workplace safety management programme.

3. EMPLOYEES

The Group is committed to engaging and nurturing its employees by providing opportunities for their growth and development.

4. COMMUNITY

The Group is committed to giving back to society by supporting various charitable initiatives and community projects.

SUSTAINABILITY REPORT

STAKEHOLDERS ENGAGEMENT

Stakeholder engagement is essential for building trust, understanding, gathering feedback for business decision making and long-term sustainability. We continuously engage our internal and external stakeholders through various established means, listen and respond to the feedback and queries. We aim to address all stakeholders' concerns constantly by actively engaging them through constructive communication and feedback in order to build trust over the long term.

We would like to present the summary of stakeholders' engagement as follows:

Stakeholder	Engagement Method	Frequency	Area(s) of Concern
Employees	Townhall sessions Open dialogue among teams Comprehensive training Staff appraisal Employee survey	Throughout the year	Company's plans and goals Employee benefits Working hours
Investors/Shareholders	Annual Report Annual General Meeting/ Extraordinary General Meeting Circulars Investor meetings/Roadshows Teleconferences Corporate Announcements Press releases Company website	Throughout the year	Financial performance
Customers	Frontline interaction with sales staff Hotline Email queries Customer feedback Customer surveys	Throughout the year	Price, quality and safety
Local Communities	Social activities	Throughout the year	Impact to society Value to society
Suppliers and Service Providers	Face-to-face meetings Annual audit review on quality Feedback sessions	As required	Prompt payment
Government and Regulators	Face-to-face meetings Discussions	As required	Compliance

SUSTAINABILITY REPORT

MATERIALITY

A materiality assessment was conducted during the year and a matrix-based approach, based on likelihood and impact, was adopted to address the Company's sustainability risk profile and priorities issues. This method is used to monitor the Group's risk profile on a regular basis. The Committee continues to evaluate and review on the materiality aspects based on the industry standards and stakeholders' needs and resolve the findings during internal workshop discussion.

In order to determine if an aspect is material, its potential impact on the economy, environment and society and the influence on the stakeholders is assessed. The Group had reviewed the materiality of the ESG factors reported last year and incorporated inputs from stakeholder engagements.

Material aspects were identified and prioritised through internal workshops together with senior management to determine the prioritization of aspects that impact the most on the Group's business sustainability and stakeholders needs. Peer reviews and social impact assessments were performed at site level. With reference to the GRI Standards, the following material aspects have been identified:

ECONOMIC
- Economic Performance
- Anti-Corruption

ENVIRONMENT
- Energy
- Effluents and Waste
- Socioeconomic Compliance

SOCIAL
- Occupational Health and Safety
- Training and Education
- Diversity and Equal Opportunity
- Local Communities
- Customer Privacy

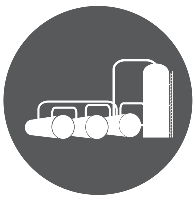
GOVERNANCE
- Corporate Governance
- Enterprise Risk Management

ECONOMIC

Economic Performance[201-1, 201-3, 201-4]

As Heatec strives to be a more sustainable company on the ESG front, the Group remains focused on delivering value to its shareholders, contributing to infrastructure development through tax and other payments to local authorities and creating employment and other gains in the local economies and communities where its operations are based.

The Group's core activities are as follows:

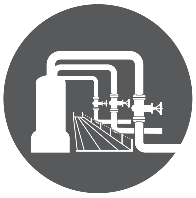


Heat Exchanger Services

The Heat Exchangers segment designs and manufactures heat exchangers which are deployed in on-board floating production storage and offloading units ("**FPSO**") as well as in refineries, petrochemical plants, power stations all over the world, including Europe, Middle East, Australia, Asia and South America.

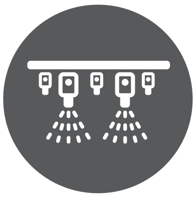
The Group also services various types of heat exchangers that are utilised on board marine vessels. Its heat exchanger services include on-site inspection, engineering, consultancy, fabrication and restoration of main engine charge-air coolers, condensers, heaters, freshwater generators, and other heat transfer applications.

SUSTAINABILITY REPORT



Piping Services

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 FPSOs and oil rigs. The scope of work includes turnkey project management, ranging from engineering, procurement, fabrication, installation to commissioning. Over the years, the piping division has received multiple accolades from major shipyards in Singapore.



Chemical Cleaning

Through Heatec's subsidiary Chem-Grow Pte Ltd, the Company is engaged in the chemical cleaning of boilers, coolers and pipelines for the marine, oil & gas, food, and chemicals industries.

The Group implements industry best-practices and also adopts international standards such as ISO9000 and ISO 45001:2018 to bolster sustainability efforts.

Achieving organic growth remains the Group's strategy and contributes to its goal of achieving long-term sustainable growth. The Group also continues to look for opportunities to accelerate its growth continuum, while enhancing sustainability efforts.

In the immediate term, the Group plans to improve its economic performance by increasing its revenue while at the same time, managing its costs. With the booming FPSO market globally, the Group is focusing its efforts on driving growth by tapping on its strong track record and reputation as a one-stop heat exchanger solutions provider.

Its short-term target is to secure more contracts and maintain a sustainable relationship with its existing customers. The Group also aims to enhance its competitiveness and operational efficiency.

In the medium to long term, the Group will actively seek inorganic growth through synergistic and complementary opportunities.

	FY2022 S$'000	FY2021 S$'000	Change (%)
Economic value generated[(1)]	22,177	23,495	(6)
Operating Costs (related to supply chain)	14,574	18,151	(20)
Operating Costs (not related to supply chain)	7,898	7,518	5
Employee benefits expenses	12,425	12,799	(3)
Distribution to providers of debt capital[(2)]	390	392	1
Distribution to governments/taxes	4	51	(92)

Notes:

(1) Economic value generated is derived by summing revenue and other income.

(2) Distribution to providers of debt capital refers to interest paid to the lenders.

SUSTAINABILITY REPORT

DEFINED BENEFIT PLAN OBLIGATIONS

	FY2022 S$'000	FY2021 S$'000	Change (%)
Central Provident Fund (CPF) provisions	407	482	(16)

The Group's benefit plan obligations include Central Provident Fund ("**CPF**") provisions for its local and Singapore permanent resident employees. These provisions are met by the Group's general funds, as there is no separate fund to fulfil these obligations.

CPF is a social security savings scheme for Singaporeans, funded by contributions from employees and their employers, and provides for Singaporeans' housing, healthcare, and retirement needs.

Under the CPF scheme, every employee contributes 20% of their gross salary into their CPF account and the Company contributes 17% of the employee's gross salary into their CPF account. For low-wage employees, the government provides additional tops-up to their CPF accounts through income supplementary schemes such as Workfare Income Supplement Scheme, and additional top-ups for the elderly for healthcare needs. For employees earning more than S$6,000 per month, the total CPF contribution is capped at S$2,220.

