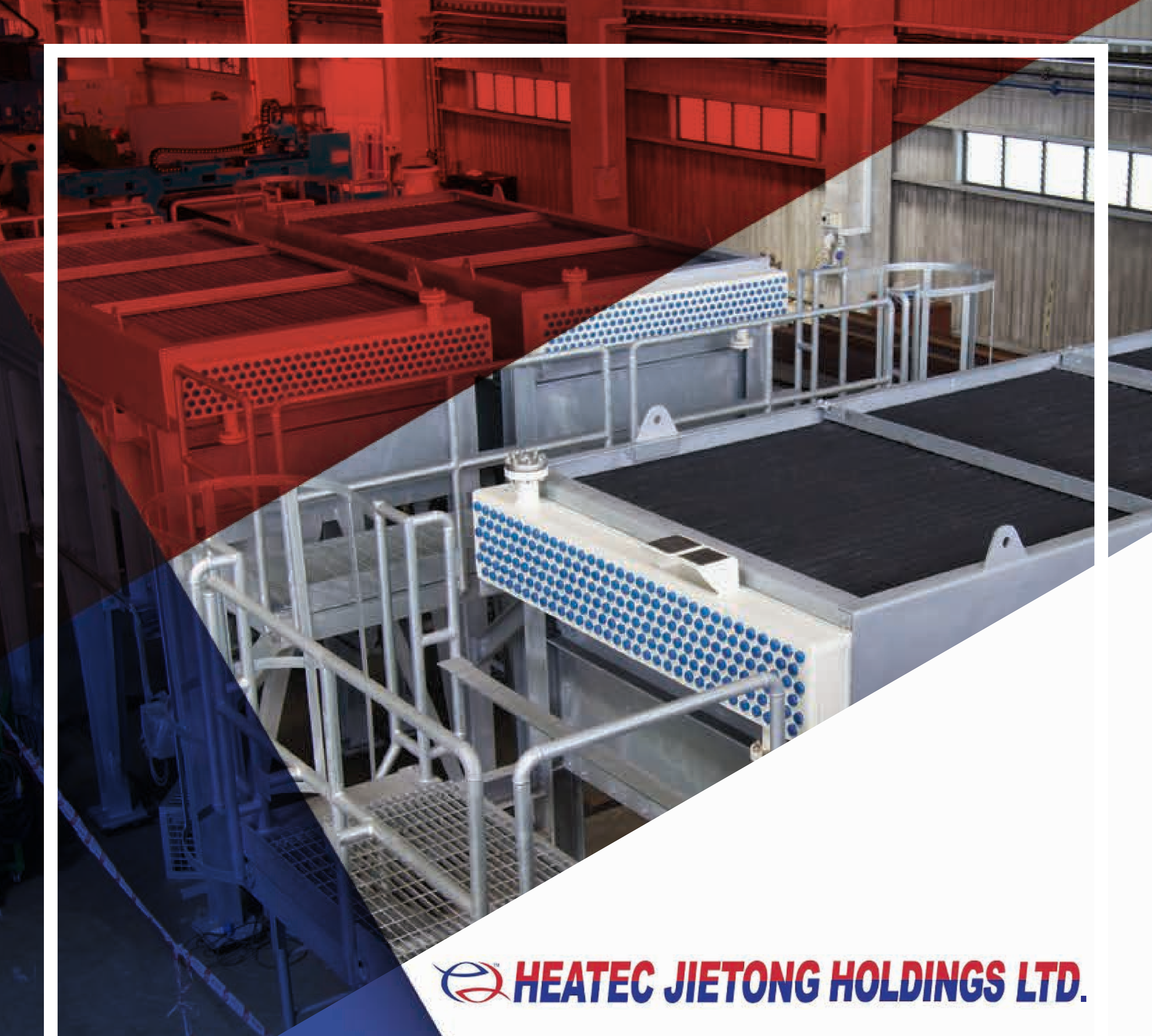


HEATEC JIETONG HOLDINGS LTD.

SUSTAINABILITY IN PROGRESS

ANNUAL REPORT 2017

OUR **MISSION**

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

OUR **VISION**

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

QUALITY **POLICY**

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

TABLE OF **CONTENTS**

COMPANY PROFILE

PIPING SERVICES

We perform a variety of piping services which include:

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

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

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

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

HEAT EXCHANGER SERVICES

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

Our heat exchanger services include:

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

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

We also provide landbased 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 Charged Air Coolers to meet the stringent requirements of any certification parties and is in compliance with ASME Section VIII Div 1 and API 661, 660. Heatec is also both an ASME-U & ASME-U2 Stamps, and National Board "R" Stamp certified fabricator which further enhances our commitment to quality and excellence in all the products and services that we provide.

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.

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

CHEMICAL CLEANING SERVICES

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

Chem-Grow services include:

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

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

KEY MILESTONES

1991

- Jie Tong Engineering Pte. Ltd. was formed with fourteen (14) members to render piping services to local shipyards, mainly Keppel Shipyard

1994

- Heatec (Asia Pacific) Pte. Ltd. was founded with ten (10) employees to provide heat exchanger services to the local marine industry

2001

- Jie Tong Engineering Pte. Ltd. acquired 75% shareholdings of Heatec (Asia Pacific) Pte. Ltd.

2002

- Heatec Shanghai Co., Ltd. was set up in China

2003

- Jie Tong Engineering Pte. Ltd. acquired the remaining 25% shareholdings of Heatec (Asia Pacific) Pte. Ltd.
- Jie Tong Engineering Pte. Ltd. transferred all operations to Heatec (Asia Pacific) Pte. Ltd.
- Heatec (Asia Pacific) Pte. Ltd. was renamed Heatec Jietong Pte. Ltd., which specialises in heat transfer and piping

2005

- Achieved the ISO 9001:2000 certification in recognition of the Company's high quality standards in piping structure fabrication and heat exchanger manufacturing and repair
- Received various awards and accolades due to our dedication to observing safety practices in all projects undertaken by the Company
- Established Heat Transfer Services Pte. Ltd., a strategic alliance with Invensys APV (the inventor of plate heat exchangers)

2006

- Moved its facility to 18, Tuas Ave 18A to accommodate the Company's rapid business growth
- Established Zhoushan Heatec IMC-YY Engineering Co. Ltd., a joint venture company

2007

- Formed Heatec Marine Phils Inc in the Philippines
- Awarded the ENTERPRISE 50 Award by Accenture and The Business Times

2008

- Awarded the ASME-U certification by the American Society of Mechanical Engineers and National Board-R by the National Board

2009

- Awarded the OHSAS 18001:2007 certification by Det Norske Veritas
- Achieved the bizSAFE level STAR status by Workplace Safety and Health Council for efforts to maintain workplace safety standards
- Listed on the SGX-Catalist on 8th July 2009
- Awarded the Investors' Choice Awards 2009
- Heatec Chariot Envirobotics was formed in a joint venture between Heatec Jietong and Chariot Robotics to provide coating removal services

2010

- Awarded the Investors' Choice Awards 2010

2011

- Acquired a 51% equity interest in each of Chem-Grow Pte Ltd and Chem Grow Engineering Pte Ltd; Ventured into chemical cleaning business
- Incorporated wholly-owned subsidiary HJT Engineering & Construction Pte Ltd
- Awarded the ASME-U2 certificate
- DNV-Approved Manufacturer
- NKK-Approved Manufacturer

2012

- Acquired additional 19% equity interest in each of Chem-Grow Pte Ltd and Chem-Grow Engineering Pte Ltd.

2013

- Moved to its present facility at 10 Tuas South Street 15 to gear up the Company's production capability for the Heat Exchanger segment
- Incorporated Heatec Oilfield Services Pte Ltd

2014

- Acquired 20% interest in Karnot Technology Pte. Ltd.
- Incorporated Chem Grow Services Pte. Ltd.

2015

- Incorporated Heatec Veslink Marine Services Corp

2016

- Incorporated Heatec Guangzhou Co., Ltd

BOARD OF DIRECTORS

ONG BENG CHYE

NON-EXECUTIVE CHAIRMAN AND INDEPENDENT DIRECTOR

Mr Ong Beng Chye is our Non-Executive Chairman and Independent Director and was appointed to our Board on 22 June 2009.

Mr Ong chairs our NC, and is a member of our AC and RC. He has more than twenty five years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Mr Ong is currently a director of Appleton Global Pte Ltd, a business management and consultancy services firm. He is also serving as an independent director of other listed companies in Singapore.

Mr Ong is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a Fellow Chartered Accountant of Singapore. Mr Ong obtained a Bachelor of Science (Honours) from City, University of London in 1990.

SOON JEFFREY

CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Mr Soon Jeffrey is our Chief Executive Officer and Executive Director. Mr Soon was appointed to our Board on 1 January 2016.

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

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

MICHAEL SEOW TEO TIEW

INDEPENDENT DIRECTOR

Mr Michael Seow Teo Tiew is our Independent Director and was appointed to our Board on 22 June 2009.

Mr Seow chairs our RC, and is a member of our AC and NC. He is currently a Senior Consultant at Engelin Teh Practice LLC, and has more than thirty years of experience in the areas of conveyancing and property law, landlord and tenant law as well as general corporate and commercial work.

Mr Seow has a Bachelor of Law from National University of Singapore.

BOARD OF DIRECTORS

ANTHONY ANG MENG HUAT

INDEPENDENT DIRECTOR

Mr Anthony Ang Meng Huat is our Independent Director and was appointed to our Board on 17 April 2017. He chairs our AC, and is a member of our RC and NC.

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

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

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

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "**Board**" or the "**Directors**") of Heatec Jietong Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**"), I am pleased to present the financial performance of the Company for the financial year ended 31 December 2017 ("**FY2017**").

FORGING ON RESILIENTLY

It has been a volatile period for both the Marine and Offshore Engineering industry and the Oil and gas industry in which the Group operates. This was evident in the 30.5% decrease in the Group's revenue which stood at S$20.97 million in FY2017. The Group recorded a net loss attributable to shareholders of S$4.60 million in FY2017, as compared to a net profit attributable to shareholders of S$0.81 million in the previous financial year ended 31 December 2016 ("**FY2016**").

Notwithstanding the performance in FY2017, the Group's financial position remained healthy with positive working capital of S$11.56 million and net asset value of 15.86 Singapore cents per share, as at 31 December 2017. We believe that we are well-poised to capitalise on the first sign of recovery, and we will continue to forge ahead and adapt accordingly.

CONSOLIDATING OUR STRENGTH

In FY2017, amidst the challenging business environment, we were also subjected to challenges in the area of manpower regulations in Singapore. The supply of foreign labour was reduced as the local authorities cut down on the labour dependency ratio at the beginning of 2018. Furthermore, there was a tightening of shipyard labour policies that required us to acquire labour from other sources as it became more difficult to cross-deploy our workers within the various business units. As a result, we have to arrange for mandatory home leave for our foreign workers and let natural attrition take place as a form of internal consolidation. It is a delicate balancing act managing and maintaining an optimal workforce size as an oversupply of labour during the lull period can be costly, while a tight supply of labour can cause us to miss out on opportunities with the recovery uplift.

Besides this, we have also been focusing on strategies to implement operational cost efficiencies to be in line with our policy to be prudent with our finances. This would enable us to consolidate our position at all times and be well-poised to capitalise on any arising opportunities.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my gratitude to our fellow Directors for their invaluable guidance and insight. I would also like to thank the management and staff of the Group for their contribution and hard work over the past year. Additionally, I would like to express my appreciation to our customers, business associates and partners for their support and loyalty that has helped us come this far.

Finally, I would like to use this opportunity to extend our deepest appreciation to Mr. Seah Kian Peng who retired as an Independent Director in April 2017. We are grateful to Mr. Seah for his past contribution towards the Group's success since the initial public offering of the Company in July 2009. At the same time, I would like to welcome Mr. Anthony Ang Meng Huat, who joined our Group as an Independent Director in April 2017. We look forward to journeying on together and bringing the Group to greater heights.

ONG BENG CHYE
Non-Executive Chairman

CEO'S STATEMENT

DEAR SHAREHOLDERS,

The financial year ended 31 December 2017 ("**FY2017**") had been a challenging year characterised by volatility and a moderating economy for Heatec Jietong Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**").

After the weak market conditions in FY2017, both the Marine & Offshore Engineering and Oil & Gas sectors appear to be stabilising despite uncertainties that ensued in the geopolitical environment and global economy. Oil price bottomed out and climbed steadily from below US$43 per barrel in early 2017 to above US$60 per barrel early this year, which appears to be on track to a sustainable recovery.

Concurrently, there has been a change in the business environment in which we operate with regard to our manpower. In anticipation of changing regulations to reduce foreign workers dependency ratio this year, we have reviewed our resourcing requirements since early FY2017 in order to be compliant with manpower regulations. We will continue to build on our fundamentals and consolidate our position, so as to be well-poised to seize opportunities at the first sign of recovery.

STAYING RESILIENT AMIDST HEADWINDS

The Group recorded a 30.5% decline in revenue from S$30.16 million in the financial year ended 31 December 2016 ("**FY2016**") to S$20.97 million in FY2017. This was mainly attributed to the continued slowdown in the Marine & Offshore Engineering sector in Singapore as led by the Oil & Gas industry. Consequently, revenues and earnings from both the Piping and Heat Exchanger segments in FY2017 were affected by significantly reduced works orders and projects.

In line with the reduced revenue and challenging market conditions, the Group reported gross profit of S$5.41 million in FY2017, which was 47.8% lower than the S$10.36 million registered in FY2016. Consequently, gross profit margin for the Group also decreased from 34.3% in FY2016 to 25.8% in FY2017.

Where costs were concerned, we remained prudent and cautious, actively managing our expenses by tapping on automation to replace labour-intensive work where possible. We also reviewed and consolidated our position as we disposed of some assets to realign our corporate strategies.

On 11 August 2017, we wound up Heatec Chariot Envirobotics Pte. Ltd., a 72.5%-owned subsidiary of the Company. This resulted in a liquidation loss of S$1.00 million, contributing to higher other expenses of S$1.42 million in FY2017, as compared to S$0.46 million in FY2016. Meanwhile, finance costs decreased by 19.7% to S$0.19 million in FY2017 in line with the decrease in bank loans. As a result, the Group reported a net loss attributable to shareholders of S$4.60 million in FY2017, as compared to a net profit attributable to shareholders of S$0.81 million in FY2016.

Consequently, loss per share stood at 3.74 Singapore cents for FY2017, as compared to an earnings per share of 0.66 Singapore cent for FY2016.

As at 31 December 2017, the Group registered a decline in working capital and net assets in tandem with the losses incurred in FY2017. Notwithstanding the above, the Group recorded positive working capital of S$11.56 million and equity attributable to owners of the Company of S$19.50 million as at

CEO'S STATEMENT

31 December 2017. Net asset value per share decreased to 15.86 Singapore cents as at 31 December 2017, as compared to 19.77 Singapore cents as at 31 December 2016.

BUILDING ON OUR PIPELINE

We remain focused on developing our three core business segments - Heat Exchanger, Piping and Chemical Cleaning, and are continually strengthening our expertise to better meet market demands.

During FY2017, our Heat Exchanger and Piping segments saw a decrease in results as the Heat Exchanger sector experienced a significant decline due to delay in orders and the weak market condition of the Marine & Offshore Engineering sector. Nevertheless, the Chemical Cleaning segment managed to remain stable with only a marginal decrease in results due to more competitive pricing.

Despite the lackluster market conditions, we are cautiously optimistic about the economy and are confident that we will be able to capitalise on the first sign of recovery.

For the Heat Exchanger segment, we have a confirmed order book of S$7.7 million secured since 4Q2017, which will contribute positively towards the Group's earnings in the financial year ending 31 December 2018. As for the Piping segment, we are currently the subcontractors of two of the major shipyards in the industry. We are confident that when the market picks up, we will be able to ride on the wave of recovery and benefit from it. Where the Chemical Cleaning segment is concerned, we will continue to build on our strength and expand our network of customers.

As part of our expansion plans, we incorporated a joint venture company known as Heatec Guangzhou Co., Ltd in 3Q2016 to provide repairs and services for heat exchangers and to design, sell and fabricate heat exchangers. While the joint venture is still in its nascent stage, we have begun to achieve synergies from collaboration efforts with our Heatec Shanghai entity.

