HEATEC JIETONG HOLDINGS LTD.

WIDE OPPORTUNITIES DIVERSE GROWTH

ANNUAL REPORT 2023

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OUR **VISION**

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 **MISSION**

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.

COMPANY PROFILE

Heatec Jietong Holdings Ltd. (the "Company" or "Heatec") is one of the leaders in piping and heat exchanger services for the marine and oil and gas industries. In FY2023, our primary business segments were:

HEAT EXCHANGER SERVICES

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

Our heat exchanger services include:
- engineering consultancy services;
- on-site inspection; and
- fabrication and restoration of work.

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

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

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

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

TRADING SERVICES

To better service our clients, the Group, through our subsidiary Setya Energy, supplies and trades various products, including but not limited to petroleum products, bunkers, lubricants, chemicals, equipment and tools.

We also offer tank cleaning related services such as de-sloping, demucking, sludge disposal etc to our marine clients in the region. Strategically located in Singapore, a global transhipment hub, the Group aims to support our global marine clients in this part of the world, ensuring their vessels operates smoothly and efficiently.

PIPING SERVICES

We perform a variety of piping services which include:
- fabrication and installation of all types of piping;
- restoration and installation of all types of pipes and systems, including marine piping; and
- process piping for floating, production, storage and offloading ("**FPSO**") conversions.

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

In recent times, we expanded our piping services to include turnkey project management which encompasses:
- procurement;
- construction;
- fabrication;
- commissioning; and
- overall project management.

CHEMICAL CLEANING SERVICES

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

Chem-Grow services include:
- Ultrasonic cleaning (charged air cooler, filters etc);
- Chemical cleaning (Heat exchangers, Pipelines engine parts, pressure vessel etc);
- Stainless steel passivation;
- Tank cleaning;
- Hot oil flushing up to NAS/ISO standard for pipeline;
- Chemical sales;
- Rental of portable steam boiler/borescope/particle counter; and
- Hydro-jetting machines.

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

MESSAGE TO SHAREHOLDERS

"Looking ahead, we envisage that the overall business environment is cautiously positive as the Group is well positioned in our field of business..."

DEAR SHAREHOLDERS,

The Floating, Production, Storage and Offloading ("**FPSO**") market, particularly in Brazil and parts of Latin America, as well as Africa, has been experiencing positive demand amidst a capacity crunch in shipyards across the globe. Coupled with buoyant crude oil prices and offshore exploration activities, the FPSO industry continues to boost our heat exchanger and piping business.

Our heat exchanger and piping business is labour intensive. Our challenge up ahead is to manage a pipeline of projects in the most efficient and productive while being cautious about securing contracts with tight delivery schedules.

This was also the reason why in 2023 we set up Heatec Vietnam in Ho Chi Minh. With access to more manpower in Vietnam, we will able to tackle the consistently tight labour situation in Singapore.

We are pleased that Heatec Vietnam has completed its maiden heat exchanger project for an FPSO which was delivered to Dubai in early 2024. We look forward to growing this Vietnam outpost as it is in a strategic position to tap more opportunities amongst marine, oil and gas players in the Indochina region.

Meanwhile, the foreign labour situation in Singapore remains tight. To date, dormitory rents have escalated by as much as 40%, and we have decided to reduce our reliance on third-party dormitories by converting the 3rd floor of our office building in Tuas to yield 75 beds for our workers. This should be ready in the second half of 2024, and we hope that it will help us tackle the rising cost of accommodating our foreign workers in the short to medium term.

FINANCIAL UPDATES

Amidst an inflationary environment with higher material and labour costs, the Group sustained a loss of S$ 868,421 in FY2023, compared to a loss of S$756,340 in the preceding year. Group revenue rose 17% to S$25.1 million uplifted by an increase in projects in our core Heat Exchanger and Chemical Cleaning segments as well as contributions from our newly-acquired Setya Energy's Trading business despite a 23% dip in revenue from our Piping segment.

The Group's cash balance continued to be positive with net cash generated from operational activities of S$1.4 million. We also generated S$0.1 million from the net cash acquired from our 60% shareholding in Setya Energy, partially offset by the purchase of property, plant and equipment. Some $1.3 million was used for the repayment of bank loans and trade financing, partially offset by proceeds from bank and trade financing loans, interest paid and pledged fixed deposits. Overall, the Group's cash and cash equivalents grew by approximately 8% to S$1.9 million as of 31 December 2023 amidst a very challenging business environment.

MOVING AHEAD

Looking ahead, we envisage that the overall business environment is cautiously positive as the Group is well positioned in our field of business, especially in the FPSO market. However, shipping routes have been affected by the ensuing geopolitical conflicts in various parts of the world. Global trade tensions, inflation and the Singapore Government's policy on tightening foreign labour supply continue to add challenges. Meanwhile, we will look for opportunities to grow inorganically.

APPRECIATION

We would like to take this time to thank everyone in our team – our fellow directors on the Board, management and staff – for their continued diligence as we navigate through such turbulent, uncertain times and for their resolve in ploughing ahead with gusto. We are particularly appreciative of our staff for their hard work in pushing through the tough project timelines.

On behalf of the Board, we would also like to convey our heartfelt gratitude to our business partners, customers and other stakeholders for their unwavering cooperation and support.

Let us all look forward to better times ahead!

SOON YEOW KWEE JOHNNY
Executive Chairman and Non-Independent Director

SOON JEFFREY
Executive Director and Chief Executive Officer

BOARD OF DIRECTORS

SOON YEOW KWEE JOHNNY
Executive Chairman

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

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

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

SOON JEFFREY
Executive Director and Chief Executive Officer

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

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

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

BOARD OF DIRECTORS

CHONG ENG WEE (ZHANG YINGWEI)

Non-Executive and Lead Independent Director

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

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

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

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

Currently, he is a Non-Executive and Lead Independent Director of Willas-Array Electronics (Holdings) Limited, listed on both SGX-ST Mainboard (Stock Code: BDR) and the Mainboard of Hong Kong Stock Exchange (Stock Code: 00854), since August 2023, a Non-Executive and Independent Director of China Yuanbang Property Holdings Limited, listed on SGX-ST Mainboard (Stock Code: BCD) since September 2023, a Non-Executive and Independent Director of AJJ Medtech Holdings Limited, a SGX-ST Catalist listed company (Stock Code: 584) since June 2020 and a Non-Executive and Independent Director of Polaris Limited, a SGX-ST Catalist listed company (Stock Code: 5BI) since March 2024. He was also previously the Non-Executive and Lead Independent Director of GS Holdings Limited, a SGX-ST Catalist Company (Stock Code: 43A) between January 2019 and June 2023, a Non-Executive and Independent Director of Innopac Holdings Limited, a SGX-ST Mainboard listed company (Stock Code: I26) between April 2018 and December 2018, CW Group Holdings Limited, a company listed on the Mainboard of the Hong Kong Stock Exchange (Stock Code: 1322) between November 2018 and June 2019 and KTL Global Limited, a SGX-ST Mainboard listed company (Stock Code: EB7) between August 2019 and March 2022.

He is also the Company Secretary of LHN Limited, listed on both SGX-ST Mainboard (Stock Code: 41O) and the Mainboard of Hong Kong Stock Exchange (Stock Code: 1730) since April 2020, China Vanadium Titano-Magnetite Mining Company Limited, a company listed on Mainboard of the Hong Kong Stock Exchange (Stock Code: 893) since December 2019, Shanghai Turbo Enterprises Ltd., a SGX-ST Mainboard listed company (Stock Code: AWM) since October 2022 and Sincap Group Limited, a SGX-ST Catalist listed company (Stock Code: 5UN) since November 2021. He was previously the joint company secretary and company secretary, as the case may be, of 3 SGX-ST Mainboard listed companies: Hanwell Holdings Limited (Singapore Stock Code: DM0), Intraco Limited (Singapore Stock Code: I06), and Tat Seng Packaging Group Ltd (Singapore Stock Code: T12) between March 2012 and October 2012.

BOARD OF DIRECTORS

ANTHONY ANG MENG HUAT
Non-Executive and Independent Director

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

Mr Ang is currently the Chairman and CEO of Global Star Acquisition Inc (a SPAC listed on NASDAQ since September 2022) that is actively seeking merger candidates. Mr Ang also presently represents the Republic of Singapore as the Non-Resident Ambassador to the Republic of Tunisia since November 2018. In that role, he represents the interests of Singapore and helps to maintain the relations of amity and concord between the two countries.

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

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

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

Mr Ang currently holds various directorships in publicly listed companies. Since January 2016, Mr Ang has served as an independent director of Yong Tai Bhd, a property development company listed on Bursa Malaysia, the Malaysian stock exchange. In October 2022, Mr Ang was appointed as an independent director of Eurosports Global Limited (primarily the distributor of Lamborghini sports cars in Singapore), that is listed on the Singapore Exchange. Mr Ang was also appointed as Executive Director of Sunrise Shares Holdings Ltd in September 2023.

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

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

BOARD OF DIRECTORS

LIE LY @ LIELY LEE

Non-Executive and Independent Director

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

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

Ms Lee has over 25 years of accounting and finance experience with listed companies in Singapore and Indonesia. Throughout her tenure, she has been instrumental in shapping the trajectory of these organizations, serving as a driving force behind their strategic growth initiatives. Ms Lee's expertise extends far beyond conventional realms of financial management. She has been a catalyst for transformation, superheading ambitious restructuring endevours aimed at revitalizing the companies she serves.

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

CHUA SIONG KIAT

Non-Executive and Independent Director

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

Mr Chua is an experienced corporate financial executive and consultant with substantial international broad-based financial and management experience of close to 30 years, with exposure in leadership, business strategy and management, corporate governance and compliance, group restructuring, investor relations, corporate finance and mergers and acquisitions, public listing, financial reporting, controls and planning; and having lived and worked in London, Beijing, Ho Chi Minh City, and Singapore. He is a director of Lighthouse Business Consulting Pte Ltd, a boutique business consulting firm he founded in 2017. He is currently CFO of Memiontec Holdings Ltd, a SGX listed company and serves as independent non-executive director for four other public listed companies.

Mr Chua is a Fellow of Chartered Certified Accountant (FCCA), Certified Internal Auditor (CIA), Chartered Accountant of Singapore (CA, Singapore), Chartered Valuer and Appraiser (CVA) and Senior Accredited Director conferred by Singapore Institute of Director (SID). He holds a Master of Business Administration and Diploma of the Imperial College in Management (MBA, DIC) from Imperial College London Business School, University of London.

BOARD OF DIRECTORS

LIM SOON HOCK

Non-Executive and Non-Independent Director

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

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

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

Mr Lim is a Board Member and/or Senior Advisor of several public listed and private companies (local and global); an Adjunct Professor with the National University of Singapore; a Mediator with our State Courts Singapore, Singapore Mediation Centre and Singapore International Mediation Institute; as well as a Justice of the Peace (Rtd).

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

LOKE WENG SENG

Alternate Director to Mr Lim Soon Hock

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

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

Mr Loke has served on the Programme Board of the Advanced Remanufacturing and Technology Centre (ARTC) by the Agency for Science, Technology and Research (A*STAR).