Legislated by the Singapore government, the CPF scheme is mandatory for Singaporeans and Singapore permanent residents.

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

	FY2022 S$'000	FY2021 S$'000	Change (%)
Grants from government agencies	668	1,096	(39)

In FY2022, the Group received a total of approximately S$668,000 in grants from Singapore government agencies. This was a decrease of 39% compared to the previous year, in line with changes in government policies. Although we had anticipated a reduction in government grants of up to 70%, the actual reduction in FY2022 was 39%. Going forward, we foresee that the grants received for the year ending 31 December 2023 ("FY2023") will be similar as those for FY2022.

These include grants that the Group was eligible for under the relevant government incentives, such as the Singapore Government's Jobs Support Scheme which provided wage support to employers to help retain their local employees (Singapore citizens and permanent residents) during the COVID-19 pandemic. In addition, the Group also received foreign worker levy rebates from the Ministry of Manpower.

No government or government body is present in the Group's shareholding structure.

ANTI-CORRUPTION[205-1, 205-2]

ANTI-CORRUPTION POLICY

The Group defines corruption as dishonest or fraudulent conduct by those in power, typically involving bribery. In the Company's Employee Handbook, a bribe is defined as "persuading someone to act in one's favour, usually illegally or dishonestly, by the giving of gifts, money or other inducements." The Group considers kickbacks as a form of negotiated bribery in which a commission of some sort is paid to the bribe-taker as a "quid pro quo" ("this for that") for services rendered.

SUSTAINABILITY REPORT

The Group adopts a zero-tolerance approach to any form of bribery and corruption and will not hesitate to take all necessary action against any such acts by our employees. It adheres strictly to all prevailing anti-corruption legislation in all the markets that it operates in. This includes compliance with all laws, both domestic and foreign, and prohibits improper payments and/or gifts of any kind both to and from any person, including officials, customers and suppliers.

Heatec's anti-corruption policy is included in its Employee Handbook, and all staff are briefed on this policy during orientation and induction sessions. This policy is also communicated to all of its suppliers, sub-contractors and other business partners at the outset of the working relationship. In addition, the Group's Finance Department has strict oversight of payments and receipts with appropriate controls and procedures in place to monitor and prevent any irregular forms of payments or receipts.

The Group also issues guidelines on the receipt and giving of gifts, entertainment, sponsorships and charitable contributions for its staff.

In FY2022, the Group has achieved the target of zero reports of corruption or incidence of suspected corruption, similar as the year ended 31 December 2021 ("**FY2021**"). The Group is committed to maintaining our track record of zero corruption cases in FY2023.

ANTI FRAUD POLICY

The Group defines fraud as "any illegal act characterised by deceit, concealment, or violation of trust." These acts are not dependent upon the application or threat of violent or of physical force. Fraud is perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Fraud may involve the falsification or alteration of accounting records; the misappropriation of assets or theft; the suppression or omission of the effects of transactions from records or recording of transactions without substance; the intentional misapplication of accounting policies or the wilful misrepresentation of transactions or of the entity's state of affairs; the misappropriation of corporate or bank funds, and the manipulation of information system applications and data for personal advantage.

Any unethical or unlawful behaviour can have far-reaching impact for the Group, both in terms of financial and legal consequences, as well as its corporate reputation. As such, the Group takes breaches of these policies seriously and ensures that the policy is adhered to. Any fraudulent actions, proven or suspected, whether perpetrated by a staff member or external parties, will be immediately referred to the appropriate authorities, internal or external.

Apart from having anti-corruption and anti-fraud policies, the Group is resolute in its efforts to prevent corruption and fraudulent activities. Through effective corporate governance, it ensures that its business operations observe all requisite laws and regulatory requirements, and that all financial transactions are recorded in the Group's books. It is committed to adhering to both the letter and the spirit of these laws and requirements. The Group manages risks related to corruption through various internal controls and corporate policies.

Staff Members & Employees

All employees are expected to comply with these policies. Any employee who violates the Anti-Corruption Policy will be subject to disciplinary action. Any employee who has direct knowledge of potential violations but fails to report the potential violations to management will also be subject to disciplinary action. Any employee who misleads or impedes an investigation regarding corrupt or potentially corrupt acts will be subject to disciplinary action. In all cases, disciplinary action may include termination of employment.

Every year, all staff who work in supply chain management and procurement are required to declare any possible conflicts of interest.

SUSTAINABILITY REPORT

The Group also requires that all employees report any forms of corruption to management, relating any suspicions, observations or queries they may have. The Group also has set up a whistle-blowing procedure for employees and third parties to report such breaches.

The Group will similarly ensure that no retaliatory actions will be taken against employees who use these channels in good faith to raise questions or report behaviour that breaches the policy.

The Group will also continue to provide training on preventing and combating corruption.

Business Associates and Partners

The Group's business partners and associates are similarly expected to comply with these anti-corruption policies and the Group reserves the right to take actions against any business party who acts in contravention to the policy.

In line with this, the Group exercises extra caution and scrutiny in cases where there may be a lack of integrity with any person or entity with whom it deals with, to ensure that the Group only establishes business relationships with qualified and reputable persons and entities.

The Group provides its employees with guidelines on the appropriate responses to gifts received from business associates or customers. Employees are expected to comply with these guidelines in order to maintain their integrity, reputation, as well as professionalism. These guidelines also prevent the creation of any obligation to the customers or business associates that may arise from accepting gifts or favours.

Vendors & Other External Parties

Contractors, suppliers, and other vendors' performance are evaluated by the Group on an annual basis to ensure compliance with the Group's requisite standards.

WHISTLE-BLOWING

The Group has in place a whistle-blowing policy that allows for staff and other persons to report any matters that may be suspicious or concerns regarding business matters, from accounting, financial reporting, auditing, internal controls to business operations.

The policy provides procedures and practices to ensure that concerns are investigated independently and followed up with the appropriate response.

This information is communicated to employees via the Employee Handbook which is accessible via the company's internal server. All employees can call the Whistleblowing Hotline – 8417 9161 – to report any irregularities. This Hotline is manned by the Company's internal auditors, BDO Advisory Pte. Ltd. Every month, BDO Advisory Pte. Ltd. reports via email to the Chairman of the Audit and Risk Management Committee. As of 31 December 2022, there were no cases reported. Staff may report anonymously or otherwise with confidence that they shall face no reprisal.

As per previous year, there were no reported whistleblowing incident in 2022. There were also no cases of detected fraud or corruption. Moving forward, in 2023, the Group is committed to its zero-tolerance policy towards any reported whistleblowing incidents, as well as fraud and corruption.

SUSTAINABILITY REPORT

ENVIRONMENT

Heatec strives to minimise the impact that its business activities have on the environment. This is accomplished by proactively implementing practices that promote the sustainable use of resources. The Group is committed to doing its best to address environmental issues while focusing on economic performance.