FUTURE PROSPECTS

Overall market sentiments has been improving in the Marine & Offshore Engineering sector. We believe that we are in a favourable position to benefit from the increased market demand for our products and services given our strength in market branding and expertise. Looking to ride on this positive momentum, we look forward to securing more projects to further strengthen our order book.

We are also on track to diversify our portfolio of projects to incorporate onshore projects and revamp our image as a pure Marine & Offshore Engineering company. This will enable us to better withstand any risks presented in one particular market sector.

We will also continue to focus on building our core businesses in Singapore through seeking strategic alliances with local partners, while exploring new market opportunities in other target markets in the Asia Pacific region.

ACKNOWLEDGEMENTS

I would like to use this opportunity to extend my appreciation to Ms. Foo Quek Cheng who stepped down as Chief Financial Officer ("**CFO**") of the Company in August 2017. We are grateful for her contribution and commitment towards the Group during her service term and wish her all the best in her future endeavours.

I would also like to extend a warm welcome to Mr. Tay Boon Zhuan, who joined us as CFO in December 2017. We believe Mr. Tay would be able to contribute positively towards the Group's progress and we look forward to working closely with him.

On behalf of the Board of Directors, I would like to thank our valued shareholders, customers, suppliers, bankers, business partners and associates for their support and faith in the Group amidst these challenging times. I would also like to thank our management, staff and professionals for their hard work and dedication that has helped the Group to ride through obstacles over the years. We resolve to continue on this journey together and bring greater share value for all our stakeholders.

SOON JEFFREY
Chief Executive Officer

KEY MANAGEMENT PERSONNEL

TAY BOON ZHUAN
CHIEF FINANCIAL OFFICER

Mr Tay joined Heatec in December 2017 and is responsible for the financial, accounting and corporate secretarial functions of the Group.

Prior to joining the Group, Mr Tay was the Head of Internal Audit for a major manufacturer listed on the New York Stock Exchange. In addition, having spent more than 10 years in various roles with professional services firms, Mr Tay is experienced in accounting and auditing matters across different industries and geographical reach.

Mr Tay holds a Bachelor degree in Accountancy from Nanyang Technological University and is a Chartered Accountant with the Institute of Singapore Chartered Accountant (ISCA).

SOON JENSON
GROUP GENERAL MANAGER (OPERATION)

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

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

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

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.

OPERATIONS REVIEW

PIPING

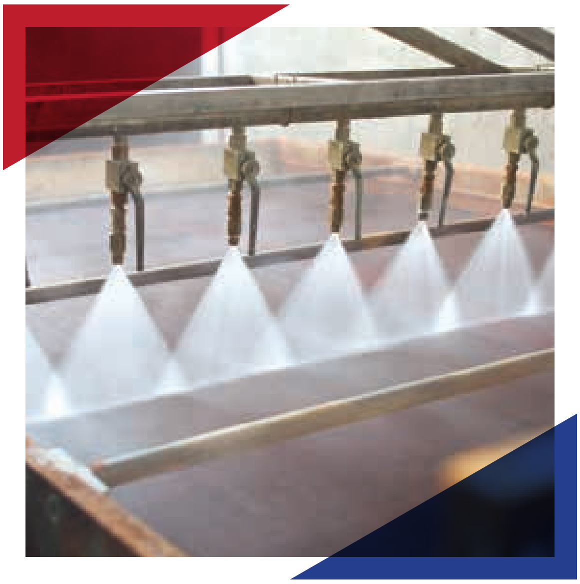
The Piping segment reported a 23% or S$2.78 million decrease in revenue, from S$12.30 million in the financial year ended 31 December 2016 ("**FY2016**") to S$9.52 million in the financial year ended 31 December 2017 ("**FY2017**"). The decrease in revenue was due to a noticeable decrease in piping orders mainly from the shipyards.

With the aforementioned decrease in revenue, the Piping segment recorded a segmental loss of S$0.37 million in FY2017, as compared to a segmental profit of S$0.23 million in FY2016.

HEAT EXCHANGER

Since FY2016, the Group experienced a significant slowdown in the Marine and Offshore Engineering sector affected by the Oil and Gas industry which was similarly felt in FY2017, resulting in lower work orders and projects. The Heat Exchanger segment recorded a 41% or S$6.03 million decrease in revenue, from S$14.72 million in FY2016 to S$8.69 million in FY2017.

On the back of the macro-economic conditions plaguing the industry, a segmental loss of S$2.45 million was recorded by the Heat Exchanger segment in FY2017, as compared to a segmental profit of S$0.88 million in FY2016.



CHEMICAL CLEANING

The Chemical Cleaning segment was also affected by the slowdown in the Marine and Offshore Engineering sector in Singapore with lower orders from shipyards. The Chemical Cleaning segment reported a decline in revenue by 12% or S$0.38 million, from S$3.14 million in FY2016 to S$2.76 million in FY2017.

The Chemical Cleaning segment suffered a segmental loss of S$0.98 million in FY2017, as compared to a segmental profit of S$0.27 million in FY2016.

FINANCIAL REVIEW

A. PROFITABILITY ANALYSIS

REVENUE BY SEGMENTS

	FY2017		FY2016		Variance	
	S$	%	S$	%	S$	%
Piping	9,515,795	45.4	12,299,367	40.8	(2,783,572)	(22.6)
Heat Exchanger	8,689,911	41.4	14,717,020	48.8	(6,027,109)	(41.0)
Chemical Cleaning	2,764,706	13.2	3,144,432	10.4	(379,726)	(12.1)
	20,970,412	100.0	30,160,819	100.0	(9,190,407)	(30.5)

Overall, the Group's revenue decreased by 30.5% or S$9.19 million, from S$30.16 million in FY2016 to S$20.97 million in FY2017, attributable to decreases in revenue from all three business segments of the Group.

The Heat Exchanger segment experienced the largest drop in revenue of 41% or S$6.03 million, from S$14.72 million in FY2016 to S$8.69 million in FY2017. The decline was due to the continued slowdown in the Marine and Offshore Engineering sector affected by the Oil and Gas industry, which resulted in lower work orders and projects in FY2017. This slowdown had also affected the Group's Chemical Cleaning segment, which reported a 12% or S$0.38 million decline in revenue, from S$3.14 million in FY2016 to S$2.76 million in FY2017.

Furthermore, there was a noticeable decrease in piping orders mainly from shipyards which resulted in the Group's Piping segment reporting a 23% or S$2.78 million decline in revenue, from S$12.30 million in FY2016 to S$9.52 million in FY2017.

OVERALL PROFITABILITY

	FY2017	FY2016	Variance	
	S$	S$	S$	%
Gross Profit	5,411,825	10,359,949	(4,984,124)	(47.8)
Gross Profit Margin	*25.8%*	*34.3%*		
Other Income	397,466	493,107	(95,641)	(19.4)
Administrative Expenses	(8,321,997)	(9,059,369)	737,372	(8.1)
Other Expenses	(1,421,550)	(463,040)	(958,510)	207.0
Share of (loss)/profit of associates	(216,260)	20,103	n.m.	n.m.
Finance Costs	(186,901)	(232,718)	45,817	(19.7)
(Loss)/Profit Before Income Tax	(4,337,417)	1,118,032	n.m.	n.m.
Income tax expense	(249,463)	(307,191)	57,728	(18.8)
(Loss)/Profit for the year	(4,586,880)	810,841	n.m.	n.m.

The Group recorded a gross profit margin of 25.8% for FY2017 amid continued weak market conditions, as compared to 34.3% for FY2016.

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

1. The Group recorded lower other income of S$0.40 million in FY2017, as compared to S$0.49 million in FY2016, mainly due to a decrease in other non-business income.
2. The Group continued its efforts to monitor and review operating costs closely. The Group's administrative expenses decreased by S$0.74 million or 8%, from S$9.06 million in FY2016 to S$8.32 million in FY2017.
3. The Group recorded higher other operating expenses of S$1.42 million in FY2017, as compared to S$0.46 million in FY2016, mainly due to a loss on liquidation of S$1 million upon winding up of Heatec Chariot Envirobotics Pte. Ltd., a 72.5%-owned subsidiary of the Company as announced by the Company on 11 August 2017.
4. The Group recorded a loss of S$0.22 million from its share of associates' results in FY2017 due to its share of accumulated losses in Ipromar (Pte) Ltd. of which the Company holds a 25% interest.

Finance costs

The Group's finance costs decreased by 20% or S$45,817 in FY2017, as compared to FY2016. The decrease in finance costs was in tandem with the decrease in bank loans.

Income tax expense

The income tax expense amounted to S$0.25 million in FY2017, as compared to S$0.31 million in FY2016. The income tax expense in FY2017 relates mainly to a reversal of previously recognised deferred tax asset of S$0.23 million.

B. BALANCE SHEET ANALYSIS

Balance Sheet	As at 31 December 2017 S$	As at 31 December 2016 S$	Variance S$	Variance %
Non-Current Assets	12,072,448	12,889,267	(816,819)	(6.3)
Current Assets	19,081,463	22,695,695	(3,614,232)	(15.9)
Non-Current Liabilities	1,839,438	2,651,246	(811,808)	(30.6)
Current Liabilities	7,523,119	7,290,636	232,483	3.2
Working Capital	11,558,344	15,405,059	(3,846,715)	(25.0)
Equity Attributable to Owners of the Company	19,496,215	24,314,072	(4,817,857)	(19.8)
Net Asset Value Per Share (Cents)	15.86	19.77	(3.91)	(19.8)

The Group's working capital and net assets decreased in line with the losses incurred in FY2017. As at 31 December 2017, the Group recorded positive working capital of S$11.56 million and the net asset value remained healthy at 15.86 cents per share.

(i) Non-current assets

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

Property, plant and equipment decreased by S$0.60 million, from S$12.11 million as at 31 December 2016 to S$11.51 million as at 31 December 2017. The decrease was mainly due to depreciation charge of S$1.04 million, partially offset by new purchases of plant and equipment amounting to S$0.74 million.

Deferred tax assets decreased by S$0.23 million, from S$0.23 million as at 31 December 2016 to S$NIL as at 31 December 2017, due to a reversal of previously recognised tax losses.

Save for the above, non-current assets of the Group remained relatively stable as at 31 December 2017, as compared to 31 December 2016.

(ii) Current assets

Current assets comprised trade and other receivables, inventories and cash and bank balances.

Trade and other receivables decreased by S$2.23 million, from S$18.15 million as at 31 December 2016 to S$15.92 million as at 31 December 2017, mainly due to more effective management of our receivables coupled with a decrease in revenue in FY2017.

Inventories decreased by S$0.11 million, from S$0.67 million as at 31 December 2016 to S$0.56 million as at 31 December 2017, mainly due to lower levels of purchases in the second half of FY2017.

Cash and bank balances decreased by S$1.27 million, from S$3.87 million as at 31 December 2016 to S$2.60 million as at 31 December 2017. Please refer to the "Statement of cash flows" below for the reasons for the decrease.

(iii) Non-current liabilities

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

The non-current portion of bank loans decreased from S$1.96 million as at 31 December 2016 to S$1.36 million as at 31 December 2017, due mainly to repayment of existing banking facilities and reclassification of non-current portion of bank loans from non-current liabilities to current liabilities.

The non-current portion of finance leases decreased from S$0.29 million as at 31 December 2016 to S$0.09 million as at 31 December 2017, due mainly to reclassification of non-current portion of finance leases from non-current liabilities to current liabilities.

(iv) Current liabilities

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

The Group's current portion of bank loans remained relatively stable at S$3.5 million as at both 31 December 2017 and 31 December 2016.

Trade and other payables increased by S$0.41 million, from S$3.39 million as at 31 December 2016 to S$3.80 million as at 31 December 2017. The increase was partly due to an increase in purchases during the last quarter of FY2017 for new projects.

C. CASHFLOW ANALYSIS

	FY2017	FY2016	Variance	
	S$	S$	S$	%
Net Cash From Operating Activities	550,904	2,522,917	(1,972,013)	(78.2)
Net Cash Used In Investing Activities	(703,524)	(63,626)	(639,608)	n.m.
Net Cash Used in Financing Activities	(685,667)	(131,000)	(554,667)	423.4
Net Cash and Cash Equivalents At The End Of The Year	2,601,077	3,442,165	(841,088)	(24.4)

The Group's cash and cash equivalents as per consolidated statement of cash flows was lower at S$2.60 million in FY2017, as compared to S$3.44 million in FY2016.

The net decrease in cash and cash equivalents of S$0.84 million for FY2017 was mainly due to the following:

(i) net cash inflow of S$0.55 million generated from operating activities mainly due to more effective receivables management as reflected in the S$1.69 million cash inflow generated from the decrease in trade and other receivables, despite negative operating cash flows of S$1.41 million before movements in working capital;

(ii) net cash outflow of S$0.70 million used in investing activities mainly due to capital expenditure of S$0.74 million to facilitate the Group's operations; and

(iii) net cash outflow of S$0.69 million used in financing activities, which comprised dividend of S$0.25 million paid to equity holders of the Company, repayment of bank loans of S$0.59 million, repayment of revolving credit line of S$0.11 million and repayment of finance leases of S$0.28 million, partially offset by decrease in pledged fixed deposits of S$0.43 million and capital injection from non-controlling shareholders of subsidiaries of S$0.10 million.

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**" or the "**Directors**") of Heatec Jietong Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") is committed to maintaining a high standard of corporate governance within the Company and the Group by complying with the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"). This report outlines the corporate governance framework and practices adopted by the Company with specific reference made to the principles of the Code throughout the financial year ended 31 December 2017 ("**FY2017**").

The Board, after making due inquiries, believes that the Company has complied in all material aspects with the principles and guidelines as set out in the Code. Where the Company's practices differ from any principle or guideline, the Company's position in respect of the same is explained in this Report.

1. BOARD MATTERS

The Board's Conduct of Affairs

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

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

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

As at the date of this report, the Board comprises the following Directors:–

Mr Ong Beng Chye	–	Non-Executive Chairman and Independent Director
Mr Soon Jeffrey	–	Executive Director and Chief Executive Officer ("**CEO**")
Mr Michael Seow Teo Tiew	–	Independent Director
Mr Anthony Ang Meng Huat	–	Independent Director

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

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

The schedule of all the Board and Board Committee meetings as well as the annual general meeting of the Company ("**AGM**") for the next calendar year is planned well in advance. The Board meets at least twice yearly and whenever warranted by particular circumstances. Ad-hoc, non-scheduled Board meetings may be convened to deliberate on urgent substantial matters. In addition to these meetings, corporate events and actions requiring the Board's approval may be discussed over the telephone, followed by Directors' resolutions in writing being passed. Regulation 104(4) of the Company's Constitution (the "**Constitution**") provides for telephonic and video conference meetings.

The attendance of each Director at every Board and Board Committee meeting during FY2017 is set out in the table below:–

Name of Director	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Ong Beng Chye	2	2	2	2	1	1	1	1
Soon Jeffrey	2	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Seah Kian Peng[1]	1	1	1	1	1	1	1	1
Michael Seow Teo Tiew[2]	2	2	2	2	1	1	1	1
Anthony Ang Meng Huat[3]	1	1	1	1	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable
(1) Mr Seah Kian Peng retired as a Director as well as the Chairman of the RC and a member of the AC and the NC on 17 April 2017.
(2) Mr Michael Seow Teo Tiew ceased to be the Chairman of the AC and was appointed as the Chairman of the RC on 17 April 2017.
(3) Mr Anthony Ang Meng Huat was appointed as a Director as well as the Chairman of the AC and a member of the NC and RC on 17 April 2017.

Matters Requiring Board's Approval

The Company has in place internal guidelines on a number of corporate events and actions for which the Board's approval is required. They include but are not limited to the following:–

(a) approval of announcements released via SGXNet, including financial results announcements;
(b) approval of operating budgets, annual and interim reports, financial statements, Directors' statement and annual report;
(c) dividend matters;
(d) authorisation of banking facilities and corporate guarantees;
(e) approval of change in corporate business strategy and direction;
(f) appointment and cessation of Directors and key executives;
(g) any matters relating to AGM, Board and Board Committees; and
(h) approval of material investment and divestment proposals, acquisitions and disposals, and funding requirements.

CORPORATE GOVERNANCE REPORT

The Company does not have a formal training programme for the Directors but all new Directors will undergo an orientation in order to be provided with background information about the Group's history, strategic direction and industry-specific knowledge. The Directors will also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations. The Company will also arrange for first-time Directors to attend relevant training in relation to the roles and responsibilities of a Director of a listed company and in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company. Upon appointment, the newly appointed Directors will be provided a formal letter setting out their duties and obligations.