His other appointments include SPRING Singapore's Board of Directors from 2009 to 2011, as well as Council Member of the Association of Singapore Marine Industries (ASMI), and Chairman for the trade organization's Supporting Industries Committee from 2003 to 2007.

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

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

KEY MANAGEMENT PERSONNEL

NG WEI JET
Chief Financial Officer

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

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

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

SOON JENSON
Group General Manager (Operation)

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

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

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

KOH LAY CHENG
General Manager – Commercial & Procurement

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

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

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

FINANCIAL REVIEW

PERFORMANCE REVIEW

REVENUE BY SEGMENTS

	FY2023		FY2022		Variance	
	S$'000	%	S$'000	%	S$'000	%
Heat Exchanger	16,174	64.5	11,611	54.4	4,563	39.3
Chemical Cleaning	3,251	13.0	2,574	12.0	677	26.3
Piping	5,497	21.9	7,176	33.6	(1,679)	(23.4)
Trading	143	0.6	–	–	143	100
	25,065	**100.0**	**21,361**	**100.0**	**3,704**	**17.3**

In FY2023, Group revenue rose by 17.3% to S$25.1 million from an increase in the number of projects for its core Heat Exchanger and Chemical Cleaning segments, as well as contribution from its newly-acquired Trading segment through Setya Energy Pte. Ltd. Its Piping Services segment, however, reported a 23.4% decline in sales to S$5.5 million.

On a segmental basis, the Heat Exchanger business accounted for 64.5% of total revenue (FY2022: 54.4%) while Chemical Cleaning contributed 13.0% (FY2022: 12.0%). The Piping segment made up 21.9% of total sales (FY2022: 33.6%).

PROFITABILITY

	FY2023	FY2022	Variance	
	S$'000	S$'000	S$'000	%
Gross profit	8,149	6,786	1,363	20.1
Gross profit margin	32.5%	31.8%	–	0.7 ppt
Other operating income	426	817	(391)	(47.9)
Administrative expenses	(7,783)	(7,757)	26	0.3
Other operating expenses	(70)	–	70	NM
Net impairment losses on financial assets	(839)	(141)	698	>100
Impairment of goodwill	(375)	–	375	100
Finance costs	(501)	(497)	4	0.8
Share of results of associates	123	41	82	>100
Loss before tax	**(870)**	**(752)**	**118**	**15.7**
Income tax credit/(expense)	2	(4)	NM	NM
Loss for the year	**(868)**	**(756)**	**112**	**14.8**

Ppt – percentage points
NM – not meaningful

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group turned in 20.1% higher gross profit of S$8.1 million thereby increasing gross profit margin by 0.7 percentage points to 32.5%. This was mainly attributable to the higher sales recorded during the year in review.

Other operating income declined by 47.9% to S$426,000 due to a reduction in government grants.

Both administrative expenses and finance costs remained around the same level as the preceding year, at approximately S$7.8 million and S$501,000 respectively in FY2023.

Amidst an extremely challenging operating landscape, the Group sustained slightly higher net loss to S$868,421 in FY2023, compared to a net loss of S$756,340 in the year-ago period.

FINANCIAL POSITION

	As at 31 December 2023	As at 31 December 2022	Variance	
	S$'000	S$'000	S$'000	%
Non-current assets	9,182	8,741	441	5.0
Current assets	16,086	13,819	2,267	16.4
Non-current liabilities	2,591	2,488	103	4.1
Current liabilities	10,818	9,373	1,445	15.4
Working capital	5,268	4,446	822	18.5
Equity attributable to owners of the Company	11,926	10,726	1,200	11.2
Net asset value per share (Singapore cents)	5.82	8.72	(2.9)	(33.3)

As of 31 December 2023, the Group posted net asset value per share of 5.82 Singapore cents, a 33.3% decline year-on-year. The Group's working capital rose 18.5% to S$5.3 million.

Non-current assets

Non-current assets increased by 5.0% to S$9.2 million largely due to the recognition of goodwill after the acquisition of a 60% shareholding in Setya Energy Pte Ltd in February 2023.

Current assets

The Group's current assets rose by 16.4% to S$16.1 million boosted by an increase in trade receivables as a result of the increase in Group revenue. Other receivables, such as deposits, prepayment and advance payment to suppliers, also rose along with contract assets.

Non-current liabilities

Non-current liabilities increased by 4.1% to S$2.6 million from the reclassification of certain loans from current to non-current liabilities, partially offset by the loan repayment in FY2023.

Current liabilities

Current liabilities were 15.4% higher at S$10.8 million due to an increase in trade and other payables as more purchases were required to be made for major Heat Exchanger projects. These were partially offset by the reclassification of certain loans from current to non-current liabilities.

FINANCIAL REVIEW

CASH FLOW

	FY2023	FY2022	Variance	
	S$'000	S$'000	S$'000	%
Net cash generated from operating activities	1,384	1,558	(174)	(11.2)
Net cash generated from/(used in) investing activities	93	(58)	NM	NM
Net cash used in financing activities	1,346	4,475	(3,129)	(70.0)
Cash and cash equivalents as at end of the financial year	1,881	1,749	132	7.5

In FY2023, the Group's net cash flow from operating activities dipped 11.2% year-on-year to S$1.4 million, predominantly due to:

- Operating cash inflow before changes in working capital of S$1.6 million
- Net working capital outflow of S$0.1 million from the decrease in trade and other receivables and contract assets of S$2.0 million, partially offset by an increase in trade and other payables and contract liabilities of S$1.9 million
- Interest and income tax paid of S$0.1 million.

During the year in review, the Group also generated net cash from investing activities, which amounted to S$0.1 million, from the net cash acquired from the acquisition of a 60% shareholding in Setya Energy Pte Ltd, partially offset by the S$0.3 million spent on property, plant and equipment.

Net cash of S$1.3 million used in financing activities was 70.0% lower as a result of repayment of bank loans and trade financing amounting to S$6.0 million and payment of deferred consideration in respect of the acquisition of non-controlling interests in subsidiaries amounting to S$0.2 million and partially offset by proceeds from bank loans and trade financing loans of S$5.4 million. Net aggregate of interest paid and pledged fixed deposit amounted to S$0.4 million in FY2023.

Overall, the Group's cash and cash equivalents increased by 7.5% to S$1.9 million as of 31 December 2023.

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE:

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

NON-EXECUTIVE:

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

ALTERNATE:

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

AUDIT AND RISKS MANAGEMENT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Tan Wei Yang

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CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**" or "**Directors**") of Heatec Jietong Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") recognises the importance of corporate governance and is committed to ensuring the practices recommended in the Code of Corporate Governance 2018 issued in August 2018 (the "**Code**") are complied with. The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment that will maximise long-term shareholders' value and protect the interests of shareholders.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2023 ("**FY2023**"), with specific reference made to the Principles and the Provisions of the Code, which form part of the continuing obligations under the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

The Company confirms that during FY2023, it has adhered to the Principles of the Code and the Provisions of the Code (except where otherwise explained). In areas where the Company's practices vary from any Provision of the Code, the Company has stated herein the Provision of the Code from which it has varied, and appropriate explanations are provided for the variation and how the practices the Company has adopted are consistent with the intent of the relevant Principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

I. BOARD MATTERS

The Board's Conduct of Affairs

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

Provision 1.1

Principle Duties of the Board

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

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

Code of Business Conduct and Ethics

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

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

CORPORATE GOVERNANCE REPORT

Conflict of Interests

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

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

Provision 1.2

Director Competencies

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

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

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

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

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

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

Appointment Letter

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

CORPORATE GOVERNANCE REPORT

Directors' Orientation and Training

The Company does not have a formal training program for Directors, however, all new Directors will undergo an orientation in order to be provided with background information about the Group's history, strategic direction and industry-specific knowledge, corporate functions and governance practices, as well as the expected duties of a director of a listed company. To better understand the Group's business, the Directors will also be given the opportunity to visit the Group's operational facilities and meet with Management.

The Company will also arrange for first-time Directors to attend relevant training in relation to the roles and responsibilities of a director of a listed company as required under Rule 406(3)(a) of the Catalist Rules, as well as other courses relating to areas such as accounting, legal and industry-specific knowledge as appropriate, organised by other training institutions. The training of Directors will be arranged and funded by the Company.

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

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

Seminars and Training attended by Directors in FY2023

Details of updates provided to, and seminars and training programs attended by the Directors in FY2023 include, amongst others, the following:

- LED 9: Environmental, Social and Governance Essentials (12 October 2023) by Singapore Institute of Directors
- How Board Directors Make A Difference (26 May 2023) by Axsel Management International Sdn Bhd

Provision 1.3

Matters Requiring Board's Approval

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

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

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

(c) dividend matters;

(d) authorisation of banking facilities and corporate guarantees;

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Provision 1.4

Delegation by the Board

To assist the Board in the execution of its responsibilities and to provide independent oversight of Management, the Board has established a number of Board committees, namely the Audit and Risks Management Committee (the "**ARMC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**"). Each of the Board Committees function within clearly defined terms of references and operating procedures endorsed by the Board, which are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance, taking into consideration any changes in the governance and legal environment. The Board Committees will also review their terms of reference on a regular basis to ensure their continued relevance, and the effectiveness of each Board Committee is also constantly reviewed by the Board. The composition and description of each Board Committee are set out in this report. Any change to the terms of reference for any Board Committee requires the specific written approval of the Board. The responsibilities and authority of the Board Committees set out in their respective terms of reference are revised as and when appropriate for alignment with the Code.

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

Provision 1.5

Board and Board Committees Meetings

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

Regulation 104(4) of the Company's Constitution allows Board meetings to be conducted by means of conference telephone, videoconferencing, audiovisual, or other electronic means of communication by which all persons participating in the meeting can hear one another contemporaneously. Board and Board Committees meetings in FY2023 were conducted through a mixture of physical meetings, video conference and/or other means of telecommunication. Decisions of the Board and Board Committees may also be obtained through circulating resolutions in writing.

