

QUALIFIED OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 ("FY2022")

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading limited, the Board of Directors (the "**Board**" or "**Directors**") of Heatec Jietong Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Crowe Horwath First Trust LLP (the "**Independent Auditor**"), has in its Independent Auditor's Report dated 4 May 2023 (the "**FY2022 Independent Auditor's Report**") included a qualified opinion in relation to the Group's audited financial statements for FY2022.

The audited financial statements of the Group and of the Company for FY2022 and the FY2022 Independent Auditor's Report will be included in the Company's annual report for FY2022, which will be released via SGXNET and uploaded onto the Company's corporate website at www.heatechholdings.com in due course.

A copy of the FY2022 Independent Auditor's Report is attached to this announcement for information as **Appendix I**, together with the relevant note in **Appendix II**.

Shareholders of the Company are advised to read the FY2022 Independent Auditor's Report and the audited financial statements in its annual report for FY2022 in its entirety. Shareholders should consult their stockbrokers, solicitor, or other professional advisors if they have any doubts as to the actions they should take.

BY ORDER OF THE BOARD

Soon Jeffrey
Executive Director and Chief Executive Officer

4 May 2023

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

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.

HEATEC JIETONG HOLDINGS LTD.

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APPENDIX I

As extracted from the Independent Auditor's Report from the FY2022 Audited Financial Statements

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 11 to 73, 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.

<i>Impairment assessment of non-financial assets</i> <i>Refer to following notes to the financial statements</i> ~ Note 3 "Critical accounting judgements and key sources of estimation uncertainty" ~ Note 12 "Property, Plant and Equipment" ~ Note 13 "Investment in subsidiaries"	
<i>The key audit matters</i>	<i>How the matter was addressed in our audit</i>
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. (Continued)**

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. (Continued)**

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HEATEC JIETONG HOLDINGS LTD. (Continued)**

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

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.
- 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HEATEC JIETONG HOLDINGS LTD. (Continued)**

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

APPENDIX II

As extracted from the “Note 8 to the FY2022 Audited Financial Statements”

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Loss before tax

	Group	
	2022	2021
	\$	\$
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.