Mr Anthony Ang Meng Huat was appointed as a Director on 17 April 2017. In accordance with the Company's policy, a formal letter setting out his duties and obligations was provided to Mr Anthony Ang Meng Huat and Mr Anthony Ang Meng Huat had attended an orientation program and visited the Group's operational facilities to familiarise himself of the Group's business operations.

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

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

Seminars and Trainings Attended by Directors in FY2017

The details of updates, seminars and training programmes attended by the Directors in FY2017 include, amongst others:–

- Updates on developments in financial reporting and governance standards, where relevant, by the external auditors of the Company, Deloitte & Touche LLP ("**Deloitte**"), to the AC and the Board;
- SGX-SID Audit Committee Seminar 2017 organised by ACRA;
- Seminar titled "The Sustainability Imperative" organised by SID;
- Seminar titled "Sustainability roundtable" organised by the SGX-ST; and
- SMU-SID Directorship Programme conducted by Singapore Management University in partnership with SID.

Board Composition and Guidance

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

Currently, the Board consists of one (1) Executive Director and three (3) Non-Executive Independent Directors, all of whom, collectively, 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 the Management are fully discussed and examined, taking into account the long-term interests of the Company, the Group and Shareholders.

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

The Board has three (3) Independent Directors, namely Mr Ong Beng Chye, Mr Michael Seow Teo Tiew, and Mr Anthony Ang Meng Huat. There is a strong and independent element on the Board, with the aforementioned Independent Directors comprising the majority of the Board. No individual or group of individuals dominates the Board's decision making. In addition, the roles of the Chairman and the CEO are assumed by different persons.

The criterion for independence is based on the definition set out in the Code. The Board considers an "independent" Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. The independence of each Director is reviewed annually by the NC.

Save for Mr Ong Beng Chye who has a direct interest of 3,148,445 Shares (representing 2.56% of the existing issued and paid-up share capital of the Company) and 3,000,000 share options in the Company, which is within the shareholdings threshold allowed under the Code, the Independent Directors have confirmed that they do not have any relationship with the Company nor its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company. The Board, based on the review conducted by the NC, has determined that the said Directors are independent.

Currently, there is no Independent Director who has served on the Board beyond nine (9) years from the date of his first appointment.

Although all Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and rigorously examined, assessing the performance of the Management in meeting the agreed goals and objectives, as well as monitoring the reporting of performance. The Independent Directors are encouraged to meet, without the presence of the Management, so as to facilitate a more effective check on the Management. During FY2017, the Independent Directors had met once without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of Directors and key management personnel.

The Board has considered its present size and is satisfied that the current Board size has the appropriate mix of expertise and experience for facilitating effective decision making and is appropriate for the nature and current scope of the Group's operations. The Board noted that gender diversity on the Board is also one of the recommendations under the Code to provide an appropriate balance and diversity. Although there is currently no female Director appointed to the Board, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board's consideration. Each Director has been appointed based on his skills, experience and knowledge, and is expected to bring forth his experience and expertise to the Board for the continuous development of the Group.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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

The Chairman of the Board and the CEO are separate persons in order to provide an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision making. There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the leadership of the Board and the executives responsible for managing the Company's business. The Chairman, Mr Ong Beng Chye, an independent and Non-Executive Director, and the CEO, Mr Soon Jeffrey, are not related to each other and do not have any business relationship between them. In line with the Code, a lead independent director need not be appointed.

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 the Management and effective communication with Shareholders. In addition, the Chairman encourages constructive relations among the Directors and the Board's interaction with the Management, as well as facilitates effective contribution of Non-Executive Directors. The Chairman's responsibilities in respect of the Board proceedings include:–

(a) in consultation with the CEO, setting the agenda (with the assistance of the Company Secretaries) and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
(b) ensuring that all agenda items are adequately and openly debated at the Board meetings;
(c) ensuring that all Directors receive complete, adequate and timely information; and
(d) assisting in ensuring that the Group complies with the Code and maintains high standards of corporate governance.

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

Board Membership

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

The NC comprises three (3) Non-Executive Directors, all of whom (including the Chairman) are independent. The NC members are:–

1. Ong Beng Chye (Chairman)
2. Michael Seow Teo Tiew
3. Anthony Ang Meng Huat

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

1. recommending to the Board concerning the appropriate size and needs of the Board, having regard to the appropriate skill mix, personal qualities and experience required for effective Board performance;
2. determining the independence of each Director annually, and as and when circumstances require;
3. reviewing of board succession plans for Directors, in particular, the Chairman and the CEO;
4. reviewing of training and professional development programs for the Board;
5. deciding how the Board's performance may be evaluated and propose objective performance criteria; and
6. recommending to the Board on appointment and re-appointment of Director. In appointing new Directors, the Board considers the range of skills and experience required in light of:–

    (a) the geographical spread and diversity of the Group's businesses;
    (b) the strategic direction and progress of the Group;
    (c) the current composition of the Board; and
    (d) the need for independence.

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

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

Annually, the NC is required to determine the independence of the Directors, bearing in mind the circumstances set forth in the Code and any other salient factors. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director. The NC has determined that the Independent Directors, namely Mr Ong Beng Chye, Mr Michael Seow Teo Tiew, and Mr Anthony Ang Meng Huat, are independent.

There is no alternate Director on the Board.

Regulation 98 of the Company's Constitution provides that at each AGM, at least one third (1/3) 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.

CORPORATE GOVERNANCE REPORT

Regulation 99 of the Company's Constitution provides that the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for the three (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 Constitution. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The NC had recommended to the Board that Mr Michael Seow Teo Tiew, who is retiring by rotation pursuant to Regulations 98 and 99 of the Company's Constitution, as well as Mr Anthony Ang Meng Huat, who is retiring under Regulation 102 of the Company's Constitution, be nominated for re-election at the forthcoming AGM.

In making the recommendation, the NC has considered the Directors' overall contributions and performance. Mr Michael Seow Teo Tiew and Mr Anthony Ang Meng Huat have each 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.

Prior to the date of this report, Mr Michael Seow Teo Tiew has indicated his intention to retire at the forthcoming AGM. Accordingly, the NC will identify candidates and review all nominations for the appointment of a new Director in place of Mr Michael Seow Teo Tiew, before recommending to the Board for approval.

Mr Anthony Ang Meng Huat will, subject to being duly re-elected as a Director of the Company, remain as the Chairman of the AC, as well as a member of the NC and RC. Mr Anthony Ang Meng Huat is considered independent for the purpose of Rule 704(7) of the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

Process for Selection and Appointment of New Directors

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

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

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

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships or Chairmanships both present and held over last 3 years in other listed companies and other principal commitments
Ong Beng Chye	18 April 2016	Non-Executive and Independent	Chairman of the Board and the NC, and Member of the RC and the AC	Bachelor of Science (Economics) Fellow of The Institute of Chartered Accountants of England and Wales Chartered Financial Analyst Fellow Chartered Accountant of Singapore	Other principal commitment Director of Appleton Global Pte Ltd Present Directorships Hafary Holdings Limited Kitchen Culture Holdings Ltd Geo Energy Resources Ltd IPS Securex Holdings Limited CWX Global Limited Past Directorship –
Soon Jeffrey	18 April 2016	Executive	Chief Executive Officer	Master's Degree in Business and Administration Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering)	Other principal commitment – Present Directorship – Past Directorship –
Michael Seow Teo Tiew	17 April 2017	Non-Executive and Independent	Chairman of the RC and Member of the AC and the NC	Bachelor of Law, National University of Singapore	Other principal commitment Senior Consultant at Engelin Teh Practice LLC Present Directorship – Past Directorship –
Anthony Ang Meng Huat	17 April 2017 (appointed by the Board)	Non-Executive and Independent	Chairman of the AC and Member of the NC and the RC	Master of Business Administration from INSEAD in France Bachelor of Science (Mechanical Engineering) with First Class Honours from the Imperial College, United Kingdom	Other principal commitment Chief Executive Officer of Sasseur Asset Management Pte Ltd Ambassador Extraordinary and Plenipotentiary of the Republic of Singapore to the Republic of Tunisia, Ministry of Foreign Affairs Present Directorships Europtronic Group Ltd. Yong Tai Berhad Past Directorship IPS Securex Holdings Limited

Information of the interests of the Directors who held office at the end of the financial year in shares, debentures and share options in the Company and its related corporations (other than the wholly-owned subsidiaries) are set out in the Directors' Statement on page 38 of this Annual Report.

Board Performance

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

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

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

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

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

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

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

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

Access to Information

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

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

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

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

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

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises three (3) Non-Executive Directors, all of whom (including the Chairman) are independent. The RC members are:–

1. Michael Seow Teo Tiew (Chairman)
2. Ong Beng Chye
3. Anthony Ang Meng Huat

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

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

The RC has access to advice from the internal human resource department and, if necessary, may seek external expert advice of which the expenses will be borne by the Company. No external expert was engaged by the Company in FY2017.

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

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

Level and Mix of Remuneration

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

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

The Independent Directors receive Directors' fees in accordance with their contributions. Directors' fees for the Independent Directors are proposed by the Executive Director/CEO and reviewed and recommended by the RC, based on the effort, time spent and the responsibilities of the individual Independent Directors. No Director is involved in deciding his own remuneration. The Independent Directors have not been over-compensated to the extent that their independence is compromised. The total remuneration of the Independent Directors is recommended for Shareholders' approval at each AGM. Directors' fees for the Independent Directors of S$175,000 for FY2017 (with payment to be made in arrears) had been approved by Shareholders at the last AGM held on 17 April 2017. Directors' fees for the Independent Directors of S$151,000 for the current financial year ending 31 December 2018 (with payment to be made in arrears) have been recommended by the Board and will be tabled for approval by Shareholders at the forthcoming AGM. In view of the continued weak market conditions of the industries which the Group operates in, the RC and the Board have recommended to reduce the Directors' fees for the Independent Directors for the current financial year ending 31 December 2018, as compared to FY2017.

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

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

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

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

A breakdown, showing the level and mix of each individual Director's remuneration for FY2017 is as follows:–

Name of Director	Salary (%)	Bonus and/or profit sharing (%)	Directors' fee (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000					
Soon Jeffrey(1)	84	11	–	5	100
Ong Beng Chye	–	–	100	–	100
Michael Seow Teo Tiew	–	–	100	–	100
Anthony Ang Meng Huat(2)	–	–	100	–	100
Seah Kian Peng(3)	–	–	100	–	100

A breakdown, showing the level and mix of the top four (4) key management personnel (who are not Directors or the CEO), including the immediate family members of a Director or the CEO exceeding S$50,000 for FY2017, is as follows:–

Name of Key Management Personnel(4)	Salary (%)	Bonus and/or profit sharing (%)	Directors' fee (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000					
Soon Jenson(5)	87	8	–	5	100
Koh Lay Cheng	92	8	–	–	100
Foo Quek Cheng(6)	97	–	–	3	100
Tay Boon Zhuan(7)	100	–	–	–	100

(1) Son of Mr Soon Yeow Kwee Johnny, a substantial Shareholder.
(2) Mr Anthony Ang Meng Huat was appointed as a Director on 17 April 2017.
(3) Mr Seah Kian Peng retired as a Director on 17 April 2017.
(4) The Group has only four (4) key management personnel (who are not Directors or the CEO) during FY2017.
(5) Son of Mr Soon Yeow Kwee Johnny, a substantial Shareholder, and brother of Mr Soon Jeffrey, the Executive Director and CEO of the Company.
(6) Ms Foo Quek Cheng resigned as the Chief Financial Officer of the Company on 15 August 2017.
(7) Mr Tay Boon Zhuan was appointed as the Chief Financial Officer of the Company on 26 December 2017.

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

Save as disclosed above, the Code recommends that:–

(a) the company should fully disclose the remuneration of each individual director and the CEO on a named basis;
(b) the company should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, in incremental bands of S$50,000; and
(c) the company should disclose in aggregate the total remuneration paid to the top five (5) key management personnel (who are not directors or the CEO).

The Board had decided not to disclose the aforementioned details as recommended by the Code, given the competitive business environment and possible negative impact on the Group's business interest, while the disclosure of such detailed remuneration amongst the immediate family members of the Executive Director could have an adverse effect on working relationships and contributions to the operations of the Group. The total remuneration of the top four (4) key management personnel (who are not Directors or the CEO), including the immediate family member of a Director or CEO, was not disclosed to prevent poaching of key management personnel.

In FY2017, each of Mr Soon Yeow Kwee Johnny (a substantial Shareholder, who is the father of Mr Soon Jeffrey and Mr Soon Jenson), Mr Yong Li Vien (who ceased to be a substantial Shareholder on 28 August 2017), and Mr Yong Yeow Sin (a substantial Shareholder) is a consultant of the Group. Mr Yong Li Vien had retired as a consultant of the Group on 20 January 2018. Please refer to page 36 of this Corporate Governance Report for key information regarding the provision of consultancy services.

Save as disclosed above, no employee of the Group, whose remuneration exceeded S$50,000 during FY2017, was an immediate family member of a Director or the CEO.

All Directors and key management personnel are remunerated on an earned basis and there were no termination, retirement and post-employment benefits granted during FY2017.

The Company has a share option scheme known as Heatec Employee Share Option Scheme (the "**Heatec ESOS**") and a performance share plan known as Heatec Performance Share Plan (the "**Performance Share Plan**") which were approved by Shareholders on 18 June 2009. 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 2017, 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 FY2017. 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 Corporate Governance Report. The Company did not grant any share awards pursuant to the Performance Share Plan in FY2017.

CORPORATE GOVERNANCE REPORT

As at 31 December 2017, the Company has granted an aggregate of 5,800,000 share options pursuant to the Heatec ESOS, of which options to subscribe for 4,800,000 shares remained outstanding. Movements in the number of unissued shares of the Company under the Heatec ESOS during FY2017 were as follows:–

Exercise period		Outstanding options as at 1 January 2017	Number of options granted in FY2017	Number of options cancelled in FY2017	Outstanding options as at 31 December 2017	Exercise price (S$)
From	To					
18 April 2016	17 April 2021	3,000,000	–	–	3,000,000	0.085
18 April 2016	17 April 2026	2,800,000	–	1,000,000	1,800,000	0.085
Total		5,800,000	–	1,000,000	4,800,000	

Please refer to the Directors' Statement and Note 29 to the Financial Statements set out in this annual report for more information on the Heatec ESOS.

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

3. ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

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

4. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

As the Group does not have a risk management committee, the AC assumes the responsibility of the risk management function. The AC has 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 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 the 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 AC, internal auditors and external auditors.

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

The Board has also received assurance from the CEO and the Chief Financial Officer ("**CFO**"):–

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

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

Based on the work performed by the internal and external auditors, the review undertaken by the Management, the existing management internal controls in place and the assurance from the CEO and the CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective for FY2017.

CORPORATE GOVERNANCE REPORT

Audit Committee

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

The AC comprises three (3) Non-Executive Directors, all of whom (including the Chairman) are independent. The AC members are:–

1. Anthony Ang Meng Huat (Chairman)
2. Michael Seow Teo Tiew
3. Ong Beng Chye

The Board is of the view that the members of the AC are appropriately qualified and possess the recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities.

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

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

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

3. reviewing the effectiveness of the Company's internal audit function;

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

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

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

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

8. reviewing the independence of the external auditors annually.

The aggregate amount of audit fees paid to the external auditors of the Company, Deloitte, in FY2017 was S$99,000. There were no non-audit fees paid to the external auditors of the Company in FY2017.

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

In July 2010, the SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the ACs in evaluating external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

In addition, in October 2015, with the support from the SGX-ST and SID, ACRA had introduced the "Audit Quality Indicators ("**AQIs**") Disclosure Framework" to assist the ACs in evaluating the re-appointment of external auditors based on 8 quality markers that correlate closely with audit quality. Accordingly, the AC had evaluated the external auditors based on the 8 AQIs at engagement and/or firm level.

The AC is pleased to recommend the re-appointment of Deloitte at the forthcoming AGM.

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

The Company has implemented a Whistle Blowing Policy which provides the mechanism for which staff of the Company may in confidence, raise concerns about possible improprieties of financial reporting or other matters. The AC oversees the administration of the policy. Where a complaint has been made, a report will be submitted to the AC for investigation and follow-up. There were no reported incidents pertaining to whistle-blowing for FY2017.