CORPORATE GOVERNANCE REPORT

The attendance of each Director at meetings of the Board and Board Committees in FY2023 as well as the frequency of such meetings held are set out in the table below:

No. of Meetings held	Board of Directors							ARMC					NC		RC	
	7							4					1		1	
	1/7	2/7	3/7	4/7	5/7	6/7	7/7	Member	1/4	2/4	3/4	4/4	Member	1/1	Member	1/1
Present Directors																
Soon Yeow Kwee Johnny	✓	✓	✓	X	✓	✓	✓	No	✓*	✓*	✓*	✓*	No	✓*	No	✓*
Lim Soon Hock (or in his absence, Loke Weng Seng)	✓	X	✓	✓	X	✓	✓	No	✓*	X	✓*	✓*	Yes	✓	Yes	✓
Soon Jeffrey	✓	✓	✓	✓	✓	✓	✓	No	✓*	✓*	✓*	✓*	Yes	✓	No	✓*
Chong Eng Wee (Zhang Yingwei)	✓	X	✓	✓	✓	✓	✓	Yes	✓	✓	✓	✓	Chairman	✓	No	✓*
Anthony Ang Meng Huat	✓	✓	X	✓	✓	✓	✓	Yes	✓	✓	✓	✓	No	✓*	Chairman	✓
Lie Ly @ Liely Lee	✓	✓	✓	✓	✓	✓	✓	Yes	✓	✓	✓	✓	No	✓*	Yes	✓
Chua Siong Kiat	✓	✓	✓	✓	✓	✓	✓	Chairman	✓	✓	✓	✓	No	✓*	No	✓*

✓ – Attendance at the meeting as a member of the Board/Board Committee

* – Attendance by invitation of the relevant Board Committee

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

Multiple Board Representations

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

The NC has reviewed all the declarations from the Directors and is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company, and that sufficient time and attention are given to the affairs of the Company, after taking into consideration the number of listed company board representations and other principal commitments in FY2023 of each Director. In view of this, the Board does not limit the maximum number of listed company board representations which a Director may hold as long as each Director is able to commit his or her time and attention to the affairs of the Company and adequately carries out his or her duties as a Director. The Board believes that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, bearing in mind his or her other commitments. The Board and the NC will review the requirement to determine the maximum number of listed company board representations as and when they deem fit.

CORPORATE GOVERNANCE REPORT

Provision 1.6

Access to Information

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

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

The Board receives half-yearly financial performance results, annual budgets and explanations on material forecasts variances to enable them to oversee the Group's operational and financial performance as well as risks faced by the Group. Directors are also updated on the Group's matters during quarterly board meetings, and as and when there are any significant developments or events relating to the Group's business operations.

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

Provision 1.7

Access to Management and Company Secretary

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

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

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

Independent Professional Advice

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

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

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

Provision 2.1

Director Independence

The criterion for independence is based on the definition set out in the Code and the Practice Guidance of the Code of Corporate Governance issued in August 2018 (the "**Practice Guidance**") and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Board considers an "independent" Director as one who is independent in conduct, character and judgment, has no relationship with the Company, its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Company.

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

For FY2023, the Independent Directors (namely Mr. Chong Eng Wee (Zhang Yingwei), Mr. Anthony Ang Meng Huat, Ms. Lie Ly @ Liely Lee and Mr. Chua Siong Kiat) have confirmed that neither they nor their immediate family members have any relationship with the Company or any of its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment in the best interests of the Company, and do not fall under any of the circumstances set out in Rule 406(3)(d) of the Catalist Rules. The foregoing Independent Directors have also confirmed that they were not in any foreseeable situation that could compromise their independence of thought and decision.

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

Duration of Independent Directors' Tenure

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

Provision 2.2

Proportion of Independent Non-Executive Directors

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

Mr. Soon Yeow Kwee Johnny, the Executive Chairman of the Company, is not independent. Notwithstanding the foregoing, given that the Board comprises a majority of four (4) Independent Directors (out of a seven (7)-member Board) as at the date of this report, the Company is in compliance with Provision 2.2 of the Code.

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Provision 2.3

Proportion of Non-Executive Directors

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

Provision 2.4

Board Composition and Size

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

Executive Directors

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

Non-Executive Directors

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

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

Board Diversity

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

The Board Diversity Policy does not specify any specific targets or accompanying plans and timelines for achieving diversity as the Board is of the view that the board composition is sufficiently diverse. Instead, the policy emphasises that measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness. It is the responsibility of the NC to monitor the achievement of these measurable objectives and report on progress in the Corporate Governance Report annually. The NC reviews the policy at least annually to ensure its effectiveness. The NC will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

All Directors possess the right core competencies and diversity of experience that enable them to effectively contribute to the Board. Their varied experiences are particularly important in ensuring that the strategies proposed by Management are fully discussed and examined, taking into account the long-term interests of the Company, the Group and Shareholders. To maintain and/or enhance the balance and diversity of the Board, the NC will review the board composition annually to assess whether the existing attributes and core competencies of the Board are adequate for the Board to discharge its responsibilities effectively, taking into account the Group's existing risk profile, business operations and future business strategy, and will consider the results of such review in putting forth its recommendation for the appointment of new Directors and/or re-appointment of incumbent Directors.

Provision 2.5

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

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

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

In FY2023, the Non-Executive Directors, led by the Lead Independent Director, have met informally at least once without the presence of Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes and succession planning as well as leadership development and the remuneration of Directors and key management personnel ("**KMPs**").

Chairman and Chief Executive Officer

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

Provision 3.1

Separation of the Role of Chairman and Chief Executive Officer

The Chairman of the Board and the CEO are separate persons to maintain an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the leadership of the Board and Management responsible for managing the Group's business operations. The Executive Chairman, Mr. Soon Yeow Kwee Johnny, is the father of the CEO, Mr. Soon Jeffrey, and the Group's General Manager (Operations), Mr. Soon Jenson.

Provision 3.2

Role of Chairman and Chief Executive Officer

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

Provision 3.3

Lead Independent Director

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

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

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

As the Lead Independent Director, he shall make himself available at all times when Shareholders have concerns and for which contact through the normal channels of communication with the Chairman, the CEO or Management have failed to resolve or is inappropriate, as well as at the Company's general meetings. Shareholders may reach out directly to the Lead Independent Director at engwee.chong@heatec.com.sg.

Board Membership

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

Provision 4.1

Roles and Duties of Nominating Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provision 4.2

Nominating Committee Composition

As of the end of FY2023, the NC comprised three (3) members, namely the Lead Independent Director (as Chairman), an Executive Director and a Non-Executive Director, as follows:

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

Currently, the composition of the NC is not in compliance with the Code, which requires the majority of the NC members to be independent. The Board had decided to constitute the NC (with a majority of such members being not independent) to include Directors who are familiar with the business and operations of the Group and have relevant human resource experience such as board succession planning. The NC and the Board note that

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it is recommended that the Company comply with the requirement for Independent Directors to constitute the majority of the NC and will assess from time to time, if it is appropriate to make arrangements to reconstitute the NC composition to comply with the Code's requirements. Nevertheless, the Board notes that the NC is able to effectively discharge its duties and responsibilities and exercise objective judgement on the NC's affairs independently and constructively challenge key decisions and report to the Board in all respects. Taking into account the foregoing, and that the Company is in compliance with the remaining Provisions under Principle 4 of the Code, the Board is of the view that the Company complies with Principle 4 of the Code.

Provision 4.3

Nomination and Selection of Directors

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

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

When an existing Director chooses to retire, or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC,in consultation with the Board, evaluates and determines the selection criteria 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.

Re-election of Directors

Regulation 98 of the Company's Constitution provides that at each AGM, at least one-third of the Directors, for the time being, shall retire from office by rotation and submit themselves for re-election, provided that all Directors shall retire from office at least once every three (3) years. Rule 720(4) of the Catalist Rules also provides that all Directors must submit themselves for re-nomination and re-appointment at least once every three (3) years.

Regulation 99 of the Company's Constitution provides that the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself or herself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for the three (3) years since their last election. Between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by the drawing of lots. A retiring Director shall be eligible for re-election.

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

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

(a) Mr. Soon Jeffrey, who is retiring by rotation pursuant to Regulations 98 and 99 of the Company's Constitution;

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(b) Mr. Anthony Ang Meng Huat, who is retiring by rotation pursuant to Regulations 98 and 99 of the Company's Constitution; and

(c) Mr. Chua Siong Kiat, who is retiring by rotation pursuant to Regulations 98 and 99 of the Company's Constitution.

Mr. Soon Jeffrey has given his consent for re-election and he will, upon re-election as a Director of the Company, remain as an Executive Director, Chief Executive Officer and member of the Nominating Committee.

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

Mr. Chua Siong Kiat will, upon re-election as a Director of the Company, remain as a Non-Executive and Independent Director and Chairman of the Audit and Risks Management Committee, and is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules.

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

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

Name of Director	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Date of Appointment	1 January 2016	17 April 2017	1 February 2022
Date of last re-appointment (if applicable)	29 April 2022	29 April 2022	29 April 2022
Age	43	68	52
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	The re-election of Mr. Soon Jeffrey as the Executive Director and CEO of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr. Anthony Ang Meng Huat ("**Mr. Ang**") as the Non-Executive and Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experience and overall contribution since he was appointed as a Director of the Company. The Board considers Mr. Ang to be independent for the purpose of Rule 704(7) of the Catalist Rules.	The re-election of Mr. Chua Siong Kiat ("**Mr. Chua**") as the Non-Executive and Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experience and overall contribution since he was appointed as a Director of the Company. The Board considers Mr. Chua to be independent for the purpose of Rule 704(7) of the Catalist Rules.

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Name of Director	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr. Soon Jeffrey is responsible for all day-to-day operations and determines the Group's strategic direction for business growth, including the overall Group sales activities, as well as business development in new markets and industries.	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, ARMC Chairman, ARMC member etc.)	Executive Director and CEO and member of the NC	Non-Executive and Independent Director, Chairman of the RC and member of the ARMC	Non-Executive and Independent Director, Chairman of the ARMC
Professional qualifications	• Master of Business Administration, Singapore Management University • Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering), Nanyang Technological University	• Certificate for International Directorship Programme, INSEAD, France • Master of Business Administration, European Institution of Business Administration, INSEAD, France • Bachelor of Science (Mechanical Engineering) with First Class Honours from the Imperial College of Science and Technology, UK	• Chartered Valuer and Appraiser (CVA), Institute of Valuers and Appraisers, Singapore and Singapore Accountancy Commission – Master of Business Administration and Diploma of the Imperial College in Management (MBA, DIC) Imperial College of Science, Technology and Medicine, University of London – Chartered Accountant, Singapore (CA Singapore) – Certified Internal Auditor (CIA), Institute of Internal Auditors. – Fellow member of the Association of Chartered Certified Accountants (FCCA) – Senior Accredited Director by Singapore Institute of Directors (SID)

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Name of Director	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Working experience and occupation(s) during the past 10 years	**January 2016 to Present** Executive Director and CEO of the Company **July 2014 to December 2015** Group Sales and Business Development Director of the Company **August 2013 to June 2014** General Manager (Sales & Operations) of the Company	**September 2023 to Present** Executive Director of Sunrise Shares Holdings Ltd. **November 2021 to Present** Chairman and CEO/Director of Global Star Acquisition Inc. **March 2017 to July 2021** CEO of Sasseur Asset Management Pte Ltd, the manager of Sasseur REIT **September 2016 to Present** Non-Resident Ambassador of the Republic of Singapore to the Republic of Tunisia, Ministry of Foreign Affairs **March 2010 to December 2016** Executive Director of ARA Asset Management (Fortune) Limited, the manager of Fortune REIT **March 2010 to January 2015** CEO and Executive Director of ARA Asset Management (Fortune) Limited, the manager of the Fortune REIT	**April 2023 to Present** Chief Financial Officer of Memiontec Holdings Limited **November 2015 to Present** Director of Lighthouse Business Consulting Pte Ltd **October 2021 to January 2023** Group Chief Financial Officer of TEE International Limited **August 2020 to September 2021** Chief Financial Officer of Wai Fong Construction Pte Ltd **July 2017 to January 2018** Appointed Chief Financial Officer (Global Hospitality Trust Project) of Amare Investment Management Group Pte Ltd **March 2016 to July 2017** Executive Director and Head of Non-Property business (February 2017 to July 2017), Alternate Director (March 2016 to February 2017) and Interim Group Chief Operating Officer (July 2016 to February 2017) of Pacific Star Development Limited (formerly known as LH Group Limited) (“**PSDL**”) **July 2013 to September 2015** Executive Director (Appointed in November 2013) and Chief Financial Officer of Libra Group Limited