Care is taken to ensure that initiatives comply with prevailing laws and regulations in the countries that the Group operates in. In Singapore, for example, it complies with the environmental regulations set out by government agencies such as the National Environment Agency ("NEA").

Despite the challenging business landscape, the Group is committed to playing its role in environmental protection and the conservation of natural resources in its operations such as minimising the wastage of energy and water, as well as the proper disposal of chemicals and waste materials. It endeavours to reduce emissions, raise energy efficiencies, reduce and recycle its waste, as well as conserve water resources. The Group's staff and customers are also actively engaged in tackling these challenges and advocating for these causes.

Energy[302-1]

Energy usage is monitored at the Group's workplaces to ensure that resources are used economically, meaningfully, and responsibly. The Group's target is to maintain not more than a 10% increase in electricity consumption year to year.

	FY2022	FY2021	Change (%)
Electricity consumption (KwH)	511,750	562,327	(9)

In FY2022, the consumption of electricity in the Group's worksites and offices declined by 9% mainly due to lower manufacturing activities in the workshops. The Group has achieved its target of limiting electricity consumption to an increase of no more than 10% in FY2022.

On an ongoing basis, the Group continually seeks to lower electricity consumption by closing off floors that are not utilised and shutting down air-conditioning compressors in those areas. Its administrative offices do not use centralised air-conditioning but modular units.

Effluents and Waste[303-1 to 303-5]

The Group uses a 3-R approach – ***Reduce, Reuse, Recycle*** – which advocates bringing production waste to a minimum by reducing the generation of waste, as well as reusing and recycling resources wherever possible. In FY2022, the Group widely used Microsoft's Dynamic Nav software to replace printed copies of purchase orders and invoices. This significantly reduced paper wastage. In addition, it reduced the outsourcing of buses and lorries in its operations and instead, maximised the utilisation of its own fleet of transportation vehicles, thereby enabling it to better control the number of trips.

	FY2022	FY2021	Change (%)
Volume of water used in the operations (cubic metres)	6,121	5,339	15
Volume of effluent water treated and discharged (cubic metres)	3,060	2,563	19

SUSTAINABILITY REPORT

Treatment of Effluent Water

The bulk of the Group's operating activity is in the manufacture and maintenance of heat exchangers which involves chemical cleaning to circulate and remove mineral deposits from heat exchanger tubes. The process of chemical cleaning involves the use of alkali and acidic chemicals which are flushed out by water. The resulting effluent water is subsequently treated via the trade effluent system, neutralizing the effluent water before it is discharged into the public sewerage system (IC). The trade effluent system is physically monitored by Singapore's NEA to ensure the system's efficacy in neutralizing the effluent water before it is disposed.

The Group has round-the-clock monitoring through the NEA-approved waste effluent system.

In FY2022, the Group used 15% more water in its operations despite its target of not more than 10% increase in water usage for business operation. This increase was primarily driven by a surge in repair business activities during the year. Out of the 6,121 cubic metres of water used, some 3,060 cubic metres were treated and discharged. The volume of effluent water treated and discharged was higher by 19% year-on-year.

The Group targets an increase of no more than 10% in water usage in FY2023.

Socioeconomic Compliance[419-1]

Similar to FY2021, the Group maintained a clean record in FY2022 with no reported incidents of non-compliance with environmental laws and regulations resulting in significant fines or sanctions, and it intends to maintain this track record in FY2023.

SOCIAL

Occupational Health and Safety[403-1, 403-2, 403-3, 403-4, 403-5, 403-7, 403-9]

Complying with the requirements of ISO 9000 and ISO 45001:2018, the Group's Occupational Health and Safety ("**OH&S**") policy aims to ensure a safe and healthy workplace for all employees, contractors, visitors, and relevant interested parties.

On a daily basis, the Group is committed to:
- Meeting or exceeding customer requirements and expectations
- Providing safe and healthy working conditions for the prevention of work-related injury and ill health
- Meeting its ultimate OH&S objective of zero incident and injury
- Complying with legal and other requirements
- Eliminating hazards and reduce OH&S risks
- Consultation and participation of its workers and their representatives
- Inculcating a culture of safety in the organization

Moreover, it strives to continually improve its OH&S performance by reducing, minimising, and preventing health and safety breaches associated with work-related injury and ill health.

	FY2022	FY2021	Change (%)
Work-related accident frequency rate (AFR)	0.72	1.22	(41)
Work-related severity rate (SR)	88.54	152.30	42

SUSTAINABILITY REPORT

The Group's Accident Frequency Rate ("**AFR**"), which is one of the key safety indicators that companies use to identify and analyse the number of occupational accidents that happen in the workplace, is closely monitored. Any accident which is reported on site or in the workplace will become a part of the AFR. The AFR helps to track the number of accidents which occur from project to project or year to year – to compare safety performance.

Most statistical analyses of accidents are based on either frequency or severity or both. The standard AFR, which represents the number of disabling injuries for given man-hours of exposure, is defined as the total time charged as a result of lost time injury for a given number of man-hours of exposure. Therefore, the AFR indicates how many injuries are occurring in relation to number of man-hours worked and the severity rate indicates how severe those injuries are in terms of wage lost in relation to hours of exposure.

In FY2022, the Group achieved an AFR of 0.72, which was 41% lower year-on-year, and SR of 88.54 which was similarly a decline of 42% compared to the previous period. The Group aims to reduce AFR and severity rate by implementing policies which prioritise the safety of its employees.

The Group will continue to inculcate a vigilant, safety culture in its workplace. With oversight from the Group's Safety Officer, the Group's OH&S practices are regularly discussed in monthly safety meetings which are attended by representatives from all operational departments. In addition, its Safety Officer conducts risk assessments to identify hazards and employ control measures for high-risk activities. This risk assessment system is audited every three years, and the training and work activities of its workers are also reviewed every year by the Safety Committee of the Group.

Staff are continually reminded of safe practices in the workplace, and the Safety Officer personally ensures that new staff are briefed as well. All of its operational staff are required to attend a Shipyard Safety Induction Course before they start work, as required by MOM. In addition, there are supplementary trainings on first aid and fire emergencies.

Training & Education[404-1, 404-2]

Training Hours	FY2022	FY2021	Change (%)
Administrative & Office Staff	240	200	20
Technical Staff	2,532	2,836	11

Employee training and education is an essential part of the Group's human resource development strategy. This is to ensure its staff have the necessary skills and knowledge to realise their fullest potential. A skilled workforce equipped with the relevant technological, operational and administrative skills to operate in today's fast-paced and dynamic work environment will position it in good stead to meet the Group's business objectives and drive long-term sustainable growth.

As such, a comprehensive training matrix has been specially designed and developed to meet the various needs of all employees so that they can perform and progress optimally.