In FY2017, the AC had, among others, carried out the following activities:–

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

CORPORATE GOVERNANCE REPORT

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

Matter considered	How the AC reviewed this matter and what decisions were made
Revenue recognition on contracts and provision for credit notes	The AC discussed with the Management and external auditors on the procedures and controls in place to ensure reasonableness of the revenue recognition on contracts and provision for credit notes. The AC also reviewed the Management's assessment of key estimates and judgements made in revenue recognition on contracts and provision for credit notes, as well as considered the external auditors' report which outlined the audit work performed in respect of the risk identified. As a result of the above procedures, the AC gained comfort that the approach and methodology applied by the Management were appropriate and were consistent to all contracts of similar nature. The revenue recognition on contracts and provision for credit notes were also areas of focus for the external auditors. The external auditors had included this item as a key audit matter in its audit report for FY2017. Please refer to page 43 of this Annual Report.

Internal Audit

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

The current size of the operations of the Group does not warrant the Group to have an in-house internal audit function. The internal audit function of the Company is outsourced to RSM Risk Advisory Pte. Ltd., a member of the RSM network. The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

The internal auditors report primarily to the AC on internal audit matters and the AC 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 AC.

The internal auditors will submit their annual audit planning for approval by the AC and report their findings to the AC. In FY2017, the internal auditors carried out the review which is consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors on certain key areas to assess and evaluate:–

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

The AC 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 the Management's responses to those findings, the effectiveness of material internal controls, including financial, operational, compliance and information technology controls and overall risk management of the Company and the Group for FY2017. The AC is satisfied that the outsourced internal audit function is adequately resourced, effective and has the appropriate standing within the Group. The AC is also of the view that the outsourced internal audit function is adequately staffed with persons with the relevant qualifications and experience, and adheres to professional standards including those promulgated by The Institute of Internal Auditors.

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

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

5. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

Communication with Shareholders

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

Conduct of Shareholder Meetings

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

The Company 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 (Chapter 50 of Singapore) (the "**Act**"). Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication to Shareholders is normally made through:–

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

CORPORATE GOVERNANCE REPORT

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

In addition, Shareholders are encouraged to attend the general meetings to ensure a high level of participation and accountability. The AGM is the principal forum for dialogue with Shareholders. The Company recognises the value of feedback from Shareholders. During the AGM, Shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend the AGM and extraordinary general meetings, 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.

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

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

A Shareholder is generally able to appoint one (1) or two (2) proxies to attend and vote in his stead at general meetings. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirements. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors. A proxy need not be a member of the Company.

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

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

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

Dividend Policy

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

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

In view of the Group's loss-making position for FY2017, the Board has not recommended any dividends for FY2017.

6. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC 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 AC to ensure compliance with established procedures. The Company has not obtained a general mandate from its Shareholders in respect of interested person transactions for FY2017. The aggregate value of interested person transactions entered into during FY2017 is as follows:–

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Soon Yeow Kwee Johnny, Yong Li Vien and Yong Yeow Sin – *Provision of consultancy services and allowances*	357,280[(1)]	–

(1) Comprised fees payable to Mr Soon Yeow Kwee Johnny and Mr Yong Yeow Sin for FY2017, and Mr Yong Li Vien for the period from 1 January 2017 up to 28 August 2017 (the date which Mr Yong Li Vien ceased to be a substantial/controlling Shareholder).

In 2017, each of Mr Soon Yeow Kwee Johnny, Mr Yong Li Vien and Mr Yong Yeow Sin (the "**Consultants**") is a controlling Shareholder and hence, each of them is considered an interested person to the Company under the Catalist Rules. On 28 August 2017, Mr Yong Li Vien ceased to be a controlling Shareholder and retired as one of the Group's Consultants on 20 January 2018. Fees paid by the Group to the Consultants are disclosed as an aggregate sum, rather than on an individual basis, as the Board is of the view that disclosure of the latter could have an adverse effect on the working relationships amongst the stakeholders and contributions by the Consultants in relation to the operations of the Group.

CORPORATE GOVERNANCE REPORT

7. MATERIAL CONTRACTS

Save as disclosed above in the section entitled "Interested Person Transactions" and for the service agreement between the Executive Director/CEO and the Company, 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 FY2017 or if not then subsisting, entered into since the end of the previous financial year.

8. DEALINGS IN SECURITIES

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

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

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

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

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

9. NON-SPONSORSHIP FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees payable or paid to ZICO Capital Pte. Ltd. in FY2017.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2017.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 46 to 106 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Ong Beng Chye
Soon Jeffrey
Michael Seow Teo Tiew
Anthony Ang Meng Huat (Appointed on April 17, 2017)

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings registered in name of director	
Name of directors and companies in which interests are held	**At beginning of year**	**At end of year**
Heatec Jietong Holdings Ltd.	**Ordinary shares**	
Ong Beng Chye	3,148,445	3,148,445
Soon Jeffrey	1,400,000	1,400,000

The directors' interests in the shares and options of the Company at January 21, 2018 were the same at December 31, 2017.

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

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

Michael Seow Teo Tiew (Chairman)
Ong Beng Chye
Anthony Ang Meng Huat

Mr Ong Beng Chye did not participate in any deliberation or decision in respect of the options granted to him.

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

(b) Unissued shares under option

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

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at January 1, 2017	Granted	Exercised	Cancelled/ Lapsed	Outstanding at December 31, 2017	Exercise price per share	Exercisable period
April 18, 2016	3,000,000	–	–	–	3,000,000	$0.085	April 18, 2017 to April 17, 2021
April 18, 2016	2,800,000	–	–	(1,000,000)	1,800,000	$0.085	April 18, 2017 to April 17, 2026
Total	5,800,000	–	–	(1,000,000)	4,800,000	$0.085	

4 SHARE OPTIONS (CONTINUED)

(b) Unissued shares under option (Continued)

Number of options to subscribe for ordinary shares of the Company (Continued)

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

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Ong Beng Chye	–	3,000,000	–	–	3,000,000
Soon Jeffrey	–	1,800,000	–	–	1,800,000

(c) Options exercised

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

5 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all independent non-executive directors, is chaired by Mr Anthony Ang Meng Huat, and includes Mr Ong Beng Chye and Mr Michael Seow Teo Tiew. The Audit Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

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

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

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

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

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

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

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

(h) the re-appointment of the external auditors of the Company.

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE (CONTINUED)

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

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming AGM of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Ong Beng Chye

Soon Jeffrey

March 20, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Heatec Jietong Holdings Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2017, and the consolidated statement of profit or loss, consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 106.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2017, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

We identified the following key audit matter:

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

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, 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 view financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 20, 2018

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017

	Note	Group 2017	Group 2016	Company 2017	Company 2016
		$	$	$	$
ASSETS					
Non-current assets					
Property, plant and equipment	6	**11,508,185**	12,107,460	**5,242,668**	5,642,285
Subsidiaries	7	**–**	–	**6,623,614**	6,623,614
Associates	8	**276,263**	259,906	**–**	–
Goodwill	9	**288,000**	288,000	**–**	–
Deferred tax assets	19	**–**	233,901	**–**	–
Total non-current assets		**12,072,448**	12,889,267	**11,866,282**	12,265,899
Current assets					
Inventories	10	**555,692**	670,866	**–**	–
Trade receivables	11	**15,151,354**	16,870,340	**–**	–
Other receivables	13	**773,340**	1,282,132	**2,543,112**	4,287,427
Cash and bank balances	14	**2,601,077**	3,872,357	**39,581**	41,719
Total current assets		**19,081,463**	22,695,695	**2,582,693**	4,329,146
Total assets		**31,153,911**	35,584,962	**14,448,975**	16,595,045
EQUITY AND LIABILITIES					
Capital, reserves and non-controlling interests					
Share capital	15	**11,554,627**	11,554,627	**11,554,627**	11,554,627
Reserves	16	**7,941,588**	12,759,445	**645,621**	720,312
Equity attributable to owners of the Company		**19,496,215**	24,314,072	**12,200,248**	12,274,939
Non-controlling interests		**2,295,139**	1,329,008	**–**	–
Total equity		**21,791,354**	25,643,080	**12,200,248**	12,274,939
Non-current liabilities					
Bank loans	17	**1,363,211**	1,958,683	**–**	–
Finance leases	18	**93,986**	294,321	**–**	–
Deferred tax liabilities	19	**382,241**	398,242	**–**	–
Total non-current liabilities		**1,839,438**	2,651,246	**–**	–
Current liabilities					
Bank loans	17	**3,522,946**	3,574,130	**–**	–
Trade payables	20	**1,594,901**	912,225	**–**	–
Other payables	21	**2,204,628**	2,478,451	**2,248,727**	4,320,106
Current portion of finance leases	18	**200,333**	282,563	**–**	–
Income tax payable		**311**	43,267	**–**	–
Total current liabilities		**7,523,119**	7,290,636	**2,248,727**	4,320,106
Total equity and liabilities		**31,153,911**	35,584,962	**14,448,975**	16,595,045

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FINANCIAL YEAR ENDED DECEMBER 31, 2017

	Note	Group	
		2017	2016
		$	$
Revenue	22	**20,970,412**	30,160,819
Cost of sales		**(15,558,587)**	(19,800,870)
Gross profit		**5,411,825**	10,359,949
Other income	23	**397,466**	493,107
Administrative expenses		**(8,321,997)**	(9,059,369)
Other expenses	24	**(1,421,550)**	(463,040)
Share of (loss) profit of associates		**(216,260)**	20,103
Finance costs	25	**(186,901)**	(232,718)
(Loss) Profit before income tax		**(4,337,417)**	1,118,032
Income tax expense	26	**(249,463)**	(307,191)
(Loss) Profit for the year	27	**(4,586,880)**	810,841
(Loss) Profit attributable to:			
Owners of the Company		**(4,600,867)**	809,990
Non-controlling interests		**13,987**	851
		(4,586,880)	810,841
Basic and diluted (loss) earnings per share (cents)	28	**(3.74)**	0.66

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF TOTAL **COMPREHENSIVE INCOME**

FINANCIAL YEAR ENDED DECEMBER 31, 2017

	Note	Group	
		2017	**2016**
		$	**$**
(Loss) Profit for the year	27	**(4,586,880)**	810,841
Other comprehensive loss:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation surplus of plant and equipment		**29,365**	–
Income tax relating to revaluation surplus of plant and equipment	19	**(4,992)**	–
Income tax relating to revaluation reserves reclassified to retained earnings	19	**13,297**	–
		37,670	–
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(50,384)**	(151,609)
Other comprehensive loss for the year, net of tax		**(12,714)**	(151,609)
Total comprehensive (loss) income for the year		**(4,599,594)**	659,232
Total comprehensive (loss) income attributable to:			
Owners of the Company		**(4,613,581)**	658,381
Non-controlling interests		**13,987**	851
		(4,599,594)	659,232

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED DECEMBER 31, 2017

	Note	Share capital	Revaluation reserve	Other reserve	Translation reserve	Merger reserve	Share options reserve	Retained earnings	Attributable to equity holders of the Company	Non controlling interests	Total
		(Note 15)	(Note 16)	(Note 16)	(Note 16)	(Note 16)	(Note 16)				
		$	$	$	$	$	$	$	$	$	$
Group											
Balance at January 1, 2016		11,554,627	85,914	221,206	26,905	(3,913,614)	–	15,597,367	23,572,405	1,248,719	24,821,124
Total comprehensive income for the year:											
Profit for the year		–	–	–	–	–	–	809,990	809,990	851	810,841
Other comprehensive loss for the year		–	–	–	(151,609)	–	–	–	(151,609)	–	(151,609)
Total		–	–	–	(151,609)	–	–	809,990	658,381	851	659,232
Transactions with owners, recognised directly in equity:											
Non-controlling interest arising from incorporation of subsidiary		–	–	–	–	–	–	–	–	99,274	99,274
Recognition of share-based payments	29	–	–	–	–	–	83,286	–	83,286	–	83,286
Dividends paid to non-controlling shareholders	5	–	–	–	–	–	–	–	–	(19,836)	(19,836)
Total		–	–	–	–	–	83,286	–	83,286	79,438	162,724
Balance at December 31, 2016		11,554,627	85,914	221,206	(124,704)	(3,913,614)	83,286	16,407,357	24,314,072	1,329,008	25,643,080

STATEMENTS OF **CHANGES IN EQUITY**

FINANCIAL YEAR ENDED DECEMBER 31, 2017

	Note	Share capital	Revaluation reserve	Other reserve	Translation reserve	Merger reserve	Share options reserve	Retained earnings	Attributable to equity holders of the Company	Non controlling interests	Total
		(Note 15)	(Note 16)	(Note 16)	(Note 16)	(Note 16)	(Note 16)				
		$	$	$	$	$	$	$	$	$	$
Group											
Balance at January 1, 2017		11,554,627	85,914	221,206	(124,704)	(3,913,614)	83,286	16,407,357	24,314,072	1,329,008	25,643,080
Total comprehensive (loss) income for the year:											
(Loss) Profit for the year		–	–	–	–	–	–	(4,600,867)	(4,600,867)	13,987	(4,586,880)
Other comprehensive profit (loss) for the year		–	37,670	–	(50,384)	–	–	–	(12,714)	–	(12,714)
Total		–	37,670	–	(50,384)	–	–	(4,600,867)	(4,613,581)	13,987	(4,599,594)
Transfer		–	(78,219)	–	–	–	–	78,219	–	–	–
Transactions with owners, recognised directly in equity:											
Effects of liquidation of a subsidiary		–	–	–	–	–	–	–	–	996,604	996,604
Recognition of share-based payments	29	–	–	–	–	–	15,704	25,939	41,643	–	41,643
Dividends paid to:											
– owners of the Company	33	–	–	–	–	–	–	(245,919)	(245,919)	–	(245,919)
– non-controlling shareholders	5	–	–	–	–	–	–	–	–	(44,460)	(44,460)
Total		–	–	–	–	–	15,704	(219,980)	(204,276)	952,144	747,868
Balance at December 31, 2017		11,554,627	45,365	221,206	(175,088)	(3,913,614)	98,990	11,664,729	19,496,215	2,295,139	21,791,354

STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED DECEMBER 31, 2017

	Share capital	Share options reserve	Retained earnings	Total
	$ (Note 15)	$ (Note 16)	$	$
Company				
Balance at January 1, 2016	11,554,627	–	598,076	12,152,703
Profit for the year, representing total comprehensive income for the year	–	–	38,950	38,950
Recognition of share-based payments, representing transactions with owners recognised directly in equity (Note 29)	–	83,286	–	83,286
Balance at December 31, 2016	11,554,627	83,286	637,026	12,274,939
Profit for the year, representing total comprehensive income for the year	–	–	129,585	129,585
Transactions with owners recognised directly in equity:				
Recognition of share-based payments (Note 29)	–	15,704	25,939	41,643
Dividends (Note 33)	–	–	(245,919)	(245,919)
Total	–	15,704	(219,980)	(204,276)
Balance at December 31, 2017	11,554,627	98,990	546,631	12,200,248

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FINANCIAL YEAR ENDED DECEMBER 31, 2017

	Group	
	2017	2016
	$	$
Operating activities		
(Loss) Profit before tax	**(4,337,417)**	1,118,032
Adjustments for:		
Interest income	**(3,002)**	(12,046)
Interest expenses	**186,901**	232,718
Dividend income from available-for-sale investments	**–**	(545)
(Reversal of) Allowance for doubtful debts	**(150,554)**	372,773
Allowance for sales discount	**172,457**	58,484
Depreciation of property, plant and equipment	**1,036,249**	987,037
Plant and equipment written off	**7,562**	21,200
Gain on disposal of property, plant and equipment	**(13,172)**	(5,630)
Share of loss (profit) of associates	**216,260**	(20,103)
Loss on revaluation of plant and equipment	**312,818**	–
Loss on disposal of available-for-sale investments	**–**	2,009
Share-based payments expenses	**41,643**	83,286
Loss on liquidation of subsidiary	**996,604**	–
Provision for foreseeable losses	**167,000**	–
Unrealised exchange gain	**(41,493)**	(101,095)
Fair value adjustment of trade receivables	**–**	(49,610)
Operating cash flows before movements in working capital	**(1,408,144)**	2,686,510
Trade and other receivables (Note C)	**1,685,134**	1,787,052
Inventories	**115,174**	54,091
Trade and other payables	**408,853**	(1,742,318)
Cash generated from operations	**801,017**	2,785,335
Interest received	**3,002**	12,046
Interest paid	**(186,901)**	(232,718)
Income tax paid	**(66,214)**	(41,746)
Net cash from operating activities	**550,904**	2,522,917
Investing activities		
Purchase of property, plant and equipment (Note A)	**(735,235)**	(347,175)
Proceeds from disposal of property, plant and equipment	**14,328**	6,000
Proceeds from disposal of available-for-sale investments	**–**	264,051
Dividend received from available-for-sale investments	**–**	545
Dividends received from an associate	**17,383**	12,953
Net cash used in investing activities	**(703,524)**	(63,626)

CONSOLIDATED STATEMENT OF CASH FLOWS

FINANCIAL YEAR ENDED DECEMBER 31, 2017

	Group	
	2017	2016
	$	$
Financing activities		
Decrease (Increase) in pledged fixed deposit	**430,192**	(9,798)
Dividend paid to non-controlling shareholders	**(44,460)**	(19,836)
Dividend paid to equity holders of the Company	**(245,919)**	–
Capital injection from non-controlling interest (Note B)	**103,741**	20,000
Proceeds from bank loans	**–**	2,300,000
Repayments of bank loans	**(586,362)**	(2,353,504)
Proceeds from revolving credit loans	**–**	2,828,470
Repayments of revolving credit loans	**(106,668)**	–
Repayments of factoring loans	**–**	(1,045,420)
Proceeds from trade financing loans	**541,297**	–
Repayments of trade financing loans	**(494,923)**	(1,590,358)
Repayment of finance leases	**(282,565)**	(260,554)
Net cash used in financing activities	**(685,667)**	(131,000)
Net (decrease) increase in cash and cash equivalents	**(838,287)**	2,328,291
Cash and cash equivalents at beginning of the year	**3,442,165**	1,124,673
Effect of exchange rate changes on the balance of cash held in foreign currencies	**(2,801)**	(10,799)
Cash and cash equivalents at end of the year (Note D)	**2,601,077**	3,442,165

Note A: The Group acquired property, plant and equipment with an aggregate cost of $735,235 (2016: $525,845) of which $735,235 (2016: $178,670) was acquired by means of finance lease, and the remaining settled via cash payments.