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Name of Director	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Shareholding interest in the listed issuer and its subsidiaries	Yes. Direct interests in 1,400,000 shares, representing 0.68% of the issued share capital of the Company; 3,000,000 share options in the Company; and deemed interests in 81,818,181 shares in the Company which are held by Megane Marine Pte. Ltd., in which Mr. Soon Jeffrey has a 70% shareholding interest. Mr. Soon Jeffrey is deemed to have an interest in the shares in the Company held by Megane Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967 of Singapore and Section 4 of the Securities and Futures Act 2001 of Singapore.	None	Yes. Direct interests in 1,600 shares in the Company, representing 0.0008% of the issued share capital of the Company.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes, Mr. Soon Jeffrey is the son of Mr. Soon Yeow Kwee Johnny, the Company's Executive Chairman and substantial shareholder, and is the brother of Mr. Soon Jenson, an executive officer of the Company. Mr. Soon Jeffrey is a director on the boards of certain subsidiaries of the Company, the details of which are as set out below.	None	None
Conflict of interest (including any competing business)	None	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

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Name of Director	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Other Principal Commitments including Directorships			
Past (for the last 5 years)	1. Heatec Oilfield Services Pte. Ltd. 2. Heatec Chariot Envirobotics Pte. Ltd. 3. Ipromar (Pte.) Ltd. 4. Ipromar (M) Sdn Bhd 5. JJY Engineering & Construction Pte Ltd 6. Chem-Grow Services Pte. Ltd.	1. SYW Pte. Ltd. 2. Sasseur Singapore Holdings Pte. Ltd. 3. Sasseur Bishan HK Limited 4. Sasseur Hefei HK Limited 5. Sasseur Jinan HK Limited 6. Hong Sun Group Development Limited 7. Sasseur Bishan (BVI) Limited 8. Sasseur Hefei Limited 9. Sasseur Jinan Limited 10. Sasseur (Chongqing) Business Co. 11. Hefei Sasseur Commercial Management Co. 12. Kunming Sasseur Commercial Management Co. 13. Sasseur (Hefei) Investment Consultancy Co., Ltd 14. Sasseur (Kunming) Investment Consultancy Co., Ltd 15. Chongqing Sasseur Suge Apparel Joint Stock Co., Ltd	1. Axington Inc. 2. Kitchen Culture Holdings Limited 3. China Star Food Group Limited (currently known as Zixin Group Holdings Limited) 4. National Arthritis Foundation 5. TEE Infrastructure Pte Ltd 6. Trans Equatorial Engineering Pte Ltd 7. JES International Holdings Limited 8. Nutryfarm International Limited 9. China Yuanbang Property Holdings Limited 10. Omni Sharing Pte. Ltd.
Present	1. Heatec Jietong Pte. Ltd. 2. Heatec Veslink Marine Services Co. Ltd 3. HJT Engineering & Construction Pte Ltd 4. Chem-Grow Pte. Ltd. 5. Chem Grow Engineering Pte. Ltd. 6. JTY Engineering Pte. Ltd. 7. Megane Marine Pte Ltd 8. Heatec (Shanghai) Co., Ltd. 9. Zhoushan Heatec IMC-YY Engineering Co. Ltd 10. Setya Energy Pte. Ltd.	1. Sunrise Shares Holdings Ltd. 2. Global Star Acquisition Inc. 3. Eurosports Global Limited 4. Yong Tai Berhad 5. Sinospring Venture Pte. Ltd. 6. Seascape Investments Pte. Ltd. 7. Truufin Pte. Ltd. 8. ITE Education Services Pte. Ltd. 9. GCIC Ltd. 10. RV SG Pte. Ltd. 11. Squaredog Robotics Pte. Ltd. 12. Singapore Digital Exchange Pte. Ltd. 13. Better World Asset Management Ltd. 14. Imperiale Investment Company Limited 15. Sunrise Industrial (Singapore) Pte Ltd	1. New Silkroutes Group Limited (“**NSG**”) 2. Ever Glory United Holdings Limited 3. VCI Global Limited 4. Starwork Vision Pte. Ltd. 5. Robotic Vision Inc. Pte. Ltd. 6. Lighthouse Business Consulting Pte. Ltd. 7. MIT Investment Pte. Ltd. (a wholly owned subsidiary of Memiontec Holdings Limited) 8. CFO – Memiontec Holdings Limited 9. UMS Holdings Limited

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Name of Director		Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Disclose the following matters concerning an appointment of director. If the answer to any question is "yes", full details must be given.				
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	Heatec Guangzhou Co. Ltd ("HGCL") was sued by 4 employees for failure to provide them with their employment contracts. Judgement was made against HGCL and HGCL was fined. However, since HGCL was a relatively new company and most of its funds were used up in the setup and operations and shareholders were not in favor of injecting more funds into HGCL, HGCL was unable to pay the employees' compensation. As a result, the shareholders decided to declare HGCL bankrupt. The foregoing case was concluded in 2020. Heatec Jietong Pte Ltd was a 60% shareholder of HGCL and Mr. Soon Jeffrey was the supervisor for HGCL. His role was non-executive. Daily operations were managed by the minority shareholders who were locals in Guangzhou. Heatec Jietong Pte Ltd had majority control over the Board of HGCL.	No	Mr. Chua was previously (i) the interim group chief operating officer of PSDL from July 2016 to February 2017, and (ii) the executive director and head of non-property business of PSDL from February 2017 to July 2017. He was also the executive director of Durabeau Industries Pte Ltd ("DIPL") and LH Aluminium Industries Pte. Ltd. ("LHAI"), wholly-owned subsidiaries of PSDL, from February 2017 to July 2017. In May 2019, PSDL had announced its decision to discontinue its aluminium business division for commercial reasons and placed both DIPL and LHAI under creditors' voluntary liquidation ("CVL"). Mr. Chua had resigned as the executive director and head of non-property business of PSDL, and the executive director of DIPL and LHAI in July 2017, and was not involved in the subsequent events which led to the CVL of DIPL and LHAI in May 2019 (which had commenced almost two (2) years after his resignation). Further details in relation to the liquidation can be found in PSDL's SGXNet announcements dated 22 May 2019 and 31 May 2019.

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Name of Director	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
			Mr. Chua was the group chief financial officer of TEE International Limited ("TEE") from 1 October 2021 to January 2023. In December 2021, TEE announced that it had commenced the winding up process of its wholly owned subsidiary, Trans Equatorial Engineering Pte. Ltd. ("Trans Equatorial") by way of CVL. Mr. Chua was requested by the board of directors of TEE to be appointed as a director of Trans Equatorial just prior to the commencement of the CVL proceedings in order to facilitate and assist the appointed liquidators with the CVL process. Mr. Chua was not previously involved in the events which led to the liquidation of Trans Equatorial. Following his resignation as TEE's group chief financial officer, Mr. Chua also ceased to be a director in Trans Equatorial in January 2023.
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

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Name of Director	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

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Name of Director	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	Mr. Ang was an Independent Director and Chairman of the Audit Committee of E3 Holdings Ltd. ("E3") between 10 August 2005 and 27 November 2015 before E3 was delisted from the SGX-ST on 31 May 2011. In 2008, the Audit Committee of E3 (spearheaded by Mr. Anthony Ang as the Chairman of the Audit Committee of E3) had commissioned a special audit due to suspected fraud for investments in the People's Republic of China. Following the findings of the special audit, the SGX-ST issued a reprimand against E3 and six (6) of its then directors for breaches of the SGX-ST listing rules and failures of corporate governance. For avoidance of doubt, Mr. Ang was not the subject of the reprimand issued by the SGX-ST.	Mr. Chua was an independent non-executive director of Axington Inc. ("Axington") from July 2020 to August 2020. In July 2021, following an internal review conducted by the board of Axington, Axington was required to, among others, investigate the circumstances surrounding a placement exercise completed in August 2020. Axington subsequently released an executive summary ("Executive Summary") of the independent review, which highlighted (a) potential breaches of certain rules of the Listing Manual Section B: Rules of Catalist ("Catalist Rules"), and (b) potential breach of fiduciary duties by other individuals. Mr. Chua was not involved in the logistics leading up to the completion of the placement, nor was he involved in the internal review or the independent review. To the best of Mr. Chua's knowledge, there were no investigations conducted by the SGX-ST or any government authorities in respect of the potential breaches highlighted in the Executive Summary.

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Name of Director	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
			Mr. Chua was an independent non-executive director of a company listed on the SGX-ST when such company and its board of directors received a show cause letter from the SGX-ST in respect of potential breaches of certain rules of the listing manual of the SGX-ST (the "Listing Manual"). The SGX-ST had issued a private warning to the company and a private reminder to the relevant directors of the company (which includes Mr. Chua) relating to the breach of certain rules of the Listing Manual. Save for these, no other action was taken against the company and its relevant directors by the SGX-ST for these breaches.
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			

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Name of Director	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to the appointment of Director only			
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable. These disclosures are in respect of the re-election of a Director of the Company.	Not applicable. These disclosures are in respect of the re-election of a Director of the Company.	Not applicable. These disclosures are in respect of the re-election of a Director of the Company.

Provision 4.4

Continuous Review of Directors' Independence

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

The NC reviews the independence of each Director annually in accordance with the definition of independence as set out in the Code and the Practice Guidance, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Independent Directors have submitted their confirmation of independence annually for the NC's review. In respect of the Company's current Independent Directors, namely Mr. Chong Eng Wee (Zhang Yingwei), Mr. Anthony Ang Meng Huat, Ms. Lie Ly @ Liely Lee and Mr. Chua Siong Kiat, the Board is of the view that they are independent, taking into account the circumstances set forth in the Code, Rule 406(3)(d) of the Catalist Rules and any other salient factors. For FY2023, the Independent Directors have also confirmed their independence in accordance with the Code and Rule 406(3)(d) of the Catalist Rules.

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Provision 4.5

Directors' Time Commitments

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

The NC undertakes an annual review of the declarations from the Directors on their principal time commitments and directorships in other listed companies and is satisfied that all the Directors of the Company are able to and have adequately carried out their duties as Directors of the Company, and that sufficient time and attention are given to the affairs of the Company, after taking into consideration the number of listed company board representations and other principal commitments in FY2023 of each Director.