This comprehensive training matrix includes the sponsorship of further education, job-related workshops, training sessions and seminars. The training needs of the Group's staff are identified through the employees' annual performance reviews. It also conducts in-house safety induction programmes for all new employees (both administrative and technical) to make sure they are aware of the need to comply with the rules and adhere to safety protocols.

Internal staff training is specially designed for two categories of staff – namely, Administrative & Office, and Technical. Technical training, such as welding and hot work, are specifically for staff who work in the shipyards and workshops. New technical staff are required to attend safety courses (minimum of 10 training hours which includes external safety courses and internal safety induction) before they commence work at our premises.

SUSTAINABILITY REPORT

Administrative & office staff are usually sent for on-the-job training. New employees are required to undergo 40 training hours (on-the-job training as well as safety induction) as part of their first week of work with the Company.

In FY2022, a total of 240 training hours for Administrative & Office staff were conducted. This was a 20% increase from the previous year. This included a course on "Mental Wellbeing Amidst Uncertainty" conducted by Olympus Learning Academy. After the pandemic, the Group felt that it was beneficial for its administrative & office staff to learn how to manage stress in the midst of an increasingly challenging economic and social environment.

Training for Technical staff, however, dipped by 11% to 2,532 hours in FY2022 when compared to the previous year which saw a surge in training activities after the Singapore government allowed the resumption of such activities in the workplace.

In the year 2022, female employees received an average of 10 hours of training, while male employees received an average of 8 hours of training.

The Group's long-standing target is to provide 40 hours of training to new employees before commencing work and 8 hours of training to existing employees each year. Heatec targets to provide more management training programmes in FY2023.

Diversity and Equal Opportunity[405-1]

Human capital is the lifeblood of the Group, and it strong believes in engaging and developing its employees to their fullest potential so as to enable them to progress through the organisation and to effectively participate and contribute to the growth of the Group.

The Board has a Board Diversity Policy which sets out guidelines in identifying nominees for directorship positions within the Company, and primarily focused on having an appropriate mix of expertise with complementary skills, core competencies and experiences for facilitating effective decision-making, regardless of gender. More information on Board Diversity Policy and Disclosure may be found in the Corporate Governance Report on page 23 of this Annual Report.

Heatec also believes in diversity and equal opportunity for all staff at the workplace and does not tolerate any form of racial discrimination or gender-bias. It employs and provides development opportunities based on the necessary skills and experience that will enable the individuals to excel in their relevant roles, regardless of gender, ethnicity, religion, sexual orientation, disability or any other non-work-related personal attributes. These principles are also reflected in its recruitment and career advancement practices, which are based on the individual's merit, capabilities, and attitude.

In addition, the Group is committed to fair employment practices and upholding the Fair Employment Practices governed by the Tripartite Alliance for Fair Employment Practices ("**TAFEP**"), comprising MOM, Singapore National Employers Federation and the National Trade Union Congress. This includes promising an inclusive workplace for all, based solely on merit and ability and governed by best practices in human resource management. It provides equal opportunities for progression with the organisation, training and development and other enrichment opportunities.

As at 31 December 2022, the Group had 350 employees at its Singapore operations, which also includes its subsidiaries, as compared to 490 in the previous year. While the Group aimed to maintain its headcount, the Group continue to face market labour shortages and will need to adjust its workforce, depending on projects' requirements and manpower availability.

On a gender diversity basis, the Group continued to maintain its ratio of 97% men in the total headcount, while women remained at 3%. The Group does not practice gender discrimination and possessing the requisite skillsets is the paramount factor in its recruitment efforts. The nature of the Group's business requires heavy lifting of metal parts for the marine, oil & gas industry. As such, most of its technical staff are men.

SUSTAINABILITY REPORT

During the year in review, about 82% of the Group's workforce was under the age of 50 years (FY2021: 82%). In terms of geographical spread, some 16% of its employees were Singaporeans (FY2021: 11%), while the remaining 84% were foreigners (FY2021: 89%) who hail from Malaysia, India, Myanmar, Thailand and other countries in the region. The nature of the Group's core activities is heavily dependent on foreign labour.

About 86% of the Group's staffing are technical and non-management (FY2021: 89%), while executives and above make up the remaining 14% (FY2021: 11%).

About 48% of the headcount in FY2022 have served less than 5 years with the Group (FY2021: 49%), while 17% have served more than 16 years (FY2021: 18%). Some 35% have served between 6 to 15 years (FY2021: 33%).

In the immediate term, the Group intends to maintain the current level of headcount as well as its gender and geographical diversity. In the medium to long term, while the headcount level may be adjusted upwards in tandem to operational requirements, the Group aims to provide equal opportunities to all staff and candidates at all times.

GENDER RATIO

	FY2022	FY2021
Men	97%	97%
Women	3%	3%
Total	100%	100%

AGE DISTRIBUTION

	FY2022	FY2021
Below 30 years old	10%	11%
31 – 50 years old	72%	71%
51 – 65 years old	13%	13%
Above 65 years old	5%	5%
Total	100%	100%

NATIONALITY

	FY2022	FY2021
Singaporean	16%	11%
Malaysian	2%	1%
Indian	26%	28%
Myanmar	4%	6%
Bangladesh	50%	51%
Thailand and others	2%	3%

SUSTAINABILITY REPORT

PMET CLASSIFICATION

	FY2022	FY2021
Senior Management	1%	1%
Middle Management	3%	3%
Executives	10%	7%
General staff	86%	89%
Total	100%	100%

YEARS OF SERVICE

	FY2022	FY2021
Below 5 years	48%	49%
6-10 years	17%	16%
11-15 years	18%	17%
Above 16 years	17%	18%
Total	100%	100%

Local Communities[413-1, 413-2]

In FY2022, the Group had not commenced its community outreach programme even though most of Singapore's pandemic measures had been lifted. Safe distancing measures made it challenging for the Group to conduct any in person outreach activities.

Instead, the Group has focussed its efforts on making its foreign staff who are living in its company quarters feel more at home. For example, a corporate event for all staff to bond with one another was held on 6 January 2023.

The Group remains committed to its role as a corporate citizen to look after the interests of the larger community that it operates in. It plans to resume its community outreach initiatives in FY2023. It also hopes to reactivate its internship collaboration with Ngee Ann Polytechnic so as to offer opportunities for its students to gain relevant working experience in their fields of study.

Customer Privacy[418-1]

Cyber security and data privacy are of growing importance, not only for compliance reasons. There also has been increasing demand to safeguard the Group's data and that of its internal and external stakeholders.

In response to Singapore's Personal Data Protection Act ("**PDPA**"), which provides a baseline standard for protection of personal data, the Group has implemented a Data Protection Policy since 2021. This governs the collection, use, disclosure and care of personal data. It also contributes to the establishment of a national Do Not Call ("**DNC**") Registry. Individuals may register their Singapore telephone numbers with the DNC Registry to opt out of receiving unwanted telemarketing messages from organisations.