Note B: In 2015, the non-controlling shareholders contributed an amount of $110,858 to the capital of a newly incorporated subsidiary of the Group, of which $6,188 was paid in cash, and $76,268 was settled by way of acquisition of plant and equipment for the subsidiary. The remaining amounts of $20,000 and $8,402 were paid in cash in 2016 and 2017 respectively.

In 2016, the non-controlling shareholders contributed an amount of $99,274 to the capital of a subsidiary of the Group. The amount remained outstanding as at December 31, 2016. In 2017, the non-controlling shareholders paid $95,339 in cash and $3,935 remains outstanding as at the end of the reporting period.

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

Note D: Cash and cash equivalents of the Group at the end of the reporting period were as follows:

	Group	
	2017	2016
	$	$
Cash at bank (Note 14)	**2,155,496**	3,442,165
Fixed deposits (Note 14)	**445,581**	430,192
Sub-total	**2,601,077**	3,872,357
Fixed deposit pledged as a collateral for loan	**–**	(430,192)
Cash and cash equivalents at year end	**2,601,077**	3,442,165

See accompanying notes to financial statements.

1 GENERAL

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

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2017 were authorised for issue by the Board of Directors on March 20, 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards in the current year

On January 1, 2017, the Group and the Company adopted all the new and revised FRSs that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

Basis of consolidation

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate.

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

Business combinations

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

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

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

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

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

Financial instruments

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

Effective interest method

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

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

Financial assets are classified into the following specified categories: "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loan and receivables

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

Impairment of financial assets

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

For available-for-sale equity instruments, a significant or prolonged decline in fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of the liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Construction Contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipts is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profit less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as amounts due to construction contracts customers. Amounts billed for work performed but not yet paid by customer are included in the consolidated statement of financial position under trade and other receivables.

Leases

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

The Group as lessee

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

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

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

Inventories

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

Property, plant and equipment

Certain plant and equipment are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

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

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

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

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Goodwill

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates (Continued)

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

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

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

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated sales discount allowance.

Rendering of services

Revenue from contract to provide services is recognised by reference to the stage of completion and the outcome of such work can be reliably estimated, unless the service is short term and revenue is recognised upon completion of the service.

The percentage of completion is measured by reference to the percentage of costs incurred to-date to the estimated total costs for each contract, with due consideration made to include only those costs that reflect work performed. Provision is made where applicable for anticipated losses on contracts in progress.

When losses are expected, full provision is made in the financial statements after adequate allowance has been made for estimated costs to completion. Any expenditure incurred on abortive projects is written off to profit or loss.

Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see above).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Interest income

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

Referral income

Referral income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend income

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

Retirement benefit costs

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

Employee leave entitlement

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

Borrowing costs

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

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

Income Tax

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (Continued)

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

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

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

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

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

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

Foreign currency transactions and translation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions and translation (Continued)

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

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

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

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

Share-based payments

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

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Notes 16 and 29. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Cash and cash equivalents in the statement of cash flows

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

(ii) Key sources of estimation uncertainty

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

<u>Allowance for doubtful receivables and sales discount</u>

The policy for allowances for doubtful receivables and sales discount of the Group is based on the evaluation of collectability and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and ongoing dealings with these parties. If the financial conditions of the counterparties with which the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Allowances for sales discount to customers are based upon the Group's historical rates and specific identification of customer discounts. The actual amount of sales discount may differ from management's estimates.

The carrying amount of trade and other receivables at the end of the reporting period as disclosed in Notes 11 and 13 to the financial statements respectively, approximate their recoverable amounts as there has not been a significant change in their credit quality and the expected discount to customers since the end of the reporting period.

<u>Revenue and costs of contracts</u>

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(ii) Key sources of estimation uncertainty (Continued)

Revenue and costs of contracts (Continued)

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of the future cash flows. The carrying amount of goodwill at the end of the reporting period is $288,000 (2016: $288,000). Details of the impairment assessment are provided in Note 9 to the financial statements.

Recoverability of deferred tax asset

The Group reviewed the carrying amount of the deferred tax assets at the end of each reporting period and has been reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Details of deferred tax are included in Note 19.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Financial assets				
Loans and receivables at amortised cost:				
Trade receivables	**15,151,354**	16,870,340	**–**	–
Other receivables	**595,173**	1,092,022	**2,523,525**	4,279,011
Cash and cash equivalents	**2,601,077**	3,872,357	**39,581**	41,719
	18,347,604	21,834,719	**2,563,106**	4,320,730
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	**725,701**	912,225	**–**	–
Other payables	**2,193,573**	2,459,045	**2,248,727**	4,320,106
Bank loans	**4,886,157**	5,532,813	**–**	–
Finance leases	**294,319**	576,884	**–**	–
	8,099,750	9,480,967	**2,248,727**	4,320,106

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

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

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

(c) Financial risk management policies and objectives

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

(i) Foreign exchange risk management

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

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

	Group			
	Liabilities		Assets	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
United States dollars	**439,327**	816,586	**1,652,588**	2,345,723

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

Foreign currency sensitivity

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity (Continued)

If the relevant foreign currency strengthens/weakens by 10% against the functional currency of each group entity, loss before income tax will decrease/increase (2016: profit before income tax will increase/decrease) by:

	Group	
	2017	**2016**
	$	**$**
United States dollars	**121,326**	152,914

(ii) Interest rate risk management

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

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

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

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss before income tax would increase/decrease by $24,431 (2016: profit before income tax would decrease/increase by $27,664). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iii) Credit risk management

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

The Group performs ongoing credit evaluation of its customers' financial condition and may require certain customers to furnish letters of credit from creditworthy institutions. This evaluation includes the assessment and valuation of customers' credit reliability. As at year end, the Group has 3 (2016: 3) major customers which accounted for $9,032,197 or 69% (2016: $6,646,732 or 52%) of the net trade receivable balance and the Company has significant concentration risk with its subsidiaries.

The Group places its cash and cash equivalents with creditworthy institutions.

The maximum amount the Group could be forced to settle under the corporate guarantee in Note 32, if the full guaranteed amount is claimed by the counterparty to the guarantee is $4.9 million (2016: $5.6 million). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, and the exposure to defaults from corporate guarantees above, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

(iv) Liquidity risk management

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

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

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

As at December 31, 2017, the Group has $1,463,887 (2016: $3,057,366) of undrawn committed bank credit facilities for working capital purposes.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Adjustments	Total
	%	$	$	$	$
Group					
2017					
Non-interest bearing		**2,919,274**	**–**	**–**	**2,919,274**
Finance lease liabilities (fixed rate)	**3.94**	**206,314**	**97,887**	**(9,882)**	**294,319**
Variable interest rate instruments	**3.11**	**3,669,994**	**1,401,669**	**(185,506)**	**4,886,157**
		6,795,582	**1,499,556**	**(195,388)**	**8,099,750**
2016					
Non-interest bearing	–	3,371,270	–	–	3,371,270
Finance lease liabilities (fixed rate)	3.94	298,052	304,202	(25,370)	576,884
Variable interest rate instruments	3.10	3,744,877	2,047,924	(259,988)	5,532,813
		7,414,199	2,352,126	(285,358)	9,480,967

Company

In 2017 and 2016, the Company's non-derivative financial liabilities are non-interest bearing and repayable on demand or due within 12 months from the end of the reporting period.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analyses (Continued)

Non-derivative financial assets

Group

In 2017 and 2016, all the non-derivative financial assets are expected to be repayable within one year and are non-interest bearing except for the interest bearing fixed deposits (Note 14).

Company

All the non-derivative financial assets are expected to be repayable within one year and are non-interest bearing in 2016 and 2017.

(v) Fair value of financial assets and financial liabilities

The Group and the Company had no financial assets or liabilities carried at fair value in 2016 and 2017.

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

(d) Capital management policies and objectives

The Group manages its capital to ensure that the entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with. The Group's overall strategy remains unchanged from 2016.

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

The Group is required to maintain net worth of a specified amount in order to comply with covenants in loan agreements with banks. The Group is in compliance with the financial covenants imposed by the banks for the financial years ended December 31, 2017 and 2016.

5 RELATED PARTY TRANSACTIONS

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

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

	2017	2016
	$	$
Associates		
Rendering of services	**(11,050)**	–
Rental income	**(3,000)**	(12,000)
Management fee income	**(4,500)**	(18,000)
Non-controlling shareholder of subsidiary		
Dividend paid	**44,460**	19,836

Compensation of directors and key management personnel

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

	Group	
	2017	2016
	$	$
Short-term benefits	**788,129**	619,900
Post-employment benefits	**59,055**	45,516
	847,184	665,416

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Leasehold improvement	Plant and equipment	Construction in-progress	Motor vehicles	Renovation	Total
	$	$	$	$	$	$	$
Group							
Cost or valuation:							
At January 1, 2016	9,760,184	116,042	4,107,190	–	512,386	448,836	14,944,638
Additions	–	–	249,184	65,795	186,871	23,995	525,845
Written off	–	–	(39,960)	–	–	–	(39,960)
Disposals	–	–	(500)	–	(153,504)	–	(154,004)
Exchange translation	–	–	(17,895)	–	(6,320)	(13,949)	(38,164)
At December 31, 2016	9,760,184	116,042	4,298,019	65,795	539,433	458,882	15,238,355
Additions	–	–	193,898	45,374	429,201	66,762	735,235
Written off	–	–	(20,712)	–	(203,125)	(2,700)	(226,537)
Disposals	–	–	–	–	(52,000)	–	(52,000)
Revaluation adjustment	–	–	(1,042,887)	–	–	–	(1,042,887)
Exchange translation	–	–	(1,034)	–	(15,576)	(3,862)	(20,472)
At December 31, 2017	9,760,184	116,042	3,427,284	111,169	697,933	519,082	14,631,694
Comprising:							
December 31, 2016							
At cost	9,760,184	116,042	–	65,795	539,433	458,882	10,940,336
At valuation	–	–	4,298,019	–	–	–	4,298,019
	9,760,184	116,042	4,298,019	65,795	539,433	458,882	15,238,355
December 31, 2017							
At cost	9,760,184	116,042	–	111,169	697,933	519,082	11,204,410
At valuation	–	–	3,427,284	–	–	–	3,427,284
	9,760,184	116,042	3,427,284	111,169	697,933	519,082	14,631,694

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties	Leasehold improvement	Plant and equipment	Construction in-progress	Motor vehicles	Renovation	Total
	$	$	$	$	$	$	$
Accumulated Depreciation							
At January 1, 2016	1,147,578	4,583	426,833	–	402,521	361,603	2,343,118
Written off	–	–	(18,760)	–	–	–	(18,760)
Disposals	–	–	(130)	–	(153,504)	–	(153,634)
Depreciation	435,908	7,215	459,157	–	56,391	28,366	987,037
Exchange translation	–	–	(16,430)	–	3,089	(13,525)	(26,866)
At December 31, 2016	1,583,486	11,798	850,670	–	308,497	376,444	3,130,895
Written off	–	–	(16,481)	–	(200,784)	(1,710)	(218,975)
Disposals	–	–	–	–	(50,844)	–	(50,844)
Depreciation	435,908	7,216	450,938	–	109,149	33,038	1,036,249
Revaluation adjustment	–	–	(759,434)	–	–	–	(759,434)
Exchange translation	–	–	(695)	–	(9,825)	(3,862)	(14,382)
At December 31, 2017	2,019,394	19,014	524,998	–	156,193	403,910	3,123,509
Carrying amount:							
At December 31, 2016	8,176,698	104,244	3,447,349	65,795	230,936	82,438	12,107,460
At December 31, 2017	7,740,790	97,028	2,902,286	111,169	541,740	115,172	11,508,185

	Leasehold properties	Leasehold improvement	Plant and equipment	Total
	$	$	$	$
Company				
Cost or valuation:				
At January 1, 2016 and December 31, 2016	6,036,700	116,042	897,460	7,050,202
Additions	–	–	49,212	49,212
At December 31, 2017	6,036,700	116,042	946,672	7,099,414
Comprising:				
At December 31, 2016				
At cost	6,036,700	116,042	–	6,152,742
At valuation	–	–	897,460	897,460
	6,036,700	116,042	897,460	7,050,202
At December 31, 2017				
At cost	6,036,700	116,042	–	6,152,742
At valuation	–	–	946,672	946,672
	6,036,700	116,042	946,672	7,099,414
Accumulated depreciation:				
At January 1, 2016	795,061	4,583	157,743	957,387
Depreciation	353,364	7,215	89,951	450,530
At December 31, 2016	1,148,425	11,798	247,694	1,407,917
Depreciation	353,364	7,215	88,250	448,829
At December 31, 2017	1,501,789	19,013	335,944	1,856,746
Carrying amount:				
At December 31, 2016	4,888,275	104,244	649,766	5,642,285
At December 31, 2017	4,534,911	97,029	610,728	5,242,668

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's plant and equipment are stated at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation. The Group's plant and equipment were revalued as at December 31, 2017 by Messrs. Robert Khan & Co Pte Ltd, independent valuers not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the plant and equipment.

The fair value of the plant and equipment was determined based on market comparison and depreciated replacement cost approach that reflected the cost to a market participant to purchase the assets of comparable utility and age.

The significant inputs included the reproduction cost and depreciation factor of the plant and equipment. An increase in reproduction cost of the plant and equipment would result in an increase in the fair value and an increase in the depreciation factor would result in a decrease in the fair value, and vice versa. There has been no change to the valuation technique from the previous valuation performed. Plant and equipment are considered as level 3 in the fair value hierarchy and there were no transfers into or out of level 3 of the fair value hierarchy during the financial year.

Certain plant and equipment of the Group and Company of $315,034 and $110,642 respectively were not revalued by the independent valuer as the management is of the opinion that the carrying amount approximates its fair value.

No separate valuation had been carried out in 2016 and 2015 as the management is of the opinion that the carrying amount approximates its fair value. The last valuation was performed in 2014.

As at December 31, 2017, had the Group's plant and equipment been carried at historical cost less accumulated depreciation and accumulated impairment loss, their carrying amounts would have been approximately $2,925,000 (2016: $2,977,000).