Duties and obligations of new directors

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

Listed Company Directorships and Principal Commitments

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

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Mr. Soon Yeow Kwee Johnny	29 April 2022	Executive	Executive Chairman and Director	Nil	Other Principal Commitments/ directorships Heatec Marine Phils Construction Inc. Present Listed Company Directorships –
Mr. Lim Soon Hock	24 May 2023	Non-Executive and Non-Independent	Member of the RC and NC	• Bachelor of Engineering (Electrical, Honours), University of Singapore • Post-grad Diploma of Business Administration, National University of Singapore • Graduate Certificate in International Arbitration • Registered Professional Engineer(s)	Other Principal Commitments/ directorships Member, Board of Governors – Raffles Girls' Secondary School Adjunct Professor – National University of Singapore Mediator – State Courts Singapore, Singapore Mediation Centre, Singapore International Mediation Institute

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Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
				• Fellow of Institution of Engineers Singapore • Fellow of Academy of Engineering Singapore • Chartered Electrical Engineer and Fellow of Institution of Engineering & Technology, UK • Honorary Fellow of The ASEAN Federation of Engineering Organisations • Fellow of Singapore Computer Society • Fellow of Singapore Institute of Directors • Fellow of Singapore Institute of Arbitrators • Member of the Singapore Mediation Centre's Family Panel of Mediators and Associate Mediators Panel	Deputy Registrar and Licensed Solemniser – Registrar of Marriages Director – REDA Industrial Materials (Holding) Ltd Director – Tru-Marine Pte Ltd (also as Deputy Chairman & Senior Advisor) Director – REDA Pte Ltd Director – Archer (S) Pte Ltd Director – Mundipharma Singapore Holding Pte. Limited Board Member – Institution of Engineers (Singapore) Fund Ltd Founder and Managing Director – PLAN-B ICAG Pte Ltd <u>Present Listed Company Directorships</u> China Fishery Group Limited DiSa Limited A-Sonic Aerospace Limited
Mr. Soon Jeffrey	29 April 2022 (shall retire and be subject to re-election at the forthcoming AGM)	Executive	Chief Executive Officer and a member of the NC	• Master of Business Administration, Singapore Management University • Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering), Nanyang Technological University	<u>Other Principal Commitments/ directorships</u> Director – Heatec Jietong Pte. Ltd. Director – Heatec Veslink Marine Services Co. Ltd Director – HJT Engineering & Construction Pte. Ltd. Director – Chem-grow Pte. Ltd.

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Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
					Director – Chem Grow Engineering Pte. Ltd. Director – JTY Engineering Pte Ltd. Director – Heatec (Shanghai) Co., Ltd. Director – Zhoushan Heatec IMC-YY Engineering Co. Ltd Director – Megane Marine Pte. Ltd. Director – Setya Energy Pte. Ltd. Present Listed Company Directorships –
Mr. Chong Eng Wee (Zhang Yingwei)	24 May 2023	Non-Executive and Independent	Lead Independent Director, Chairman of the NC and a member of the ARMC	• Advocate & Solicitor, Supreme Court of Singapore • Solicitor of the High Court of Hong Kong • Legal Practitioner, Supreme Court of New South Wales, Australia • Barrister & Solicitor, High Court of New Zealand • Postgraduate Practical Course in Law, Board of Legal Education • Graduate Diploma in Singapore Law, National University of Singapore • Certificate for Professional Legal Studies course (New Zealand), Institute of Professional legal Studies • Bachelor of Laws, Victoria University of Wellington New Zealand	Other Principal Commitments/ directorships Managing Director – Chevalier Law LLC Director – Chevalier CS Pte. Ltd. Partner – Nixon Peabody CWL Director – Coronet Ventures (Singapore) Pte. Ltd. Director – Lucky Sesa Pte. Ltd. Present Listed Company Directorships AJJ Medtech Holdings Limited Willas-Array Electronics (Holdings) Limited China Yuanbang Property Holdings Limited Polaris Ltd.

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Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Mr. Anthony Ang Meng Huat	29 April 2022 (shall retire and be subject to re-election at the forthcoming AGM)	Non-Executive and Independent	Chairman of the RC and member of the ARMC	• Certificate for International Directorship Programme, INSEAD • Master of Business Administration, European Institution of Business Administration, INSEAD, France • Bachelor of Science (Mechanical Engineering) with First Class Honours from the Imperial College of Science and Technology	Other Principal Commitments/ directorships Non-Resident Ambassador of the Republic of Singapore to the Republic of Tunisia, Ministry of Foreign Affairs Director – Sinospring Venture Pte. Ltd. Director – Seascape Investments Pte. Ltd. Director – Truufin Pte. Ltd. Director – ITE Education Services Pte. Ltd. Director – GCIC Ltd. Director – RV SG Pte. Ltd. Director – Squaredog Robotics Pte. Ltd. Director – Singapore Digital Exchange Pte. Ltd. Director – Better World Asset Management Ltd. Director – Imperiale Investment Company Limited Director – Sunrise Industrial (Singapore) Pte Ltd Present Listed Company Directorships Yong Tai Berhad Global Star Acquisition Inc Sunrise Shares Holdings Ltd. Eurosports Global Limited

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Ms. Lie Ly @ Liely Lee	24 May 2023	Non-Executive and Independent	Member of the ARMC and RC	• Qualified Chartered Public Accountant, CPA Australia • Master of Accounting, Curtin University • Bachelor of Commerce, Murdoch University	Other Principal Commitments/ directorships Executive Director and Group Chief Financial Officer - Marco Polo Marine Ltd Director – Marco Polo Shipyard Pte. Ltd. (F.K.A. Bina Marine Pte. Ltd.) Director – MP Marine Pte. Ltd. Director – MP Shipping Pte. Ltd. Director – MP Ventures Pte. Ltd. Director – Marco Polo Offshore Pte. Ltd. Director – Marco Polo Shipping Co Pte Ltd Director – Marcopolo Shipping (Hong Kong) Limited Director – Marco Polo Offshore (II) Pte. Ltd. Director – MP Offshore Pte. Ltd. Director – Marco Polo Offshore (III) Pte. Ltd. Director – BBR Shipping Pte. Ltd. Director – PT. Sinar Bintang Makmur Director – Marco Polo Offshore (VI) Pte. Ltd. Director – Marco Polo Offshore (VII) Pte. Ltd. Director – MP Windcraft Pte. Ltd. Present Listed Company Directorships Marco Polo Marine Ltd PT. Pelayaran Nasional Bina Buana Raya TBK

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Mr. Chua Siong Kiat	29 April 2022 (shall retire and be subject to re-election at the forthcoming AGM)	Non-Executive and Independent	Chairman of the ARMC	• Chartered Valuer and Appraiser (CVA) • Master of Business Administration and Diploma of the Imperial College in Management (MBA, DIC) Imperial College of Science, Technology and Medicine, University of London • Chartered Accountant, Singapore (CA Singapore) • Certified Internal Auditor (CIA) • Fellow member of The Association of Chartered Certified Accountants (FCCA) • Senior Accredited Director by Singapore Institute of Directors (SID)	Other Principal Commitments/ directorships CFO – Memiontec Holdings Limited Director – Lighthouse Business Consulting Pte. Ltd. Director – MIT Investment Pte. Ltd. Non-executive Director – Starwork Vision Pte. Ltd. Non-Executive Director – Robotic Vision Inc. Pte. Ltd. Present Listed Company Directorships New Silkroutes Group Limited VCI Global Limited Ever Glory United Holdings Limited UMS Holdings Limited
Mr. Loke Weng Seng	24 May 2023	Alternate director to Mr. Lim Soon Hock	Alternate director to Mr. Lim Soon Hock	• Master of Business Administration, Macquarie University	Other Principal Commitments/ directorships Group Managing Director of Tru-Marine Pte. Ltd. Director – Tru-Marine Technologies Pte. Ltd. Director – Tru-Marine Shanghai Pte. Ltd. Director – Tru-Marine Tianjin (S) Pte. Ltd. Director – Turboworld Pte. Ltd. Director – Tru-Aero Pte. Ltd.

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
					Director – Pmax One Technologies Pte. Ltd. Director – Tru-Marine Houston LLC Director – Tru-Mariner Turbocharger Services LLC Director – Tru-Marine Machinery & Engineering Shanghai Co., Ltd Director – Tru-Marine Machinery & Engineering Guangzhou Co., Ltd Director – Tru-Marine Cosco (Tianjin) Engineering Co Ltd Director – Tru-Mariner (Myanmar) Co., Ltd Present Listed Company Directorships -

Information on the interests of the Directors who held office at the end of FY2023 in shares, debentures and share options in the Company and its related corporations (other than the wholly-owned subsidiaries) are set out in the Directors' Statement on pages 63 to 67 of this annual report.

Board Performance

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

Provisions 5.1 and 5.2

Performance Criteria

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

For FY2023, the NC conducted a formal review of the performance evaluation of the Board, Board Committees and individual Directors, by way of circulating the questionnaires to the Board and Board Committees and self-assessment form to each individual Director for completion. The summary of findings of each evaluation together with the feedback and recommendations from the Board, Board Committees and each individual Director has been discussed and reviewed by the NC.

Board Evaluation Process

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

(a) Board composition;

(b) Board conduct of affairs;

(c) Internal controls and risk management;

(d) Board accountability;

(e) CEO performance/succession planning; and

(f) Standard of conduct.

Based on the summary of findings of the evaluation for FY2023 together with the feedback and recommendations from each Director, the NC is satisfied that the Board has, as a whole, met its performance objective in FY2023.

Board Committees Evaluation Process

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

Audit and Risks Management Committee

(a) Composition;

(b) Meetings;

(c) Financial reporting;

(d) Internal audit and external audit process; and

(e) Communication with Shareholders

CORPORATE GOVERNANCE REPORT

Nominating Committee

(a) Composition;

(b) Meetings; and

(c) Accountability

Remuneration Committee

(a) Composition;

(b) Meetings; and

(c) Accountability

Based on the summary of the evaluation for FY2023 together with the feedback and recommendations from members of the respective Board Committees, the NC is satisfied that each of the Board Committees has met its performance objective in FY2023.

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

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

Individual Directors Evaluation Process

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

(a) Attendance at Board and related activities;

(b) Adequacy of preparation for Board meetings;

(c) Contribution in certain key aspects of business;

(d) Initiative;

(e) Participation in constructive debate/discussion;

(f) Maintenance of independence;

(g) Disclosure of interested person transactions; and

(h) Overall assessment.

Based on the summary of the evaluation for FY2023 together with the feedback and recommendations from the respective individual Directors, the NC is satisfied that each individual Directors has met his or her performance objective in FY2023.