The PDPA recognises both the need to protect individual personal data and the needs of organisations to collect, use or disclose personal data for legitimate and reasonable purposes. It safeguards personal data from misuse and maintains individual trust in organisations that manage their data.

SUSTAINABILITY REPORT

The Group's Data Protection Policy, administered by an appointed Data Protection Officer, sets out the basis upon which the Group may collect, use, disclose or otherwise process personal data of employees and job applicants in accordance with Singapore's PDPA. This Policy applies to personal data in the Group's possession or under its control, including personal data in the possession of organisations that have been engaged to collect, use, disclose or process personal data for its purposes.

The Group maintained its performance and achieved the target of zero complaints reported in FY2022 with regard to a breach of privacy, nor with regard to leaks, thefts, or losses of personal data. In FY2023, the Group intends to maintain this level of zero complaints.

GOVERNANCE

Corporate Governance

The Group is strongly committed to the best practices in corporate governance as it is essential in ensuring long-term sustainability. Its policies and practises comply with the letter and the spirit of Singapore's Code of Corporate Governance 2018.

Heatec has a dedicated governance framework in place to drive, govern and manage the Group's sustainability to ensure that core material issues are incorporated into our corporate agenda, thereby securing the Group's long-term interests and shareholder value. Its products and services meet all the requirements demanded by its customers and regulatory bodies, as well as all environmental and safety standards.

The Group also pays close attention to enforcing good labour practices in all its operations. In addition, it provides many training opportunities for staff development, and this is reflected in the quality and delivery of its products and solutions.

Heatec strongly believes that in the long run, these efforts will have a positive impact on its economic performance.

Please refer to pages 15 to 73 of this Annual Report for a detailed discussion of its Corporate Governance practices.

Enterprise Risk Management

Vital to ensuring corporate sustainability is the way business risks are managed. Over the years, the Group has adhered to its risk management framework which provides reasonable assurance in ensuring that its business objectives are met by incorporating management control in its day-to-day operations while complying with legal and regulatory requirements.

The Board-managed Enterprise Risk Management Framework has been put in place to manage the Group's exposure to risks that are associated with the conduct of its business. It adopts a structured, balanced approach to identifying and managing its risk profiles before making strategic decisions that would affect the Group's performance. These risk factors include those pertaining to the overall market, credit, operations, legal, finance as well as ESG issues. Knowing that not all risks can be eliminated, the Directors look to optimise returns for the Group, and will only undertake appropriate and well-considered risks. 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 Group's risk management process consists of identification, assessment, mitigation measures, communication, implementation and monitoring.

At the same time, the Group considers the ESG issues as key to its long-term sustainability. In identifying these material issues, the Group seeks to ensure that pertinent implications of legislative and regulatory changes as well as socio-economic and reputational drivers are well managed. The Group proactively seeks to integrate sustainability considerations into its businesses, mitigate risks and continuously improve business operations to deliver positive value to our stakeholders.

Please refer to pages 62 to 67 of this Annual Report for a more detailed discussion of the Group's Risk Management initiatives.

SUSTAINABILITY REPORT

GRI content index

Statement of use	Heatec Jietong Holdings Ltd has reported the information cited in this GRI content index for the period 01 January 2022 to 31 December 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	AR: 01
	2-2 Entities included in the organization's sustainability reporting	SR: 149
	2-3 Reporting period, frequency and contact point	SR: 149-150
	2-4 Restatements of information	No information or data was reinstated.
	2-5 External assurance	SR: 150
	2-6 Activities, value chain and other business relationships	AR: 01-13
	2-7 Employees	SR: 161-163
	2-9 Governance structure and composition	AR: 13 & 19
	2-10 Nomination and selection of the highest governance body	AR: 27-52
	2-11 Chair of the highest governance body	AR: 13
	2-12 Role of the highest governance body in overseeing the management of impacts	AR: 24-26
	2-13 Delegation of responsibility for managing impacts	AR: 18
	2-15 Conflicts of interest	AR: 16
	2-17 Collective knowledge of the highest governance body	AR: 15-17
	2-18 Evaluation of the performance of the highest governance body	AR: 53-55
	2-29 Approach to stakeholder engagement	SR: 152
GRI 3: Material Topics 2021	3-1 Process to determine material topics	SR: 153
	3-2 List of material topics	SR: 153
	3-3 Management of material topics	SR: 153
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	SR: 153-154
	201-3 Defined benefit plan obligations and other retirement plans	SR: 155
	201-4 Financial assistance received from government	SR: 155

SUSTAINABILITY REPORT

GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	SR: 155-157
	205-2 Communication and training about anti-corruption policies and procedures	SR: 155-157
GRI 302: Energy 2016	302-1 Energy consumption within the organization	SR: 158-159
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	SR: 158-159
	303-5 Water consumption	SR: 158-159
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	SR: 159-160
	403-2 Hazard identification, risk assessment, and incident investigation	SR: 159-160
	403-3 Occupational health services	SR: 159-160
	403-4 Worker participation, consultation, and communication on occupational health and safety	SR: 159-160
	403-5 Worker training on occupational health and safety	SR: 159-160
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	SR: 159-160
	403-9 Work-related injuries	SR: 159-160
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	SR: 160-161
	404-2 Programs for upgrading employee skills and transition assistance programs	SR: 160-161
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	SR: 161-163
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	SR: 163
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	SR: 163-164
GRI 416: Socioeconomic Compliance 2016	Disclosure 419-1 Non-compliance with laws and regulations in the social and economic area	SR: 159

STATISTICS OF SHAREHOLDINGS

AS AT 24 APRIL 2023

Issued and fully paid-up share capital	:	S$14,892,447
Number of issued shares	:	204,777,526 (excluding treasury shares and subsidiary holdings)
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote for each ordinary share

Zero per centum (0%) of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares (excluding treasury shares and subsidiary holdings)

ANALYSIS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	18	6.69	12,445	0.01
1,001 – 10,000	57	21.19	372,900	0.18
10,001 – 1,000,000	183	68.03	20,456,123	9.99
1,000,001 and above	11	4.09	183,936,058	89.82
	269	100.00	204,777,526	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of shares (Direct Interest)	Percentage (%)	No. of shares (Deemed Interest)	Percentage (%)
Megane Marine Pte. Ltd.	81,818,181	39.95	–	–
Soon Jeffrey(1)	1,400,000	0.68	81,818,181	39.95
Mo Jingxiong, Nicholas(2)	–	–	81,818,181	39.95
Tru-Marine Pte. Ltd.	32,030,678	15.64	–	–
Loke Weng Seng(3)	–	–	32,030,678	15.64
Loke Yuen Kong(4)	–	–	32,030,678	15.64
Chan Hon Sing(5)	–	–	32,030,678	15.64
Johnny Soon Yeow Kwee(6)	22,273,599	10.88	4,816,078	2.35
Yong Yeow Sin	27,214,599	13.29	–	–

Notes:

(1) Mr Soon Jeffrey is deemed to have an interest in the 81,818,181 shares in the capital of the Company which are held by Megane Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967.