The Group's and Company's leasehold properties with carrying amount of $7,740,790 (2016: $8,176,698) and $4,534,911 (2016: $4,888,275) respectively are pledged to secure certain banking facilities granted to the Group and secured by a corporate guarantee by the Company (Note 17).

The Group's certain plant and equipment with carrying amount of $1,065,287 (2016: $1,207,918) are secured in respect of assets held under finance leases (Note 18) and are secured by a corporate guarantee by the Company.

7 SUBSIDIARIES

	Company	
	2017	**2016**
	$	**$**
Unquoted equity shares, at cost	**6,623,614**	6,623,614

7 SUBSIDIARIES (CONTINUED)

The details of the Group's significant subsidiaries as at December 31, 2017 as follows:

Name of subsidiary	Country of incorporation (or residence)	Proportion of ownership interest and voting power held		Principal activity
		2017	2016	
		%	%	
Heatec Jietong Pte. Ltd.[1]	Singapore	**100**	100	Servicing and fabrication of heat exchanger
JJY Engineering & Construction Pte. Ltd.[1]	Singapore	**100**	100	To carry on the businesses of repairing ships, tankers and other ocean-going vessels
HJT Engineering & Construction Pte. Ltd. [1]	Singapore	**100**	100	To carry on the businesses of repairing ships, tankers and other ocean-going vessels
Held by Heatec Jietong Pte. Ltd.				
Heatec (Shanghai) Co., Ltd.[2]	People's Republic of China	**100**	100	Manufacture and repair of air cooler(s) evaporator, heat exchanger and related auxiliaries
Heatec Chariot Envirobotics Pte. Ltd.[3]	Singapore	**–**	72.5	Liquidated
Chem-Grow Pte. Ltd.[1]	Singapore	**70**	70	Provide chemical cleaning services to ships and tankers
Chem Grow Engineering Pte. Ltd.[1]	Singapore	**70**	70	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers

7 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation (or residence)	Proportion of ownership interest and voting power held		Principal activity
		2017	2016	
		%	%	
Heatec Oilfield Services Pte. Ltd. (2)(4)	Singapore	**55**	55	Dormant
Heatec Veslink Marine Services Corp. (2)	Philippines	**60**	60	To engage in the business of trading, selling, servicing, manufacturing, distributing, marketing, maintenance, export & import
Heatec Guangzhou Co., Ltd. (2)	People's Republic of China	**51**	51	Provide repairs and services for heat exchangers and to design, sell and fabricate heat exchangers
Held by Chem-Grow Pte. Ltd.				
Chem-Grow Services Pte. Ltd. (1)	Singapore	**70**	70	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers

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

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

(3) Liquidated during the financial year.

(4) In the process of being struck off.

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
		%	%	$	$	$	$
Chem-Grow Pte. Ltd.	Singapore	30	30	(88,909)	37,250	1,966,100	2,099,469
Individually immaterial subsidiaries with non-controlling interests				102,896	(36,399)	329,039	(770,461)(1)
Total				13,987	851	2,295,139	1,329,008

(1) Relates mainly to the subsidiary that was liquidated in 2017 whose non-controlling interests amounted to a loss of $996,904 as at December 31, 2016.

8 ASSOCIATES

	Group 2017	Group 2016
	$	$
Cost of investment in associates	**687,616**	437,616
Share of post-acquisition reserves, net of dividend received	**(343,509)**	(109,866)
Impairment loss	**(67,844)**	(67,844)
	276,263	259,906

At the end of each reporting period, the Group carried out a review whether there is an indication that the investment in associates are impaired. No impairment has been recognised in respect of the years ended December 31, 2016 and 2017.

The details of the Group's significant associates at December 31, 2017 are as follows:

Name of associate	Country of incorporation and operation	Proportion of ownership interest and voting power held 2017	Proportion of ownership interest and voting power held 2016	Principal activity
		%	%	
Held by Heatec Jietong Pte. Ltd.				
Zhoushan Heatec IMC-YY Engineering Co., Ltd. (HTIMCYY)[1]	People's Republic of China	**45**	45	Service and repair all kinds of heat exchangers and piping works
Heatec Marine Phils Construction Inc. (HTMPC)[1]	Philippines	**39.97**	39.97	Dormant
Ipromar (Pte) Ltd. (IPL)[1]	Singapore	**25**	25	Process plant and engineering services
Karnot Technology. Pte. Ltd. (Karnot)[1]	Singapore	**20**	20	Dormant
Held by Ipromar (Pte) Ltd.				
Ipromar Sdn. Bhd. (ISB)[1]	Malaysia	**25**	25	Process plant and engineering services

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

Management has evaluated and concluded that the associates are not individually and collectively material to the Group. Therefore, the information required by FRS 112 on the associates has not been disclosed.

9 GOODWILL

	Group	
	2017	2016
	$	$
Carrying amount	**288,000**	288,000

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

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to chemical cleaning business. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. As at December 31, 2017, management is of the view that no impairment is required.

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

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

The rate used to discount the forecast cash flows arising from this acquisition is 9.8% (2016: 9.8%).

As at December 31, 2017, any reasonably possible change to the key assumptions applied will not likely cause the recoverable amounts to be below the carrying amounts of the CGU.

10 INVENTORIES

	Group	
	2017	2016
	$	$
Raw materials and supplies	**555,692**	670,866

11 TRADE RECEIVABLES

	Group	
	2017	2016
	$	$
Outside parties	**8,414,745**	10,972,479
Associates	**–**	942
Unbilled revenue	**5,592,269**	3,073,977
Allowance for doubtful debts – outside parties	**(398,198)**	(509,264)
Allowance for sales discount – outside parties	**(439,122)**	(734,654)
	13,169,694	12,803,480
Amount due from customers for contract work (Note 12)	**1,981,660**	4,066,860
	15,151,354	16,870,340

The average credit period on rendering of services is 60 to 90 days (2016: 60 to 90 days). No interest is charged on the overdue trade receivables.

Included in the Group's trade receivables balance are debtors with a carrying amount of $2,751,945 (2016: $3,350,385) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

An allowance has been made for estimated irrecoverable amounts from outside parties of $398,198 (2016: $509,264). This allowance has been determined by reference to past default experience. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and expected proceeds. The Group does not hold any collateral over these balances.

As at December 31, 2017, the Group has set aside an allowance for sales discount for outside parties of $439,122 (2016: $734,654) for trade receivables. Management has assessed the adequacy of the allowance taking into account the historical settlement rate for past completed projects and their assessments based on on-going negotiation with customers.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

11 TRADE RECEIVABLES (CONTINUED)

The table below is an analysis of trade receivables as at December 31:

	Group	
	2017	**2016**
	$	**$**
Not past due and not impaired	**10,405,812**	9,155,936
Past due but not impaired (i)	**2,751,945**	3,350,385
	13,157,757	12,506,321
Impaired receivables – individually assessed (ii)	**410,135**	806,423
Less: Provision for impairment	**(398,198)**	(509,264)
	11,937	297,159
Total trade receivables, net	**13,169,694**	12,803,480

	Group	
	2017	**2016**
	$	**$**
(i) Aging of receivables that are past due but not impaired:		
< 3 months	**1,317,809**	1,817,532
3 months to 6 months	**475,768**	706,103
6 months to 12 months	**258,419**	260,127
> 12 months	**699,949**	566,623
	2,751,945	3,350,385

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

Movement in the allowance for doubtful debts as at December 31:

	Group	
	2017	**2016**
	$	**$**
Balance at beginning of the year	**509,264**	199,833
Increase in allowance recognised in profit or loss	**4,574**	322,773
Amounts recovered during the year	**(110,587)**	–
Amounts written off during the year	**(3,650)**	(8,426)
Exchange translation	**(1,403)**	(4,916)
Balance at the end of the year	**398,198**	509,264

12 WORK-IN-PROGRESS

	Group 2017	Group 2016
	$	$
Work-in-progress at end of reporting period:		
Amount due from contract customers included in trade receivables (Note 11)	**1,981,660**	4,066,860
Amount due to customers for contract work included in trade payables (Note 20)	**(869,200)**	–
	1,112,460	4,066,860
Contract costs incurred plus recognised profits (less recognised losses to date)	**2,391,784**	8,166,664
Less: Progress billings	**(1,112,324)**	(4,099,804)
Provision for foreseeable losses	**(167,000)**	–
	1,112,460	4,066,860

In 2017, the provision for foreseeable losses of $167,000 represents management's best estimate of the losses expected to be incurred for a project in the heat exchanger segment, due to cost overrun arising from delays in the project.

13 OTHER RECEIVABLES

	Group 2017	Group 2016	Company 2017	Company 2016
	$	$	$	$
Non-controlling shareholders of subsidiaries (Note 5)	**8,080**	522,412	**–**	–
Allowance for doubtful debts – Non-controlling shareholder of a subsidiary	**–**	(356,352)	**–**	–
	8,080	166,060	**–**	–
Subsidiaries	**–**	–	**2,485,175**	4,240,661
Other receivables	**291,687**	165,428	**–**	–
Allowance for doubtful debts – other receivables	**(5,459)**	–	**–**	–
Tax receivable	**–**	2,332	**–**	–
Deposit	**300,865**	372,289	**38,350**	38,350
Prepayments	**178,167**	187,778	**19,587**	8,416
Associates	**486,238**	924,483	**–**	–
Allowance for doubtful debts – associates	**(486,238)**	(536,238)	**–**	–
	773,340	1,282,132	**2,543,112**	4,287,427

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

13 OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts

	Group	
	2017	**2016**
	$	**$**
Balance at beginning of the year	**892,590**	842,590
Increase in allowance recognised in profit or loss	**5,459**	50,000
Amount recovered during the year	**(50,000)**	–
Amount written off during the year	**(356,352)**	–
Balance at end of the year	**491,697**	892,590

Other than amounts receivables from non-controlling shareholder of a subsidiary and associates, other receivables as at year end are not past due and not impaired.

14 CASH AND BANK BALANCES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Cash at bank	**2,155,496**	3,442,165	**39,581**	41,719
Fixed deposits	**445,581**	430,192	**–**	–
	2,601,077	3,872,357	**39,581**	41,719

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

Short-term fixed deposits bear average interest rate of 0.15% to 1.36% (2016: 0.15% to 0.44%) per annum and for a tenure of approximately 3 to 12 months (2016: 3 to 12 months), without significant risk of changes in value.

As at December 31, 2017, fixed deposits of $Nil (2016: $430,192) are pledged to secure banking facilities granted to the Group (Note 17).

15 SHARE CAPITAL

	Group and Company			
	2017	**2016**	**2017**	**2016**
	Number of ordinary shares		**$**	**$**
Issued and paid up:				
At beginning and end of the year	**122,959,345**	122,959,345	**11,554,627**	11,554,627

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

16 RESERVES

a) Revaluation reserve

The revaluation reserve arises on the revaluation of certain plant and equipment. Where a revalued plant and equipment is sold, the portion of the revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

The revaluation reserve is not available for distribution to the Company's shareholders.

Movement in revaluation reserve:

	Group	
	2017	**2016**
	$	**$**
At January 1	**85,914**	85,914
Changes during the year in other comprehensive income	**24,373**	–
Transferred to retained earnings during the year	**(78,219)**	–
Tax effect of the amount transferred to retained earnings	**13,297**	–
At December 31	**45,365**	85,914

b) Other reserve

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

16 RESERVES (CONTINUED)

c) Translation reserve

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

Movement in translation reserve:

	Group	
	2017	**2016**
	$	**$**
At January 1	**(124,704)**	26,905
Changes during the year in other comprehensive income	**(50,384)**	(151,609)
At December 31	**(175,088)**	(124,704)

d) Merger reserve

Merger reserve represents the difference between the amount of the share capital of the subsidiaries at the date on which it was acquired by the Group and the amount of the share capital issued as consideration for the acquisition. The merger reserve amounted to a debit balance of $3,913,614 for the year ended December 31, 2017 and 2016.

e) Share option reserve

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

Further information about share-based payments to employees is set in Note 29 to the financial statements.

17 BANK LOANS

	Group	
	2017	**2016**
	$	**$**
Term loans[(a)]	**1,963,819**	2,550,181
Trade financing loans[(b)]	**200,536**	154,162
Revolving credit loans[(c)]	**2,721,802**	2,828,470
	4,886,157	5,532,813

17 BANK LOANS (CONTINUED)

	Group 2017	Group 2016
	$	$
The borrowings are repayable as follows:		
On demand or within one year	**3,522,946**	3,574,130
Within two years to five years	**1,363,211**	1,958,683
	4,886,157	5,532,813
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(3,522,946)**	(3,574,130)
Amount due for settlement after 12 months	**1,363,211**	1,958,683

	Group 2017	Group 2016
	$	$
The effective interest rates per annum are as follows:		
Term loans	**1.80% to 2.90%**	2.30% to 3.89%
Trade financing loans	**3.00% to 5.25%**	2.84% to 5.38%
Revolving credit loans	**3.06% to 3.54%**	3.45% to 3.51%

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

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

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

(a) The Group has 2 term loans (2016: 2 term loans) as follows:

(i) A loan of $352,156 (2016: $478,209). The loan was raised on July 27, 2000. Repayment commenced on September 1, 2000 and is repayable over 20 years. The loan is secured by:

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

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

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

(ii) A loan of $1,611,663 (2016: $2,071,972). The loan was raised on June 17, 2016. Repayment commenced on July 18, 2016 and is repayable over 5 years. The loan is secured by:

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

(b) a corporate guarantee by the Company.

The loan carries interest at 1.75% plus cost of funds per annum.

17 BANK LOANS (CONTINUED)

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

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

(ii) a corporate guarantee by the Company.

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

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

(ii) a corporate guarantee by the Company.

18 FINANCE LEASES

Group	Minimum lease payments 2017	Minimum lease payments 2016	Present value of minimum lease payments 2017	Present value of minimum lease payments 2016
	$	$	$	$
Amounts payable under finance leases:				
Within one year	**206,314**	298,052	**200,333**	282,563
In the second to fifth years inclusive	**97,887**	304,202	**93,986**	294,321
Less: Future finance charges	**(9,882)**	(25,370)	**–**	–
Present value of lease obligations	**294,319**	576,884	**294,319**	576,884
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(200,333)**	(282,563)
Amount due for settlement after 12 months			**93,986**	294,321

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 5 years. For the financial year ended December 31, 2017, the average effective borrowing rate was 3.94% (2016: 3.94%) per annum. Interest rates are fixed and variable at the contract date and the Group is exposed to fair value interest rate risk for its fixed rate lease contracts. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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

19 DEFERRED TAXATION

	Group 2017	Group 2016
	$	$
Deferred tax liabilities	**382,241**	398,242
Deferred tax assets	**–**	(233,901)
	382,241	164,341

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

Group	Accelerated tax depreciation	Revaluation of plant and equipment	Tax losses	Others	Total
	$	$	$	$	$
At January 1, 2016	386,634	17,595	(476,661)	(12,435)	(84,867)
Charge to profit or loss for the year (Note 26)	11,208	–	238,000	–	249,208
At December 31, 2016	397,842	17,595	(238,661)	(12,435)	164,341
(Credit) Charge to profit or loss for the year (Note 26)	(12,456)	–	238,661	–	226,205
Credit to other comprehensive income for the year	–	(8,305)	–	–	(8,305)
At December 31, 2017	385,386	9,290	–	(12,435)	382,241

20 TRADE PAYABLES

	Group 2017	Group 2016
	$	$
Outside parties	**725,701**	777,225
Non-controlling shareholder of a subsidiary (Note 5)	**–**	55,992
Non-controlling shareholder of an associate (Note 5)	**–**	79,008
Amount due to customers for contract work (Note 12)	**869,200**	–
	1,594,901	912,225

The average credit period on purchases of goods is 60 days (2016: 60 days). No interest is charged on the overdue trade payables.