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

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

CORPORATE GOVERNANCE REPORT

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Provision 6.1

Roles and Duties of Remuneration Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

Provision 6.2

Remuneration Committee Composition

As at the end of FY2023, the RC comprised the following three (3) members, all of whom are Non-Executive Directors, and of which two (2) are Independent Directors (including the Chairman):

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

Provision 6.3

Remuneration Packages and Framework

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

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

Provision 6.4

Engagement of Remuneration Consultants

The RC has access to advice from the internal human resource department and, if necessary, may seek external expert advice of which the expenses will be borne by the Company. No external expert was engaged by the Company in FY2023.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

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

Provisions 7.1 and 7.3

Remuneration of Executive Directors and KMPs

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

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

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

Provision 7.2

Remuneration of Non-Executive Directors

The Non-Executive Directors receive Directors' fees in accordance with their contributions. Directors' fees for the Non-Executive Directors are proposed by Mr. Soon Jeffrey, the Executive Director and CEO of the Company and reviewed and recommended by the RC, based on the effort, time spent and the responsibilities of the individual Non-Executive Directors. No Director is involved in deciding his or her own remuneration. The Non-Executive Directors have not been over-compensated to the extent that their independence is compromised. The total remuneration of the Directors (including Non-Executive Directors) is recommended for Shareholders' approval at each AGM.

The Directors' fees for the Non-Executive Directors of S$191,000 for the current financial year ending 31 December 2024 (with payment to be made quarterly in arrears) have been recommended by the Board and will be tabled for approval by Shareholders at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

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

Provision 8.1

Remuneration Criteria

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

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

Disclosure on Fees and Remuneration of Directors and CEO

A breakdown showing the level and mix of the remuneration payable to each individual Director for FY2023 is as follows:

Name of Director	Salary(1) (%)	Bonus(1) and/or profit sharing (%)	Directors' fees (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000					
Soon Yeow Kwee Johnny	83	8	9	–	100
Lim Soon Hock	–	–	100	–	100
Soon Jeffrey(2)	78	7	–	15	100
Chong Eng Wee (Zhang Yingwei)	–	–	100	–	100
Anthony Ang Meng Huat	–	–	100	–	100
Lie Ly @ Liely Lee	–	–	100	–	100
Chua Siong Kiat	–	–	100	–	100

Notes:

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

(2) Mr. Soon Jeffrey is also the CEO of the Company.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration of Key Management Personnel

A breakdown of the remuneration bands payable to the top three (3) KMPs (who are not Directors or the CEO), including the immediate family members of a Director or the CEO or a substantial Shareholder exceeding S$100,000 for FY2023, is as follows:

Name of Key Management Personnel	Salary[1] (%)	Bonus[1] and/or profit sharing (%)	Allowances and other benefit (%)	Total (%)
S$200,001 – S$300,000				
Soon Jenson[2]	82	7	11	100
S$100,001 – S$200,000				
Ng Wei Jet	81	8	11	100
Koh Lay Cheng	87	7	6	100

Notes:

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

(2) Mr. Soon Jenson is the brother of Mr. Soon Jeffrey, Executive Director and CEO, and the son of Mr. Soon Yeow Kwee Johnny, Executive Chairman and a substantial Shareholder of the Company.

The Company has no other KMPs other than as disclosed above. The RC will review the remuneration of the Directors and the KMPs from time to time. All Directors and KMPs are remunerated on an earned basis, and there were no termination, retirement and post-employment benefits granted during FY2023.

The Code recommends that:

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

(b) the Company should disclose in aggregate the total remuneration paid to the top five (5) KMPs (who are not Directors or the CEO).

The Board has decided not to disclose the above details as recommended by the Code, given the competitive business environment and possible negative impact on the Group's business interest and that the disclosure of such detailed remuneration amongst the immediate family members of the Executive Directors and the CEO of the Company, as well as a substantial Shareholder, could have an adverse effect on working relationships and contributions to the operations of the Group. The total remuneration of the top three (3) KMPs (who are not Directors or the CEO), including the immediate family member of a Director or CEO, was not disclosed to prevent poaching of KMPs. The Board is, however, cognizant of the requirement under Rule 1204(10D) of the Catalist Rules and will make the relevant disclosures in the report for the financial year ending 31 December 2024.

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

Provision 8.2

Disclosure on Remuneration of Immediate Family Member of Substantial Shareholder

Saved as disclosed above under Provision 8.1 – Disclosure on Remuneration of Key Management Personnel and in the table set out below, there were no other employees who are substantial Shareholders, or are immediate family members of a Director, the CEO or a substantial Shareholder, and whose remuneration exceeded S$100,000 during FY2023.

CORPORATE GOVERNANCE REPORT

The following table shows a breakdown of the annual remuneration (in percentage terms) of an immediate family member of a substantial Shareholder (who is not a KMP) and whose remuneration exceeds S$100,000 for FY2023.

Name	**Salary**[1] **(%)**	**Bonus**[1] **and/or profit sharing (%)**	**Allowances and other benefits (%)**	**Total (%)**
Yong Chin Seng[2]	74	14	12	100

Notes:

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

(2) Mr. Yong Chin Seng was promoted to the position of General Manager of Chem-Grow Pte. Ltd. with effect from 25 August 2023 and is responsible for sourcing new clients, sales administrative and sales management for the chemical cleaning segment of the Company. He is the son of Mr. Yong Yeow Sin, who is a substantial shareholder. His remuneration was in the band of between S$100,001 and S$200,000 for FY2023.

Provision 8.3

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

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

The Heatec ESOS and Performance Share Plan comply with the relevant rules as set out in Chapter 8 of the Catalist Rules. The Heatec ESOS and Performance Share Plan will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Both the Heatec ESOS and Performance Share Plan are administered by the RC. Details of the Heatec ESOS and Performance Share Plan were set out in the Company's Offer Document dated 30 June 2009.

As at 31 December 2023, 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 FY2023. The shares to be issued pursuant to the share awards granted are subject to certain performance conditions to be satisfied by the participants and such shares pursuant to the share awards granted have been issued to the relevant participants as at the date of this report. The Company did not grant any share awards pursuant to the Performance Share Plan in FY2023.

As at 31 December 2023, there were 3,000,000 outstanding share options granted under the Heatec ESOS that may be exercised by Mr. Soon Jeffrey to subscribe for 3,000,000 new ordinary shares in the capital of the Company. Movements in the number of unissued shares of the Company under the Heatec ESOS during FY2023 were as follows:

Exercise period		**Outstanding options as at 1 January 2023**	**Number of options granted in FY2023**	**Number of options cancelled in FY2023**	**Outstanding options as at 31 December 2023**	**Exercise price (S$)**
From	**To**					
18 April 2017	17 April 2026	1,800,000	–	–	1,800,000	0.085
16 April 2019	15 April 2028	1,200,000	–	–	1,200,000	0.062
Total		**3,000,000**	**–**	**–**	**3,000,000**	

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

Name of Director	Options granted during the financial year ended 31 December 2023	Aggregate options granted since commencement of Scheme to 31 December 2023	Aggregate options exercised since commencement of Scheme to 31 December 2023	Aggregate options cancelled since commencement of Scheme to 31 December 2023	Aggregate options outstanding as at 31 December 2023
Soon Jeffrey	–	3,000,000	–	–	3,000,000

Please refer to the Directors' Statement and Note 26 to the Financial Statements set out in this annual report for more information on the Heatec ESOS.

III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

Provision 9.1

Nature and Extent of Risks

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

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

As part of the review of the Company's internal control process and in view of the qualified opinion issued by the previous independent auditors of the Company in respect of the audited financial statements for FY2022, the Management has, in consultation with the Board, further tightened and enhanced such internal controls in respect of, among others, the specific delegation of authority for different threshold amounts, the segregation of such authorisation for both operational and non-operation activities and ensuring that the terms of any contracts entered into with third parties specify, to the extent possible, the deliverables and stipulated payment milestones for such deliverables.

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

CORPORATE GOVERNANCE REPORT

Provision 9.2

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

The Board and the ARMC have reviewed, with the assistance of the internal and external auditors, the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

The Board has received written assurance from the CEO and Chief Financial Officer that, as at 31 December 2023, the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received written assurance from the CEO and the relevant KMPs that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place were adequate and effective as at 31 December 2023 to address the risks that the Group considers relevant and material to its business operations.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the Board Committees and the Board, as well as the said assurances set out above, the Board is satisfied, and the ARMC concurs with the Board that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2023 to address the risks that the Group considers relevant and material to its business operations.

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

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

Audit and Risks Management Committee

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

Provision 10.1

Roles and Duties of Audit and Risks Management Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The ARMC has explicit authority to investigate any matters within its terms of reference. The ARMC also has full access to, and the co-operation of, Management and full discretion to invite any Director or senior management to attend its meetings. The ARMC has adequate resources, including access to external consultants and auditors, to enable it to properly discharge its responsibilities.

Provisions 10.2 and 10.3

Audit and Risks Management Committee Composition

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

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

The Board is of the view that the members of the ARMC, including the ARMC Chairman for FY2023 and as of the date of this report, are appropriately qualified and possess recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. All ARMC members possess extensive expertise in and have years of experience in accounting, finance and/or legal related matters.

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

CORPORATE GOVERNANCE REPORT

Provision 10.4

Internal Audit Function

The current size of the operations of the Group does not warrant the Group to have an in-house internal audit function. The internal audit function of the Company is outsourced to BDO Advisory Pte. Ltd. ("BDO"), a member of the BDO network. BDO is a full-resourced service provider, providing internal audit, corporate governance and risk management services.

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

The ARMC approves the hiring, removal, evaluation and compensation of the internal auditors.

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

The internal auditors will submit their annual audit planning for approval by the ARMC and report their findings to the ARMC. In FY2023, the internal auditors carried out the review, which references to the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors on certain key areas to assess and evaluate:

(a) whether adequate systems of internal controls are in place;

(b) whether operations of the business processes under review are conducted efficiently and effectively; and

(c) internal control improvement opportunities.

The ARMC has reviewed with the internal auditors their audit plan and their evaluation of the system of internal controls and has evaluated their audit findings and Management's responses to those findings, the adequacy and effectiveness of material internal controls, (including financial, operational, compliance and information technology controls) and risk management systems of the Company and the Group for FY2023. The ARMC is satisfied that the outsourced internal audit function is independent, adequately resourced, effective and has the appropriate standing within the Group. The ARMC is also of the view that the outsourced internal audit function is adequately staffed with persons with the relevant qualifications and experience and references to International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

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

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

External Audit Function

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

CORPORATE GOVERNANCE REPORT

Foo Kon Tan LLP ("**FKT LLP**") was appointed as the external auditors of the Company at the EGM held on 30 October 2023 in place of the previous auditors Crowe Horwath First Trust LLP ("**CHFT LLP**") who were not re-appointed as Auditors as the ordinary resolution in relation to the re-appointment of CHFT LLP was not approved by shareholders at the Company's previous annual general meeting held on 24 May 2023. The aggregate amount of audit fees paid to FKT LLP in FY2023 was S$154,800. There were S$45,200 non-audit fees paid to FKT LLP in FY2023, in respect of audit-related services, such as the review of the impairment assessment of non-financial assets performed by the Group. The ARMC has undertaken a review of the non-audit fees awarded to the external auditors and confirms that the non-audit services would not affect the independence of the external auditors.