(2) Mr Mo Jingxiong, Nicholas is deemed to have an interest in the 81,818,181 shares in the capital of the Company which are held by Megane Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967.

(3) Mr Loke Weng Seng is deemed to have an interest in the 32,030,678 shares in the capital of the Company which are held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967.

(4) Mr Loke Yuen Kong is deemed to have an interest in the 32,030,678 shares in the capital of the Company which are held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967.

(5) Mr Chan Hon Sing is deemed to have an interest in the 32,030,678 shares in the capital of the Company which are held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967.

(6) Mr Johnny Soon Yeow Kwee is deemed to have an interest in the 4,816,078 shares in the capital of the Company which are held by his spouse, Madam Jasmine Ow Ah Foong.

STATISTICS OF SHAREHOLDINGS
AS AT 24 APRIL 2023

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MEGANE MARINE PTE. LTD.	81,818,181	39.95
2	TRU-MARINE PTE. LTD.	32,030,678	15.64
3	YONG YEOW SIN	27,214,599	13.29
4	SOON YEOW KWEE JOHNNY	22,273,599	10.88
5	NG GUICK KIM	4,816,078	2.35
6	OW AH FOONG JASMINE	4,816,078	2.35
7	DBS NOMINEES (PRIVATE) LIMITED	4,175,945	2.04
8	GOH GUAN SIONG (WU YUANXIANG)	2,387,900	1.17
9	MOHAMED ABDUL JALEEL S/O MUTHUMARICAR SHAIK MOHAMED	2,000,000	0.98
10	SOON JEFFREY	1,400,000	0.68
11	SEOW JING YI JONAH	1,003,000	0.49
12	SOON JANICE	1,000,000	0.49
13	SOON JENSON	1,000,000	0.49
14	SOON JEREMY	1,000,000	0.49
15	SOON JI LING JACQUELINE (SUN JIELING)	1,000,000	0.49
16	TAN ENG CHUA EDWIN	962,300	0.47
17	WANG JIAN GUO	928,000	0.45
18	ESTATE OF LEOW SAU CHING HELENA, DECEASED	770,000	0.38
19	PHILLIP SECURITIES PTE LTD	612,200	0.30
20	LOW CHEE WEE	560,965	0.27
	TOTAL	**191,769,523**	**93.65**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 24 April 2023, approximately 15.25% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

HEATEC JIETONG HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200717808Z)

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 24 May 2023, 9.00 a.m. to transact the following businesses:

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 2022, together with the Independent Auditor's Report thereon. **[Resolution 1]**

2. To re-elect Mr Lim Soon Hock as a Director of the Company who is retiring pursuant to Regulations 98 and 99 of the Company's Constitution and being eligible, offers himself for re-election. **[Resolution 2]**
[See Explanatory Note (i)]

3. To re-elect Mr Chong Eng Wee as a Director of the Company who is retiring pursuant to Regulations 98 and 99 of the Company's Constitution and being eligible, offers himself for re-election. **[Resolution 3]**
[See Explanatory Note (ii)]

4. To re-elect Ms Lie Ly @ Liely Lee as a Director of the Company who is retiring pursuant to Regulations 98 and 99 of the Company's Constitution and being eligible, offers herself for re-election. **[Resolution 4]**
[See Explanatory Note (iii)]

5. To approve the payment of Directors' fees of S$191,000 for the financial year ending 31 December 2023, to be paid quarterly in arrears (FY2022: S$191,000). **[Resolution 5]**

6. To re-appoint Crowe Horwath First Trust LLP as auditors of the Company 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. **[Resolution 6]**

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

AS SPECIAL BUSINESS

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

8. **AUTHORITY TO ALLOT AND ISSUE SHARES AND CONVERTIBLE SECURITIES** **[Resolution 7]**

That pursuant to Section 161 of the Companies Act 1967 (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) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(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

(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,

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including Shares to be issued pursuant to 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 pursuant to 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 shall 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 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, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(3) in exercising the Share Issue Mandate 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 Companies Act and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate 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 (iv)]

NOTICE OF ANNUAL GENERAL MEETING

9. **AUTHORITY TO OFFER AND GRANT OPTIONS AND TO ALLOT AND ISSUE SHARES UNDER THE HEATEC EMPLOYEE SHARE OPTION SCHEME** **[Resolution 8]**

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**");

(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, 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 to be issued, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the Heatec ESOS 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 (v)]

10. **AUTHORITY TO OFFER AND GRANT AWARDS AND TO ALLOT AND ISSUE SHARES UNDER THE HEATEC PERFORMANCE SHARE PLAN** **[Resolution 9]**

That approval be and is hereby given to the Directors of the Company:

(i) to offer and grant awards from time to time in accordance with the provisions of the Heatec Performance Share Plan (the "**Heatec PSP**");

(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 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 PSP Shares to be issued, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the 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 (vi)]

On Behalf of the Board

Soon Jeffrey
Executive Director and Chief Executive Officer

9 May 2023

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Lim Soon Hock will, upon re-election as a Director of the Company, remain as a Non-Executive and Non-Independent Director, member of the Remuneration Committee and member of the Nominating Committee.

Mr Loke Weng Seng, the Alternate Director appointed by Mr Lim Soon Hock will continue in office if Mr Lim Soon Hock is re-elected at the Annual General Meeting.

Detailed information on each of the abovementioned Directors of the Company as required pursuant to Rule 720(5) of the Catalist Rules can be found on page 28 to page 44 of the annual report.

(ii) Mr Chong Eng Wee will, upon re-election as a Director of the Company, remain as a Non-Executive and Lead Independent Director, chairman of the Nominating Committee and member of the Audit and Risks Management Committee. The Board of Directors of the Company considers Mr Chong Eng Wee to be independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Chong Eng Wee and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.

Detailed information on Mr Chong Eng Wee as required pursuant to Rule 720(5) of the Catalist Rules can be found on page 28 to page 44 of the annual report.

(iii) Ms Lie Ly @ Liely Lee will, upon re-election as a Director of the Company, remain as a Non-Executive and Independent Director, member of the Audit and Risks Management Committee and member of the Remuneration Committee. The Board of Directors of the Company considers Ms Lie Ly @ Liely Lee to be independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Ms Lie Ly @ Liely Lee and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect her independence.

Detailed information on Ms Lie Ly @ Liely Lee as required pursuant to Rule 720(5) of the Catalist Rules can be found on page 28 to page 44 of the annual report.

(iv) Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue 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 shall 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 7 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 were issued and outstanding or subsisting at the time when this Ordinary Resolution 7 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(v) Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant options under the Heatec ESOS (which were approved at the extraordinary general meeting of the Company held on 18 June 2009 and extended at the annual general meeting of the Company held on 30 April 2019) and to allot and issue Heatec ESOS Shares, pursuant to the exercise of options granted under the Heatec ESOS, provided that the number of Heatec ESOS Shares to be issued under the Heatec ESOS, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the Heatec ESOS 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.