21 OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Subsidiaries (Note 5)	–	–	1,072,126	3,847,251
Non-controlling shareholder of a subsidiary (Note 5)	36,118	–	–	–
Accruals	1,599,215	1,711,379	1,064,853	347,358
Other payables	558,240	747,666	111,748	125,497
Advance deposits received	11,055	19,406	–	–
	2,204,628	2,478,451	2,248,727	4,320,106

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

22 REVENUE

	Group	
	2017	2016
	$	$
Revenue from construction contracts	8,689,911	14,717,020
Rendering of services	12,280,501	15,443,799
	20,970,412	30,160,819

23 OTHER INCOME

	Group	
	2017	2016
	$	$
Sundry income	223,238	395,276
Interest income	3,002	12,046
Management fee income (Note 5)	4,500	18,000
Rental income (Note 5)	3,000	12,000
Dividend income from available-for-sale investments	–	545
Gain on disposal of plant and equipment	13,172	5,630
Reversal of allowance for doubtful debts	150,554	–
Fair value adjustment of trade receivables	–	49,610
	397,466	493,107

24 OTHER EXPENSES

	Group 2017	Group 2016
	$	$
Allowance for doubtful debts (trade)	–	322,773
Allowance for doubtful debts (non-trade)	–	50,000
Loss on liquidation of subsidiary	**996,604**	–
Loss on revaluation of plant and equipment	**312,818**	–
Loss on disposal of available-for-sale investments	–	2,009
Plant and equipment written off	**7,562**	21,200
Fixed asset expensed off	**5,808**	26,739
Net foreign exchange loss	**89,556**	40,319
Others	**9,202**	–
	1,421,550	463,040

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

25 FINANCE COSTS

	Group 2017	Group 2016
	$	$
Interest on:		
– Bank overdrafts	**2,349**	24,572
– Bank loans	**159,985**	154,662
– Hire purchases	**15,490**	22,605
– Trade financing	**8,440**	–
Factoring charges	**637**	30,879
	186,901	232,718

26 INCOME TAX EXPENSE

	Group 2017	Group 2016
	$	$
Current tax expense	**4,570**	19,796
Underprovision for current tax in prior years	**18,688**	38,187
Over provision for deferred tax asset in prior years	–	19,280
Deferred tax expense	**226,205**	229,928
Income tax expense for the year	**249,463**	307,191

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

26 INCOME TAX EXPENSE (CONTINUED)

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

	Group	
	2017	**2016**
	$	**$**
(Loss) profit before income tax	**(4,337,417)**	1,118,032
Income tax expense at statutory rate	**(737,361)**	190,065
Tax effect of share of results of associates	**36,764**	(3,418)
Effect of income not subject to tax	**(86,307)**	(161,829)
Effect of tax concessions	**(8,700)**	(20,085)
Effect of expenses that are not deductible for tax purpose	**394,566**	119,914
Effect of partial tax exempt income	**(27,762)**	(49,095)
Deferred tax benefits on tax losses not recognised	**430,756**	47,184
Underprovision in prior years	**18,688**	57,467
Deferred tax benefit arising from revaluation of plant and equipment	**(8,072)**	(8,072)
Effect of changes in expected manner of recovery of deferred tax assets	**238,661**	238,000
Effect of utilisation of previously unrecognised tax losses	**–**	(83,968)
Effect of different tax rates of subsidiary operating in other jurisdiction	**(23,919)**	(8,301)
Others	**22,149**	(10,671)
Total income tax expense	**249,463**	307,191

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of $6,023,309 (2016: $5,037,494) available for offset against future profits. In 2017, no deferred tax asset has been recognised in respect of such losses due to the unpredictibility of future profit streams.

In 2016, a deferred tax asset had been recognised in respect of $1,403,888 of such losses. No deferred tax asset had been recognised in respect of the remaining $3,633,606 due to the unpredictatbility of future profit streams.

As at December 31, 2017, the deferred tax asset not recorded is $1,079,710 (2016: $617,713).

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

27 (LOSS) PROFIT FOR THE YEAR

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

	Group	
	2017	2016
	$	$
Depreciation of property, plant and equipment	**1,036,249**	987,037
Audit fees paid to the auditors of the Company	**99,000**	115,000
Directors' remuneration of the Company	**423,522**	396,700
Employee benefits expense (including directors' remuneration)	**15,740,865**	17,263,231
Costs of defined contribution plans (included in employee benefits expense)	**449,961**	491,558
Share based payments – Equity settled (included in employee benefits expense)	**41,643**	83,286
Cost of inventories recognised as expense	**2,544,236**	2,513,764
Plant and equipment written off	**7,562**	21,200
Gain on disposal of property, plant and equipment	**(13,172)**	(5,630)
Allowance for doubtful debts	**(150,554)**	372,773
Allowance for sales discount	**172,457**	58,484
Net foreign exchange loss	**89,556**	40,319
Loss on disposal of available-for-sale investments	**–**	2,009
Loss on revaluation of plant and equipment	**312,818**	–
Loss on liquidation of subsidiary	**996,604**	–
Fair value adjustment of trade receivables	**–**	(49,610)

In 2016 and 2017, there is no non-audit fees paid to the auditors of the Company.

28 (LOSS) EARNINGS PER SHARE

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

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

	Group	
	2017	2016
	$	$
(Loss) Profit for the year attributable to owners of the Company	**(4,600,867)**	809,990
Weighted average number of ordinary shares for the purpose of basic earnings per share	**122,959,345**	122,959,345

The diluted (loss) earnings per share is equivalent to the basic (loss) earnings per share as the share options issued during the year do not have a dilutive effect as at December 31, 2017.

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.

29 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme for certain employees of the company. The scheme is administered by the Remuneration Committee. Options are exercisable at a price based on the average of the last dealt prices for the shares of the Company on the Singapore Exchange Securities Trading Limited for the five consecutive trading days preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. The vesting period is 1 year. Options are forfeited if the employee leaves the Group before the options vest.

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

	Group and Company			
	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		$		$
Outstanding at the beginning of the year	**5,800,000**	**0.085**	–	–
Granted during the year	**–**	**–**	5,800,000	0.085
Forfeited during the year	**(1,000,000)**	**0.085**	–	–
Outstanding at the end of the year	**4,800,000**	**0.085**	5,800,000	0.085
Exercisable at the end of the year	**4,800,000**	**0.085**	–	–

The options outstanding at the end of the year have a weighted average remaining contractual life of 5.75 (2016: 6.75) years.

The options were granted on April 18, 2016. The estimated weighted average fair value of the options granted on that day was $0.021.

Equity-settled share option scheme

These fair values for share options granted during the year were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	Non-executive chairman	Chief Executive Officer and Employees
Weighted average share price	$0.085	$0.085
Weighted average exercise price	$0.085	$0.085
Expected volatility	38.39%	38.39%
Expected life	5 years	10 years
Risk free rate	1.81%	1.81%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

29 SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

The Group and the Company recognised total expenses of $41,643 (2016: $83,286) related to equity-settled share-based payment transactions during the year, and transferred $25,939 (2016: $Nil) from share options reserve to retained earnings due to the forfeiture of options after the vesting date of those options.

30 SEGMENT INFORMATION

Services from which reportable segments derive their revenue

For the purpose of the resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the operating segments of the Group under FRS 108.

Operating segments are aggregated into a single operating segment if they have similar economic characteristics. The Group's reportable operating segments under FRS 108 are as follows:

Segment	Principal activities
Piping	Fabrication and installation of all types of piping
Heat Exchanger	Servicing and fabrication of heat exchangers
Chemical cleaning	Provision of chemical cleaning services to ships and marine vessels

Segment revenue represents revenue generated from external and internal customers. Segment profits represents the profit earned by each segment without allocation of general and central administration expenses and income, share of profit (loss) of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources, the chief operating decision makers monitor the tangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Segment liabilities include all operating liabilities and consist principally of trade payable, accruals and finance lease.

30 SEGMENT INFORMATION (CONTINUED)

Services from which reportable segments derive their revenue (Continued)

Information regarding the Group's reportable segments is presented below:

	Revenue		Net (Loss) Profit	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Piping	**9,515,795**	12,299,367	**(374,438)**	227,568
Heat Exchanger	**8,689,911**	14,717,020	**(2,454,229)**	877,359
Chemical Cleaning	**2,764,706**	3,144,432	**(97,756)**	266,336
Others	**–**	–	**–**	(315)
	20,970,412	30,160,819	**(2,926,423)**	1,370,948
Other income			**214,132**	129,818
Other expenses			**(1,221,965)**	(170,119)
Share of (loss) profit of associates			**(216,260)**	20,103
Finance costs			**(186,901)**	(232,718)
(Loss) Profit before income tax			**(4,337,417)**	1,118,032
Income tax expense			**(249,463)**	(307,191)
(Loss) Profit for the year			**(4,586,880)**	810,841
Segment assets				
Piping			**9,480,362**	11,017,794
Heat Exchanger			**8,482,494**	10,120,859
Chemical Cleaning			**5,731,105**	6,035,051
Others			**–**	56,296
Total segment assets			**23,693,961**	27,230,000
Unallocated assets			**7,459,950**	8,354,962
Consolidated total assets			**31,153,911**	35,584,962
Segment liabilities				
Piping			**480,799**	944,206
Heat Exchanger			**7,421,355**	7,201,535
Chemical Cleaning			**779,356**	953,176
Others			**–**	55,992
Total segment liabilities			**8,681,510**	9,154,909
Unallocated liabilities			**681,047**	786,973
Consolidated total liabilities			**9,362,557**	9,941,882

30 SEGMENT INFORMATION (CONTINUED)

Other segment information

	Piping		Heat Exchanger		Chemical cleaning		Unallocated		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Allowance for sales discount	**(32,409)**	32,653	**111,554**	(38,135)	**93,312**	63,966	**–**	–	**172,457**	58,484
(Reversal of) Allowance for doubtful debt	**1,830**	–	**(112,158)**	324,323	**(40,226)**	48,450	**–**	–	**(150,554)**	372,773
Capital additions	**111,139**	89,379	**88,295**	293,194	**484,123**	143,272	**51,678**	–	**735,235**	525,845
Plant and equipment written off	**990**	–	**5,114**	21,200	**1,458**	–	**–**	–	**7,562**	21,200
Loss on disposal of available-for-sale investments	**–**	–	**–**	–	**–**	2,009	**–**	–	**–**	2,009
Gain on disposal of plant and equipment	**–**	–	**–**	(5,630)	**(13,172)**	–	**–**	–	**(13,172)**	(5,630)
Depreciation of property, plant and equipment	**48,301**	16,434	**311,591**	326,936	**232,007**	197,616	**444,350**	446,051	**1,036,249**	987,037
Loss on revaluation of plant and equipment	**–**	–	**279,539**	–	**33,279**	–	**–**	–	**312,818**	–
Loss on liquidation of subsidiary	**–**	–	**–**	–	**–**	–	**996,604**	–	**996,604**	–

Geographical information

The Group's operations are primarily carried out in Singapore. Accordingly, no geographical segment assets and revenue from external customers' information are presented.

30 SEGMENT INFORMATION (CONTINUED)

Major customer information

The Group's revenue derived from customers who individually account for 10% or more of the Group revenue is detailed below:

	2017	2016
	$	$
Piping segment		
Customer A	**8,218,197**	10,089,381
Heat exchanger segment		
Customer B	–	7,273,316

31 OPERATING LEASE ARRANGEMENTS

	Group	
	2017	2016
	$	$
Minimum lease payments under operating leases recognised as an expense during the year	**2,212,401**	1,813,269

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2017	2016
	$	$
Within one year	**487,261**	569,682
In the second to fifth year inclusive	**138,297**	349,761
	625,558	919,443

Operating lease payments represent rentals payable by the Group for residential premises, equipment and leasehold land. Rental are fixed for a term of one to six (2016: one to six) years.

32 CONTINGENT LIABILITIES

	Company	
	2017	2016
	$	$
Corporate guarantees for credit facilities granted to subsidiaries and its associates	**4,906,042**	5,558,187

The management is of the opinion that the fair value of the above corporate guarantees is not material.

33 DIVIDENDS

On May 16, 2017, a final tax-exempt one-tier dividend of 0.2 cents per ordinary share (total dividend of $245,919) was paid to shareholders in respect of the year ended December 31, 2016. There was no dividend declared and paid during the year ended Dec 31, 2016.

34 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

Adoption of a new financial reporting framework in 2018

In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework – Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

SFRS(I) ***1 First-time Adoption of Singapore Financial Reporting Standards (International)***

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition options available under SFRS(I) 1.

Management will be electing the following transition options that will result in adjustments on transition to the new framework:

- Option to use fair value as deemed cost for certain property, plant and equipment
- Option to reset the translation reserve to zero as at date of transition

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at December 31, 2018, they may impact the disclosures of estimated effects described below.

34 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Adoption of a new financial reporting framework in 2018 (Continued)

SFRS(I) ***1 First-time Adoption of Singapore Financial Reporting Standards (International)*** (Continued)

New SFRS(I) that may have impact – The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

Effective for annual periods beginning on or after January 1, 2018

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

SFRS(I) ***9 Financial Instruments***

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

34 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Adoption of a new financial reporting framework in 2018 (Continued)

SFRS(I) ***15 Revenue from Contracts with Customers***

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

SFRS(I) INT 22 ***Foreign Currency Transactions and Advance Consideration***

The interpretation applies to a foreign currency transaction when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

The interpretation clarifies that:

- the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

34 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Adoption of a new financial reporting framework in 2018 (Continued)

SFRS(I) 16 *Leases*

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the existing framework.

Management does not plan to early adopt SFRS(I) 16 for financial year ending December 31, 2018.

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments.

The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

Management does not plan to early adopt SFRS(I) INT 23 for financial year ending December 31, 2018.

Impact assessment

(a) Management has performed an analysis of those new pronouncements relevant to the Group and the Company, which are effective from financial year ending December 31, 2018, and determined that there will be no material adjustments expected from the initial application, other than additional enhanced disclosures, and the following changes to recognition and measurement policies.

34 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Impact assessment (Continued)

Impact of implementing SFRS(I) 9 and SFRS(I) 15

Management has performed an impact assessment of adopting the abovementioned SFRS (I) based on currently available information. This assessment may be subject to changes arising from ongoing analysis during 2018.

Under SFRS(I) 9, the Group will continue to measure all financial assets at amortised cost. SFRS(I) 9 requires the Group to record expected credit losses on all of its trade and other receivables, either on a 12-month or lifetime basis. Due to the existing provisioning policy, the Group does not expect significant financial impact upon the application of the expected credit loss model.

The key impact of SFRS(I) 15 to the Group relates to the timing of revenue recognition for certain contracts, where the Group recognises the revenue over time under FRS 18, but are required to recognise these revenue at a point in time under SFRS(I) 15. However, the Group does not expect a significant financial impact upon the initial adoption of SFRS(I) 15.

(b) Management has performed a preliminary analysis of those relevant pronouncements which are effective from annual periods beginning on or after January 1, 2019, and does not expect material adjustments to arise other than:

- Change in the accounting for leases as a lessee under SFRS(I) 16

As at 31 December 2017, the Group has non-cancellable operating lease commitment of $625,558. FRS 17 does not require the recognition of any right-of-use asset or liability for future payments of these leases; instead, certain information is disclosed as operating lease commitments. A preliminary assessment is that these arrangements will meet the definition of a lease under SFRS(I) 16 and the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify as low value or short term leases upon application. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact to the amounts recognised in the Group's consolidated financial statements and management is currently assessing its potential impact. It is not practical to provide a reasonably estimate impact to the Group's financial statements until management completes its detailed assessment.

STATISTICS OF SHAREHOLDINGS

AS AT 2 MARCH 2018

SHARE CAPITAL

Issued and fully paid-up capital	:	S$12,006,387
Number of issued shares	:	122,959,345
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share (excluding treasury shares)
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil

SUBSTANTIAL SHAREHOLDERS

(as shown in the Company's Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of shares (Direct Interest)	Percentage (%)	No. of shares (Deemed Interest)	Percentage (%)
Tru-Marine Pte. Ltd.	32,030,678	26.05	–	–
Loke Weng Seng[1]	–	–	32,030,678	26.05
Loke Yuen Kong[2]	–	–	32,030,678	26.05
Chan Hon Sing[3]	–	–	32,030,678	26.05
Johnny Soon Yeow Kwee[4]	22,273,599	18.11	4,816,078	3.92
Yong Yeow Sin[5]	27,214,599	22.13	4,816,078	3.92

1 Mr Loke Weng Seng is deemed to have an interest in the 32,030,678 shares in the capital of the Company which is held by Tru-Marine Pte. Ltd. by virtue of him being a director and shareholder in Tru-Marine Pte. Ltd.

2 Mr Loke Yuen Kong is deemed to have an interest in the 32,030,678 shares in the capital of the Company which is held by Tru-Marine Pte. Ltd. by virtue of him being a director and shareholder in Tru-Marine Pte. Ltd.