In reviewing the nomination of FKT LLP for re-appointment for the financial year ending 31 December 2024, the ARMC has considered the adequacy of the resources, experience and competence of FKT LLP, and has taken into account the Audit Quality Indicators relating to FKT LLP at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members who shall be handling the audit matters of the Group. The Board also considered the audit team's expected ability to work in a cooperative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines.

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

For FY2023, the Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of audit firms for the Group. The ARMC and the Board are satisfied with the standards and the effectiveness of the audits performed by the independent external auditors of the subsidiaries and significant associated companies of the Group, other than those of the Company.

Provision 10.5

Meeting Auditors without the Management

In performing its functions, the ARMC and Management meet with the external and internal auditors to discuss and evaluate the internal controls of the Group and review the overall scope of both external and internal audits. The ARMC also meets regularly with Management, the Chief Financial Officer, and external and internal auditors to keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group's financial statements. At least once a year and as and when required, the ARMC meets with the external and internal auditors without the presence of Management, to review any matters that might be raised privately.

The ARMC has separately met with the external and internal auditors once in the absence of Management in FY2023.

Whistleblowing Policy

The Company has implemented a whistleblowing policy which provides the mechanism for which staff of the Company may, in confidence, raise concerns about possible improprieties of financial reporting or other matters. The whistleblowing policy (and any amendments thereto) and procedures for raising such concerns are disclosed and clearly communicated to all employees of the Group.

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

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

CORPORATE GOVERNANCE REPORT

Audit and Risks Management Committee Activities

In FY2023, the ARMC had, among others, carried out the following activities:

(a) reviewed the half-year and full-year financial statements announcements of the Group, and recommended the same to the Board for approval and release to the SGX-ST via SGXNet;

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

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

(d) reviewed interested person transactions of the Group;

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

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

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

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

(i) reviewed the independence of the external auditors;

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

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

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

Matter considered	**How the ARMC reviewed this matter and what decisions were made**
Impairment assessment of cost of investment in subsidiaries (Company)	The ARMC discussed with Management and the external auditor on the impairment assessment of cost of investment in subsidiaries, and ensured that it is in compliance with SFRS (I) 1-36 Impairment of Assets. The ARMC reviewed the recoverable amounts of the investment in subsidiaries determined by Management, based on both fair value less cost to sell and value-in-use using the discounted cash flow method. The ARMC has also evaluated the key assumptions made in determining the recoverable amounts, as well as considered the external auditors' report which had outlined the audit procedures to address the key audit matter. In light of the above procedures, the ARMC was of the view that the assessment of recoverable amount applied by the Management was reasonable. The impairment assessment of cost of investment in subsidiaries was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for FY2023. Please refer to page 71 of this annual report.

CORPORATE GOVERNANCE REPORT

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

Provision 11.1

Shareholders' Participation in General Meetings

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all Shareholders. These notices are also posted onto the SGXNet. These notices, together with the annual reports or circulars, are distributed to all Shareholders at least fourteen (14) days or twenty one (21) days (where applicable) before the scheduled AGM/EGM date in order to provide ample time for Shareholders to review the same. Shareholders are encouraged to attend the general meetings to ensure a high level of participation and accountability.

If a Shareholder is not able to attend in person, the Shareholder is generally able to appoint one (1) or two (2) proxies to attend and vote in his or her stead at general meetings. The Companies Act allows for certain members, defined as a "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirements. A relevant intermediary includes corporations holding licenses in providing nominee and custodial services and the Central Provident Fund Board which purchases shares on behalf of the Central Provident Fund investors. A proxy need not be a member of the Company.

The Company's AGM and EGM in FY2023 were conducted by way of physical means. Shareholders were invited to submit any questions they may have had in advance via email to the Investor Relations team of the Company or raise them during the AGM/EGM in relation to any resolution set out in the notice of AGM/EGM.

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

Provision 11.2

Conduct of Resolutions and Voting

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

Provision 11.3

Interaction with Shareholders

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

CORPORATE GOVERNANCE REPORT

In FY2023, the Company invited Shareholders to submit their questions in advance or raise them during the AGM/EGM in relation to any resolutions set out in the notice of meeting for the AGM and EGM held on 24 May 2023 and 30 October 2023, respectively. The Company did not receive any questions from Shareholders prior to the AGM and EGM. All Directors were present at the AGM and EGM of the Company held on 24 May 2023 and 30 October 2023, respectively.

Save for the AGM and EGM held on 24 May 2023 and 30 October 2023, respectively, there were no other general meetings of the Company held during FY2023.

Provision 11.4

Absentia Voting

The Company had decided, for the time being, not to implement voting in absentia through mail, electronic mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. Notwithstanding the foregoing, Shareholders were invited to exercise their voting rights during the AGM in FY2023 through the submission of proxy forms nominating proxy or proxies (other than the Chairman of the AGM) or the Chairman of the AGM to vote on their behalf.

Provision 11.5

Minutes of General Meetings

The proceeding of each of the general meetings will be properly recorded, including substantial or relevant comments or queries from Shareholders relating to the agenda of the general meetings and responses from the Board and Management. All minutes of the general meetings will be available on the Company's corporate website. In respect of the previous AGM and EGM held on 24 May 2023 and 30 October 2023, respectively, the Company published the minutes of the AGM and EGM on the SGXNet and its corporate website on 13 June 2023 and 1 November 2023, within one month from the date of the AGM and EGM.

Provision 11.6

Dividend Policy

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

(a) the level of the Group's cash and retained earnings;

(b) the Group's actual and projected financial performance;

(c) the Group's projected levels of capital expenditure and other investment plans;

(d) the dividend yield of similar-sized companies with similar growth listed on the Catalist board of the SGX-ST; and

(e) restrictions on payment of dividends imposed on the Company by the Group's financing arrangements or legal and contractual obligations (if any).

In view of the loss attributable to equity holders of the Company recorded for FY2023, the Board has not recommended any dividends for FY2023.

CORPORATE GOVERNANCE REPORT

Engagement with Shareholders

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

Provisions 12.1, 12.2 and 12.3

Investor Relations Practices

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

In accordance with the Investor Relations Policy, the Company ensures that, among others, all Shareholders are informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNet on an immediate basis, in line with the Group's disclosure obligations pursuant to the Catalist Rules and the Companies Act. Notwithstanding the foregoing, Shareholders were invited to submit their questions in advance of the AGM and EGM or raise them during the AGM or EGM held on 24 May 2023 and 30 October 2023, respectively, in relation to any resolutions set out in the notice of meeting for the AGM and EGM held on 24 May 2023 and 30 October 2023, respectively, to the investor relations team of the Company.

Disclosure of Information

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

(a) annual reports that are prepared and issued to all Shareholders;

(b) full-year and half-year financial statements announcements containing a summary of the financial information and affairs of the Group for the period;

(c) notices and explanatory memoranda for general meetings;

(d) disclosures to the SGX-ST via SGXNet; and

(e) press/media releases.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages thereto.

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

Dialogue with Shareholders

The AGM is the principal forum for dialogue with Shareholders. The Company recognises the value of feedback from Shareholders. Before general meetings, Shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend each AGM and EGM of the Company, and Shareholders will be given the chance to share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues.

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

V. MANAGING RELATIONSHIPS WITH STAKEHOLDERS

Engagement with Stakeholders

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

Provisions 13.1 and 13.2

Stakeholders' Engagement

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

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

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

A detailed approach to the stakeholder engagement and materiality assessment (including commitments, key areas of focus and activities) are disclosed under the Sustainability Report on pages 144 to 186 of this annual report.

Provision 13.3

Corporate Website

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

VI. INTERESTED PERSON TRANSACTIONS

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

All interested person transactions ("**IPTs**") are subject to review by the ARMC to ensure compliance with established procedures. The Company has not obtained a general mandate from its Shareholders in respect of interested person transactions for FY2023. There were no interested person transactions with a value of S$100,000 or more during the financial year under review.

CORPORATE GOVERNANCE REPORT

VII. MATERIAL CONTRACTS

Save for the service agreements entered into between the Company and each of the Executive Chairman and Executive Directors and CEO as well as the consultancy agreements entered into between the Company and Mr Yong Yeow Sin as disclosed on Notes 23 and 28 of the Directors' Statement and Financial Statements, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling Shareholder which are either still subsisting as at the end of FY2023 or if not then subsisting, entered into since the end of the previous financial year.

VIII. DEALINGS IN SECURITIES

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

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

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

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

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

IX. NON-SPONSORSHIP FEES

With reference to Rule 1204(21) of the Catalist Rules, S$14,500 in non-sponsorship fees were paid to the Company's sponsor, Novus Corporate Finance Pte. Ltd., for the period commencing from 1 January 2023 and ending on 31 December 2023.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The directors submit this statement to the members together with the audited financial statements of Heatec Jietong Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2023.

In our opinion:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Name of directors

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

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

Arrangements to enable directors to acquire benefits

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate, other than as disclosed in this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	As at 1.1.2023	As at 31.12.2023	As at 1.1.2023	As at 31.12.2023
The Company	Number of ordinary shares			
Soon Yeow Kwee Johnny	22,273,599	21,140,399	4,816,078	4,816,078
Soon Jeffrey	1,400,000	1,400,000	–	*81,818,181
Loke Weng Seng	–	–	32,030,678	32,030,678
Chua Siong Kiat	1,600	1,600	–	–
Subsidiary corporation				
Heatec Veslink Marine Services Corp.				
Soon Jeffrey	1	1	–	–

* Soon Jeffrey's deemed interest arose from shares held in Megane Marine Pte. Ltd.

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

The director, Mr Soon Jeffrey, by virtue of his interest of not less than 20% of the issued share capital of the Company, are deemed to have an interest in the shares of the following subsidiary corporations that are not wholly-owned by the Group:

	Number of ordinary shares	
	As at 1.1.2023	As at 31.12.2023
Heatec Veslink Marine Services Corp.	5,399,997	5,399,997
Setya Energy Pte. Ltd.	–	500,000

The directors' interests in the shares of the Company at 21 January 2024 were the same as those as at 31 December 2023.

Share options

(a) The Company adopted the Heatec Employee Share Option Scheme (the "Scheme") and the Heatec Performance Share Plan which were approved by the shareholders at an Extraordinary General Meeting held on 18 June 2009. The Scheme is administered by the Remuneration Committee which comprise of these three directors, Anthony Ang Meng Huat (Chairman), Lim Soon Hock and Lie Ly @ Liely Lee.

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

1) The exercise price of the options is determined based on the average of the last dealt prices for the shares of the Company on the Singapore Exchange Securities Trading Limited for the five consecutive trading days preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price.