(vi) Ordinary Resolution 9 proposed in item 10 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 awards under the Heatec PSP (which was approved at the extraordinary general meeting of the Company held on 18 June 2009 and extended at the annual general meeting of the Company held on 30 April 2019) and to allot and issue Heatec PSP Shares, pursuant to the vesting of awards granted under the Heatec PSP, provided that the number of Heatec PSP Shares to be issued under the Heatec PSP, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the 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.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTICE:

No Virtual Attendance

1. The Annual General Meeting (the "**AGM**") will be held by way of physical means at 10 Tuas South Street 15 Singapore 637076. **Shareholders and their duly appointed proxy (or proxies) will not be able to attend the AGM by way of electronic means.**

Voting at the AGM and voting by proxy

2. Shareholders may cast their votes for each resolution at the AGM or appoint proxy or proxies (other than the Chairman of the AGM) to vote on their behalf at the AGM.

3. As an alternative to voting at the AGM in the foregoing manner, shareholders who wish to vote on any or all of the resolutions at the AGM may appoint the Chairman of the AGM to act as their proxy to vote on their behalf at the AGM. All votes in the AGM will be taken on poll.

4. If a shareholder wishes to appoint a proxy or proxies (other than the Chairman of the AGM) to vote on their behalf at the AGM or to appoint the Chairman as proxy to vote on their behalf at the AGM, duly executed Proxy Forms, must be submitted in hard copy form or electronically via email:

   (a) if submitted by post, to be deposited at the registered office of the Company at 10 Tuas South Street 15, Singapore 637076; or

   (b) if submitted by way of electronic means, to be submitted via email in Portable Document Format (PDF) to the Company, at finance@heatec.com.sg,

   in either case, not less than seventy-two (72) hours before the time appointed for the holding of the AGM and/or any adjournment thereof. A shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above.

5. In appointing the Chairman of the AGM (or any person other than the Chairman of the AGM) as proxy, shareholders should specifically indicate in the Proxy Form how they wish to vote for or vote against (or abstain from voting on) the resolution set out in the Notice of AGM. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion. Proxy or proxies (other than the Chairman of the AGM) appointed to vote on their behalf at the AGM and the Chairman of the AGM as proxy, need not be a member or members of the Company. The accompanying proxy form to the Notice of AGM may be downloaded from the Company's announcement on the SGX website accessible at the URL https://www.sgx.com/securities/company-announcements and the Company's website accessible at the URL http://www.heatecholdings.com/.

6. **Shareholders are strongly encouraged to submit the completed and signed Proxy Forms by way of electronic means via email. Any incomplete proxy form will be rejected by the Company.**

7. The Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

Shareholders' Questions and Answers

9. Shareholders and duly appointed proxy or proxies will be able to ask questions relating to the resolutions to be tabled for approval at the AGM. The Company will endeavour to respond to and address substantial and relevant questions as far as reasonably practicable during the AGM. Where there are substantially similar questions, the Company will consolidate such questions and consequently not all questions may be individually addressed.

NOTICE OF ANNUAL GENERAL MEETING

10. Alternatively, shareholders can submit their questions in advance relating to the resolutions to be tabled for approval at the AGM:

    (a) if submitted by post, to be deposited at the registered office of the Company at 10 Tuas South Street 15, Singapore 637076; or;

    (b) if submitted by way of electronic means, to be submitted via email to the Company, at finance@heatec.com.sg,

    in either case, by Tuesday, 16 May 2023, being seven (7) calendar days from publication of this Notice of AGM.

    Shareholders who submit questions in advance of the AGM should identify themselves by stating his/her/its full name as it appears on his/her/its CDP/CPF/SRS share records, contact number and NRIC/Passport/UEN number and state the manner in which he/she/it holds his/her/its Shares in the Company (e.g. via CDP, CPF or SRS) for verification purposes.

11. Shareholders are encouraged to submit their questions via one of the foregoing means as soon as possible so that they may have the benefit of the answers to their questions (where substantial and relevant to the agenda of the AGM) prior to submitting their proxy forms. Please note that substantial and relevant questions (as may be determined by the Company at its sole discretion) from shareholders submitted in advance and received by the Company would be addressed by the Company and published on the SGX website no later than 48 hours before the deadline for submission of the proxy forms. The Company will also address any subsequent clarifications sought, or follow-up questions, prior to, or at, the AGM in respect of substantial and relevant matters.

Central Provident Fund (CPF) and Supplementary Retirement Scheme (SRS) Investors

12. Persons who hold shares through Relevant Intermediaries (as defined below), including CPF and SRS investors, and who wish to participate in the AGM by: (a) submitting questions in advance of the AGM in the manner provided above; and/or (b) voting at the AGM if they are appointed as proxies by their respective CPF Agent Banks and SRS Operators or appointing the Chairman of the AGM as proxy to attend speak and vote on their behalf at the AGM, should contact the Relevant Intermediary (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks and SRS Operators) through which they hold such shares as soon as possible in order to facilitate the necessary arrangements for them to participate in the AGM.

13. CPF and SRS Investors may attend and vote at the AGM if they are appointed as proxies by their respective CPF agent banks or SRS operators and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies. CPF and SRS investors who wish to appoint the Chairman of the AGM as their proxy, should approach their respective CPF Agent Banks and SRS Operators to submit their votes at least seven (7) working days before the AGM.

14. A "**Relevant Intermediary**" is:

    (a) a banking corporation licensed under the Banking Act 1970 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 2001 of Singapore and who holds shares in that capacity; or

    (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 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.

AGM Documents

15. The Annual Report, this Notice of AGM and the Proxy Form have been published on the SGX website accessible at the URL https://www.sgx.com/securities/company-announcements and on the Company's website accessible at the URL http://www.heatecholdings.com/. Printed copies of the foregoing documents will NOT be sent to members. Members are advised to check the SGX website and/or the Company's website regularly for updates.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

"**Personal data**" in this Notice has the meaning ascribed to it pursuant to the Personal Data Protection Act 2012 of Singapore, which includes your name, address and NRIC/Passport number. By submitting (a) details for the registration to observe or participate in the proceeding of the AGM, or (b) an instrument appointing the Chairman of the AGM (or any person other than the Chairman) as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, (c) any questions prior to the AGM in accordance with this Notice of AGM, 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 the appointment of the Chairman as proxy for the AGM (or any person other than the Chairman), processing the registration for purpose of granting access to members (or their appointed proxies) to observe and participate in the proceedings of the AGM, addressing relevant and substantial questions from members received before the AGM and if necessary, following-up with the relevant members in relation to such questions, and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM, 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. Photographic, sound and/or video recordings at the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

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HEATEC JIETONG HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200717808Z)