3 Mr Chan Hon Sing is deemed to have an interest in the 32,030,678 shares in the capital of the Company which is held by Tru-Marine Pte. Ltd. by virtue of him being a director and shareholder in Tru-Marine Pte. Ltd.

4 Mr Johnny Soon Yeow Kwee is deemed to have an interest in the 4,816,078 shares in the capital of the Company which is held by his spouse, Madam Jasmine Ow Ah Foong.

5 Mr Yong Yeow Sin is deemed to have an interest in the 4,816,078 shares in the capital of the Company which is held by his spouse, Madam Ng Guick Kim.

DISTRIBUTION OF SHAREHOLDINGS

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	15	5.23	11,345	0.01
1,001 – 10,000	57	19.86	379,000	0.31
10,001 – 1,000,000	206	71.78	23,422,723	19.05
1,000,001 and above	9	3.13	99,146,277	80.63
TOTAL	**287**	**100.00**	**122,959,345**	**100.00**

STATISTICS OF **SHAREHOLDINGS**

AS AT 2 MARCH 2018

TWENTY LARGEST SHAREHOLDERS

NO	NAME	NO. OF SHARES	%
1	TRU-MARINE PTE LTD	32,030,678	26.05
2	YONG YEOW SIN	27,214,599	22.13
3	SOON YEOW KWEE JOHNNY	22,273,599	18.11
4	NG GUICK KIM	4,816,078	3.92
5	OW AH FOONG JASMINE	4,816,078	3.92
6	ONG BENG CHYE	3,148,445	2.56
7	MOHAMED ABDUL JALEEL S/O MUTHUMARICAR SHAIK MOHAMED	2,000,000	1.63
8	GOH GUAN SIONG (WU YUANXIANG)	1,446,800	1.18
9	SOON JEFFREY	1,400,000	1.14
10	SOON JANICE	1,000,000	0.81
11	SOON JENSON	1,000,000	0.81
12	SOON JEREMY	1,000,000	0.81
13	SOON JI LING JACQUELINE (SUN JIELING)	1,000,000	0.81
14	RAFFLES NOMINEES (PTE) LIMITED	988,300	0.80
15	WANG JIAN GUO	928,000	0.75
16	PHILLIP SECURITIES PTE LTD	802,500	0.65
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	800,000	0.65
18	ESTATE OF LEOW SAU CHING HELENA, DECEASED	770,000	0.63
19	DBS NOMINEES (PRIVATE) LIMITED	568,000	0.46
20	LOW CHEE WEE	560,965	0.46
	TOTAL	**108,564,042**	**88.28**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 2 March 2018, approximately 18.92% of the issued ordinary shares of the Company is held by the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**"). Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2018 Annual General Meeting of Heatec Jietong Holdings Ltd. (the "**Company**") will be held at 10 Tuas South Street 15, Singapore 637076 on Monday, 16 April 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017, together with the Auditor's Report thereon.

   (Resolution 1)

2. To re-elect Mr Anthony Ang Meng Huat, a Director of the Company retiring pursuant to Regulation 102 of the Constitution of the Company and who, being eligible, offer himself for re-election, as a Director of the Company.

   Mr Anthony Ang Meng Huat will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, the Chairman of the Audit Committee, as well as a member of the Remuneration Committee and the Nominating Committee. He is considered independent by the Board of Directors of the Company for the purpose of Rule 704(7) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

   [See Explanatory Note (i)] **(Resolution 2)**

3. To note the retirement of Mr Michael Seow Teo Tiew as a Director of the Company.

4. To approve the payment of Directors' fees of S$151,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears (2017: S$175,000).

   (Resolution 3)

5. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

   (Resolution 4)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and Rule 806 of the Catalist Rules, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued pursuant of the Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued pursuant of the Instruments made or granted pursuant to this Resolution) to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the options or awards were granted in compliance with the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares,

and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Catalist Rules;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM 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 (ii)] **(Resolution 5)**

NOTICE OF
ANNUAL GENERAL MEETING

8. **Authority to offer and grant options and to allot and issue shares under the Heatec Employee Share Option Scheme**

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 "**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 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 ESOS Shares to be issued, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the 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 (as defined in the Catalist Rules)) 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 6)**

9. **Proposed grant of options under the ESOS to Mr Soon Jeffrey, an associate of a controlling shareholder of the Company**

That subject to and contingent upon the passing of Ordinary Resolution 6, approval be and is hereby given to the Directors of the Company to grant to Mr Soon Jeffrey (Executive Director and Chief Executive Officer of the Company) who is an associate of a controlling shareholder of the Company, up to an aggregate of 1,200,000 options to subscribe for 1,200,000 Shares of the Company (the "**Share Options**") in accordance with the rules of the ESOS and to allot and issue or deliver from time to time such number of fully paid-up ordinary Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the Share Options under the ESOS, on the following terms:

(a)	Proposed Date of Grant	:	Within one (1) month from the date of the 2018 AGM of the Company
(b)	Number of Share Options to be granted	:	Up to 1,200,000 Share Options
(c)	Exercise Price of Share Options	:	The average of the last dealt prices for a Share, as determined by reference to the daily official list published by the SGX-ST, for the five (5) consecutive market days immediately preceding 14 March 2018, being the latest practicable date prior to the date of this notice of AGM to shareholders of the Company
(d)	Exercise Period of the Share Options	:	The period from the day after the first anniversary of the date on which such Share Options are granted (the "**Offering Date**") to the day falling before the tenth anniversary of the Offering Date

[See Explanatory Note (iv)] **(Resolution 7)**

10. **Proposed renewal of the Share Purchase Mandate**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases, transacted on the SGX-ST's trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose (each a "**Market Purchase**"); and/or

(ii) off-market purchases effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act and the Catalist Rules (each an "**Off-Market Purchase**"),

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may from time to time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time, on and from the date of the AGM of the Company at which the Share Purchase Mandate is approved, up to the earliest of:

(i) the date on which the next AGM of the Company is held or is required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company in a general meeting;

(c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Catalist Rules, for any corporate action that occurs after the relevant five (5)-day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Maximum Limit**" means that number of issued Shares shall not exceed ten per centum (10%) of the total number of issued Shares as at the date on which this Resolution authorising the Share Purchase Mandate is passed (excluding treasury shares and subsidiary holdings (as defined in the Catalist Rules));

NOTICE OF ANNUAL GENERAL MEETING

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax, and other related expenses) to be paid for the Shares will be determined by the Directors of the Company which must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

(d) the Directors of the Company and each of them be and is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they or each of them may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (v)] **(Resolution 8)**

On behalf of the Board

Ong Beng Chye
Non-Executive Chairman
Singapore, 23 March 2018

Explanatory Notes:

(i) The key information of Mr Anthony Ang Meng Huat can be found under the sections entitled "Board of Directors", "Corporate Governance Report – Principle 4" and "Directors' Statement" of the Company's Annual Report 2017. There is no relationship (including immediate family relationships) between Mr Anthony Ang Meng Huat and the other Directors of the Company, the Company, its related corporations, its 10% shareholders or its officers.

(ii) The Ordinary Resolution 5 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders of the Company.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares in the capital of the Company will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution 5 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution 5 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(iii) The Ordinary Resolution 6 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM 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 ESOS (which was approved at the extraordinary general meeting of the Company held on 18 June 2009) and to allot and issue ESOS Shares, pursuant to the exercise of options under the ESOS, provided that the number of ESOS Shares to be issued under the ESOS, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the 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.

(iv) **Rationale for the proposed grant of options under the ESOS to Mr Soon Jeffrey, an associate of a controlling shareholder of the Company**

Mr Soon Jeffrey has more than 10 years of experience in the marine, and oil and gas businesses. Mr Soon joined the Company in May 2005 and has held several positions before assuming his current appointment as the Executive Director and Chief Executive Officer of the Company. Mr Soon is primarily responsible for the operations and performance of the Group, the charting of corporate directions and strategies, enhancing the Company's shareholders' value and reporting to the Board of Directors of the Company on the Group's operations and performance.

The Company is of the view that the experience and contribution of Mr Soon Jeffrey will be invaluable to the continued growth of the Company. The proposed grant of the Share Options to Mr Soon Jeffrey will motivate him to continue to achieve and maintain a high level of performance, which is vital to the success of the Group, as well as enhance his long-term commitment to the Group. Accordingly, the Company is of the view that the proposed grant of the Share Options to Mr Soon Jeffrey, in accordance with the rules of the ESOS, is an appropriate long-term remuneration strategy which will serve to further align the interests of Mr Soon Jeffrey with the interests of shareholders of the Company.

In arriving at the number of the Share Options proposed to be granted to Mr Soon Jeffrey, the Remuneration Committee (being the committee administering the ESOS) took into consideration, *inter alia*, Mr Soon Jeffrey's scope of responsibilities, his performance and contributions to the Group, as well as the Group's financial performance. The Remuneration Committee is of the view that Mr Soon Jeffrey's remuneration package (including the Share Options which are proposed to be granted) is fair and reasonable given his past and continued contributions to the Group as the Executive Director and CEO, and at the same time, to strengthen the deep sense of existing commitment to the Group in his leadership.

For avoidance of doubt, Mr Soon Jeffrey has abstained from the decision-making process of the Board of Directors of the Company in relation to the proposed grant of the Share Options.

The Company confirms that:

(a) the aggregate number of Shares proposed to be granted to Mr Soon Jeffrey under the ESOS pursuant to the proposed grant of the Share Options and any previous grant of Share Options to associates of controlling shareholders of the Company does not exceed 25% of the total number of Shares available under the ESOS in accordance with Rule 5.2(i) of the rules of the ESOS;

(b) such grant of Share Options to Mr Soon Jeffrey does not exceed 15% of the Shares in the issued and paid-up share capital of the Company as at the date of this notice of AGM, in accordance with Rule 5.1 of the rules of the ESOS; and

(c) the number of Shares available to Mr Soon Jeffrey, an associate of a controlling shareholder of the Company, does not exceed 10% of the Shares available under the ESOS, pursuant to Rule 5.2(ii) of the rules of the ESOS.

Should the proposed grant of the Share Options to Mr Soon Jeffrey be approved by shareholders of the Company, and all 3,000,000 options (comprising 1,800,000 options granted in April 2016 and the 1,200,000 Share Options) granted to Mr Soon Jeffrey are subsequently exercised in full, and assuming there is no other change in the share capital of the Company, Mr Soon Jeffrey's shareholding interests in the Company will increase from 1,400,000 to 4,400,000 Shares, representing approximately 1.1% of the enlarged issued share capital of the Company.

Potential cost of issuing the Share Options

Any Share Option granted under the ESOS would have a fair value. In the event that such Share Options are granted at prices below the fair value of the Share Options, there will be a cost to the Group. The cost to the Group of granting Share Options under the ESOS is as follows:

(a) the exercise of a Share Option at the exercise price would translate into a reduction of the proceeds from the exercise of such Share Option, as compared to the proceeds that the Group would have received from such exercise had the exercise been made at the prevailing market price of the Shares. Such reduction of the exercise proceeds would represent the monetary cost to the Group; and

(b) with effect from financial year beginning on or after 1 January 2005, the Singapore Financial Reporting Standard (FRS) 102 Share-based Payments will require listed companies to measure equity-settled share-based payments at fair value at the date of grant, which is then expensed off on a straight-line basis over the vesting period.

Abstention from voting

Mr Soon Jeffrey shall abstain, and undertake to ensure that his associates will also abstain, from voting in respect of the Ordinary Resolution 7 relating to the proposed grant of options under the ESOS to Mr Soon Jeffrey at the 2018 AGM of the Company.

Mr Soon Jeffrey shall also decline to accept the appointment of proxies for any shareholder of the Company to vote in respect of the said resolution unless the shareholder of the Company concerned shall have given instructions in his/her proxy form as to the manner in which his/her votes are to be cast in respect of such resolution.

Others

The participation of and grant of options to Mr Soon Jeffrey, an associate of the controlling shareholder of the Company, under the ESOS has been approved in-principle by shareholders of the Company at the AGM of the Company held on 18 April 2016.

The Ordinary Resolution 7 proposed in item 9 above, if passed, will authorise and empower the Directors of the Company to grant 1,200,000 Share Options to Mr Soon Jeffrey in accordance with the ESOS, based on the abovementioned reasons.

(v) The Ordinary Resolution 8 proposed in item 10 above, if passed, will empower the Directors of the Company, from the date of the AGM of the Company until the earliest of (i) the date on which the next AGM of the Company is held, or is required by law to be held; (ii) the date on which the share purchases are carried out to the full extent mandated, or (iii) the date on which the authority conferred by the Share Purchase Mandate, is varied or revoked by the Company in a general meeting, to repurchase ordinary Shares by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the date of the AGM of the Company at which this Ordinary Resolution is passed. The rationale for, the authority and limitation on, the sources of the funds to be used for the purchase or acquisition, including the amount of financing and financial effects of the purchase or acquisition of the ordinary Shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 are set out in greater detail in the Company's Circular to Shareholders dated 23 March 2018 attached to this Annual Report 2017.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company (other than a Relevant Intermediary*) entitled to attend, speak and vote at the AGM of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

2. Where a member of the Company (other than a Relevant Intermediary*) appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.

3. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified).

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Tuas South Street 15, Singapore 637076 not less than seventy-two (72) hours before the time appointed for holding the AGM of the Company.

5. The instrument appointing a proxy or proxies must be signed by the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.

6. This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), for compliance with the Catalist Rules. The Sponsor has not independently verified the contents of this notice.

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

   The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HEATEC JIETONG HOLDINGS LTD.
(Company Registration No. 200717808Z)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. An investor who holds shares under the Supplementary Retirement Scheme ("**SRS Investor**") may attend and cast his vote(s) at the annual general meeting of the Company ("**AGM**") in person. SRS Investors who are unable to attend the AGM but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the SRS Investors shall be precluded from attending the AGM.
2. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (Name) ____________________ (NRIC/Passport No.)

of ____

being a member/members of Heatec Jietong Holdings Ltd. (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Meeting to be held at 10 Tuas South Street 15, Singapore 637076 on Monday, 16 April 2018 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*
1	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017, together with the Auditor's Report thereon.		
2	Re-election of Mr Anthony Ang Meng Huat as a Director of the Company.		
3	Approval of the payment of Directors' fees of S$151,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears.		
4	Re-appointment of Messrs Deloitte & Touche LLP as the Auditors of the Company and authority to the Directors of the Company to fix their remuneration.		
5	Authority to issue shares.		
6	Authority to offer and grant options and to allot and issue shares under the Heatec Employee Share Option Scheme.		
7	Proposed grant of options to Mr Soon Jeffrey, an associate of a controlling shareholder of the Company.		
8	Proposed renewal of the share purchase mandate.		

* *If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this __________ day of ______________ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Member(s) and/or Common Seal of Corporate Member

* *Delete where inapplicable*

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member of the Company (other than a Relevant Intermediary*) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy in the instrument appointing the proxies.

4. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Tuas South Street 15, Singapore 637076 not less than 72 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

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 Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 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.

9. An investor who holds shares under the Supplementary Retirement Scheme ("**SRS Investors**") may attend and cast his vote(s) at the Meeting in person. SRS Investors who are unable to attend the Meeting but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289 of Singapore) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 23 March 2018.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

ONG BENG CHYE
(Non-Executive Chairman and Independent Director)

SOON JEFFREY
(Chief Executive Officer and
Executive Director)

MICHAEL SEOW TEO TIEW
(Independent Director)

ANTHONY ANG MENG HUAT
(Independent Director)

COMPANY SECRETARY

CHEW KOK LIANG

REGISTERED OFFICE

10 Tuas South Street 15
Singapore 637076
Tel : 6861 1433
Fax : 6861 1347
Email: admin@heatec.com.sg

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

SPONSOR

ZICO CAPITAL PTE. LTD.
8 Robinson Road
#09-00 ASO Building
Singapore 048544

AUDITORS

DELOITTE & TOUCHE LLP
PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS
6 Shenton Way, OUE Downtown 2
#33-00 Singapore 068809

LIM BEE HUI
Engagement Partner
Appointed since financial year ended
31 December 2015

PRINCIPAL BANKER

MALAYAN BANKING BERHAD
2 Battery Road
Maybank Tower
Singapore 049907

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HEATEC JIETONG HOLDINGS LTD.

Company Registration Number: 200717808Z

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