ANNUAL GENERAL MEETING

PROXY FORM

IMPORTANT

1. The Annual General Meeting ("**AGM**" or "**Meeting**") is being convened, and will be held, by physical means at 10 Tuas South Street 15 Singapore 637076. Shareholders and their duly appointed proxy (or proxies) will not be able to attend the AGM by way of electronic means.
2. Shareholders and proxies will be able to attend the AGM in person and may cast their votes in real time for each resolution to be tabled at the AGM. Alternatively, shareholders may appoint a proxy(ies) or the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion.
3. CPF and SRS investors may attend and vote at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies. This proxy form is not for use by Supplementary Retirement Scheme ("**SRS**") investors and Central Provident Fund ("**CPF**") investors. For CPF and SRS investors, who wish to appoint the Chairman of the AGM as their proxy, they should approach their respective CPF Agent Banks and SRS Operators to submit their votes at least seven (7) working days before the AGM.
4. By submitting this proxy form, the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 May 2023.
5. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting (or any person other than the Chairman) as a shareholder's proxy to vote on his/her/its behalf at the AGM.

I/We* ______________________ (Name) ______________ (NRIC/Passport No./Company Registration No.)

of ____ (Address)
being a member/members* of **HEATEC JIETONG HOLDINGS LTD.** (the "**Company**") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholding (%)

And/or*

Name	Address	NRIC/Passport No.	Proportion of Shareholding (%)

or failing whom, the **Chairman of the Meeting** as my/our* proxy to attend, speak and vote for me/us* on my/our* behalf at the AGM of the Company to be held 10 Tuas South Street 15 Singapore 637076 on Wednesday, 24 May 2023 at 9.00 a.m., and at any adjournment thereof.

I/We* direct my/our proxy/proxies* to vote for, against or to abstain from voting in respect of the Ordinary Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, my/our proxy/proxies* may vote or abstain from voting at his or her discretion.

Please indicate your vote "For", "Against" or "Abstain" with an "X" within the boxes provided below. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

No.	Ordinary Resolutions Relating To:	For	Against	Abstain
1.	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2022, together with the Independent Auditor's Report thereon			
2.	Re-election of Mr Lim Soon Hock as a Director of the Company			
3.	Re-election of Mr Chong Eng Wee as a Director of the Company			
4.	Re-election of Ms Lie Ly @ Liely Lee as a Director of the Company			
5.	Approval of payment Directors' fees of S$191,000 for the financial year ending 31 December 2023, payable quarterly in arrears			
6.	Re-appointment of Crowe Horwath First Trust LLP as auditors of the Company and authority to Directors to fix their remuneration			
7.	Authority to allot and issue new shares or convertible securities pursuant to Section 161 of the Companies Act 1967			
8.	Authority to offer and grant options and to allot and issue shares under the Heatec Employee Share Option Scheme			
9.	Authority to offer and grant awards and to allot and issue shares under the Heatec Performance Share Plan			

* *Delete whichever not applicable.*

Dated this ________ day of ____________________ 2023

Total number of Shares	No. of Shares
(a) Depository Register	
(b) Register of Members	

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

IMPORTANT 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 2001), 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 the Chairman of the Meeting as proxy shall be deemed to relate to all the shares held by you.

2. A shareholder who is not a Relevant Intermediary (as defined below) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM. Where such shareholder's Proxy Form appoints more than one (1) proxy, the proportion of his/her/its shareholding concerned to be represented by each proxy shall be specified in the Proxy Form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this Proxy Form as invalid. A shareholder who is a Relevant Intermediary (as defined below) is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Where such shareholder's Proxy Form appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.

3. If a shareholder wishes to appoint a proxy or proxies (other than the Chairman of the AGM) to vote on their behalf at the AGM or to appoint the Chairman as proxy to vote on their behalf at the AGM, duly executed Proxy Forms, must be submitted in hard copy form or electronically via email:

   (a) if submitted by post, to be deposited at the registered office of the Company at 10 Tuas South Street 15, Singapore 637076; or

   (b) if submitted by way of electronic means, to be submitted via email in Portable Document Format (PDF) to the Company, at finance@heatec.com.sg,

   in either case, not less than seventy-two (72) hours before the time appointed for the holding of the AGM and/or any adjournment thereof. A shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above.

4. In appointing the Chairman of the AGM as proxy (or any person other than the Chairman), shareholders should specifically indicate in the Proxy Form how they wish to vote for or vote against (or abstain from voting on) the resolution set out in the Notice of AGM. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion. Proxy or proxies (other than the Chairman of the AGM) appointed to vote on their behalf at the AGM and the Chairman of the AGM as proxy, need not be a member or members of the Company. The accompanying proxy form to the Notice of AGM may be downloaded from the Company's announcement on the SGX website accessible at the URL https://www.sgx.com/securities/company-announcements and the Company's website accessible at the URL http://www.heatecholdings.com/.

5. Persons who hold shares through Relevant Intermediaries (as defined below), including CPF and SRS investors, and who wish to participate in the AGM ("Relevant Intermediary Participants") by appointing the Chairman of the AGM as proxy to attend speak and vote on their behalf at the AGM, should contact the Relevant Intermediary (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks and SRS Operators) through which they hold such shares as soon as possible in order to facilitate the necessary arrangements for them to participate in the AGM. CPF and SRS investors who wish to appoint the Chairman of the AGM as their proxy should approach their respective CPF Agent and SRS Operators to submit their votes at least seven (7) working days before the AGM.

6. The Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its constitution and Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

A "**Relevant Intermediary**" is:

(a) a banking corporation licensed under the Banking Act 1970 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 2001 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 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

"**Personal data**" in this Notice has the meaning ascribed to it pursuant to the Personal Data Protection Act 2012 of Singapore, which includes your name, address and NRIC/Passport number. By submitting (a) details for the registration to observe or participate in the proceeding of the AGM, (b) an instrument appointing the Chairman of the Meeting (or any person other than the Chairman) as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof or (c) any questions prior to the AGM in accordance with this Notice of AGM, 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 the appointment of the Chairman as proxy (or any person other than the Chairman) for the AGM, processing the registration for purpose of granting access to members (or their appointed proxies) to observe and participate in the proceedings of the AGM, addressing relevant and substantial questions from members received before the AGM and if necessary, following-up with the relevant members in relation to such questions, and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM, 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.

Photographic, sound and/or video recordings at the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

GENERAL

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting (or any person other than the Chairman) as proxy 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 the Chairman of the Meeting (or any person other than the Chairman) as proxy (including any related attachment) (such as in the case where the appointor submits more than one instrument appointing the Chairman of the Meeting (or any person other than the Chairman) as proxy). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting (or any person other than the Chairman) as proxy lodged if the shareholder being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the AGM, as certified by CDP to the Company.

HEATEC JIETONG HOLDINGS LTD.
Company Registration Number: 200717808Z

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