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Share options (continued)

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

Number of options to subscribe for ordinary shares of the Company

Date of grant of option	Exercise price per share	Options outstanding at 1.1.2023	Options granted	Cancelled/ lapsed	Options outstanding at 31.12.2023	Exercisable period
18 April 2016	$0.085	1,800,000	–	–	1,800,000	18 April 2017 to 17 April 2026
16 April 2018	$0.062	1,200,000	–	–	1,200,000	16 April 2019 to 15 April 2028
		3,000,000	–	–	3,000,000	

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

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

Name	Options granted during the financial year ended 31.12.2023	Aggregate options granted since commencement of Scheme to 31.12.2023	Aggregate options exercised since commencement of Scheme to 31.12.2023	Aggregate options cancelled since commencement of Scheme to 31.12.2023	Aggregate options outstanding as at 31.12.2023
Director					
Soon Jeffrey	–	3,000,000	–	–	3,000,000

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

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

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

– No options have been granted at a discount.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Audit and Risks Management Committee

The members of the Audit and Risks Management Committee during the financial year ended 31 December 2023 and as at 31 December 2023 were:

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

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

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

- the scope and the results of internal audit procedures with internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group before submission to the Board of Directors (the "Board") for approval;
- the statement of financial position of the Company as at 31 December 2023 and the consolidated financial statements of the Group for the financial year ended 31 December 2023 prior to their submission to the Board, as well as the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Catalist Rules).

The Audit and Risks Management Committee has recommended to the Board that the independent auditors, Foo Kon Tan LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

In appointing the external auditors for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the Catalist Rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Independent auditor

Foo Kon Tan LLP was appointed as auditor of the Company with effect from 30 October 2023 until the conclusion of the Annual General Meeting of the Company through an extraordinary general meeting.

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

....
SOON YEOW KWEE JOHNNY

....
SOON JEFFREY

12 June 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Heatec Jietong Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

Consultancy service arrangements

During the financial year ended 31 December 2023, the Company has made payments for consultancy services totalling $220,000 (2022 – $490,000) to a company ("Service Provider") for purported corporate mergers and acquisitions ("M&A") related advisory services ("Purported Corporate M&A Services") pursuant to three (2022 – three) service agreements (collectively, "Consultancy Agreements"). The agreements were terminated in April and October 2023. These payments were substantial relative to the net loss of $868,421 (2022 – $756,340) recorded by the Group for the financial year ended 31 December 2023.

The terms and conditions of the Consultancy Agreements, including the scope of work and deliverables, appeared to be described in generic terms, lacking specifications over the monitoring of project milestones and the service deliverables to be submitted, which is inconsistent with standard market practice, especially given the substantial and fixed nature of the fees charged by the Service Provider. Furthermore, we were unable to observe any realistic and measurable milestones and deliverables to track the progress and work performed by the Service Provider. We were also unable to verify the Service Provider's requisite qualification and competency to ensure their capability to deliver the Purported Corporate M&A Services.

Due to the lack of documentary evidence available to us, we were unable to ascertain the true nature of the consultancy service arrangements, and therefore, whether the payments amounting to $220,000 (2022 – $490,000) during the financial year ended 31 December 2023 were indeed for the purpose or services as represented by management and/or purportedly outlined in the Consultancy Agreements. Consequently, we were unable to determine whether any adjustments in the accompanying financial statements that may be necessary.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements (continued)

Basis for Qualified Opinion (continued)

Consultancy service arrangements (continued)

The auditor's report dated 4 May 2023 for the financial year ended 31 December 2022 included a similar qualification on this matter. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current year's and corresponding figures and disclosures.

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

Other information

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. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence regarding the nature of consultancy service arrangements and whether any adjustments in the accompanying financial statements that may be necessary. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

1) Accounting for acquisition of Setya Energy Pte. Ltd. ("Setya") (Note 6C)

During the year ended 31 December 2023, the Group completed an acquisition that has resulted in the Company acquiring a controlling interest in Setya. We identified the audit of accounting for this acquisition as a key audit matter because this is a significant transaction during the year which requires significant management judgement regarding the allocation of the purchase price to the assets and liabilities acquired. This exercise also requires management to determine the fair value of the assets and liabilities acquired and to identify any intangible assets acquired in the acquisition. Further disclosure on the Group's business combination is in Note 6C to the financial statements.

Our response and work performed:

We read the sales and purchase agreements and the circulars issued to the shareholders in relation to this acquisition to obtain an understanding of the transaction and the key terms. We assessed whether the appropriate accounting treatment has been applied to this transaction. We assessed the valuation for the considerations paid and traced share issuance to the share register. We tested the identification and fair value of the acquired assets including any intangible assets acquired based on our discussion with management and understanding of the business of Setya. We involved our auditor specialists to evaluate the valuation methodologies and the key assumptions used by management and their independent professional valuer, such as budgeted gross profit margin, forecasted revenue growth rate, discount rate and terminal growth rate. We evaluated the independent professional valuer's competence, capabilities and objectivity. We also assessed the Group's disclosure regarding this business combination.

2) Impairment testing of non-financial assets (the Group's goodwill, property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries)

a) Impairment assessment of goodwill (Note 8)

Refer to Note 8 to the financial statements.

Included on the balance sheet is goodwill of $1 million as of 31 December 2023, which arose from the acquisition of Setya during the year. The Group is required to, at least annually, perform impairment assessment of goodwill. For the purpose of performing impairment assessment, the goodwill has been allocated to its cash generating unit ("CGU"). The recoverable amount of the underlying CGU is supported by value-in-use calculations which are based on future discounted cash flows. Management concluded that the recoverable amount of the CGU is lower than its carrying value and hence the goodwill was impaired accordingly.

We focused on this area as the assessment made by management involved significant estimates and judgements, including sales growth rates, gross profit margin and terminal growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGU. These estimates and judgements may be affected by unexpected changes in future market or economic conditions or discount rates applied.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2) Impairment testing of non-financial assets (the Group's goodwill, property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries) (continued)

a) Impairment assessment of goodwill (Note 8) (continued)

Our response and work performed:

We assessed the methodology used (value-in-use calculations based on future discounted cash flows) by the Group to market practice. We obtained management's future cash flow forecasts, tested the mathematical accuracy of the underlying value-in-use calculations and agreed them to the financial budget and future forecasts prepared by management. We also evaluated historical actual results to those budgeted and assessed the reasonableness of key assumptions used in the calculations, comprising sales growth rates, gross profit margin, terminal growth rate and discount rates. When assessing these key assumptions, we discussed them with management to understand and evaluate management's basis for determining the assumptions and compared them to external industry outlook reports and economic growth forecasts from relevant sources. We also engaged our auditor experts to assist us in assessing the reasonableness of the discount rates used by management by comparing the discount rates used to entities with similar risk profiles and market information; and tested the key assumptions applied by management in determining the recoverable amount.

We also considered the adequacy of disclosures in the financial statements, describing the methodologies used, degree of subjectivity and key assumptions used in the estimates.

b) Impairment assessment of the Group's property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries

For the financial year ended 31 December 2023, in view of the losses sustained by the Group and the Company and certain of its subsidiaries, management has assessed that there are indications of impairment in respect of the property, plant and equipment and right-of-use assets of the Group and the investment in subsidiaries of the Company. For certain investment in subsidiaries held by the Company, management has also evaluated that the impairment losses recognised in prior periods may no longer exist or may have decreased for this investment. Accordingly, these assets are tested for impairment.

The impairment testing of the Group's property, plant and equipment and right-of-use assets and the Company's investment in subsidiaries is considered to be a significant risk area due to the judgemental nature of key assumptions and the significance of the carrying amounts of these assets in the statements of financial position of the Group and the Company.

An impairment loss is recognised for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of disposal. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2) Impairment testing of non-financial assets (the Group's goodwill, property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries) (continued)

b) Impairment assessment of the Group's property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries (continued)

Value in use involves estimating the expected future cash flows from the assets or cash-generating units, a suitable growth rate to extrapolate the future cash flows, and an appropriate discount rate in order to calculate the present value of the future cash flows. Fair value less costs of disposal encompasses estimating the expected selling prices of the underlying assets by identifying the comparable assets and determining the current market selling/purchase prices of these assets, and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Input inaccuracies or inappropriate bases used to determine the level of impairment, including the comparable assets used in the fair value measurements, could result in material misstatement in the financial statements. The valuation techniques and inputs to the impairment tests are disclosed in Notes 4, 5, and 6 to the financial statements.

Our response and work performed:

- Considering the higher of value in use and fair value less costs of disposal;
- Assessing the methodologies and appropriateness of the key assumptions used by the management's experts;
- Understanding and reviewing the assumptions in the input data from management and the management's experts through discussions, comparisons to industry peers and independent external data sources, and agree to supporting documentation and historical trends; and
- Evaluating the competence, capabilities and objectivity of the management's experts.

We involved our auditor's expert to assist us in the above. We evaluated the competence, capabilities and objectivity of the auditor's expert, and the adequacy of the work performed by the experts. We also considered the adequacy of disclosures in the financial statements, describing the methodologies used, degree of subjectivity and key assumptions used in the estimates.

Other matters

The financial statements of the Group and the Company for the year ended 31 December 2022 were audited by another auditor who expressed a modified opinion on those financial statements on 4 May 2023, due to insufficient appropriate evidence regarding the nature of consultancy service arrangements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements (continued)

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:

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

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

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ser.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore
12 June 2024

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	The Group 31 December 2023 $	The Group 31 December 2022 $	The Company 31 December 2023 $	The Company 31 December 2022 $ (Restated)
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	6,487,139	7,026,801	2,839,040	3,017,715
Right-of-use assets	5	1,354,056	1,461,382	809,090	899,342
Investment in subsidiaries	6	–	–	6,423,729	5,408,187
Investment in associates	7	329,433	252,911	–	–
Goodwill	8	1,011,017	–	–	–
		9,181,645	8,741,094	10,071,859	9,325,244
Current Assets					
Inventories	9	362,136	357,556	–	–
Contract assets	10	7,065,512	6,340,108	–	–
Trade and other receivables	11	6,702,880	5,271,031	4,177,874	4,483,464
Cash and bank balances	12	1,955,290	1,850,355	71,102	88,383
		16,085,818	13,819,050	4,248,976	4,571,847
Total assets		25,267,463	22,560,144	14,320,835	13,897,091
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	13	13,354,627	11,554,627	13,354,627	11,554,627
Reserves	14	(1,428,199)	(828,599)	(1,420,587)	(547,079)
Equity attributable to owners of the Company		11,926,428	10,726,028	11,934,040	11,007,548
Non-controlling interests		(67,605)	(26,851)	–	–
Total equity		11,858,823	10,699,177	11,934,040	11,007,548
Non-Current Liabilities					
Borrowings	15	905,088	700,188	–	700,188
Lease liabilities	16	1,424,463	1,518,659	824,588	912,807
Deferred tax liabilities	17	261,410	269,486	–	–
		2,590,961	2,488,333	824,588	1,612,995
Current Liabilities					
Contract liabilities	10	453,144	825,381	–	–
Trade and other payables	18	5,093,210	2,874,211	752,763	512,333
Provision	19	44,853	44,853	–	–
Borrowings	15	5,094,113	5,493,723	700,188	666,117
Lease liabilities	16	115,233	103,704	109,256	98,098
Current tax payable		17,126	30,762	–	–
		10,817,679	9,372,634	1,562,207	1,276,548
Total liabilities		13,408,640	11,860,967	2,386,795	2,889,543
Total equity and liabilities		25,267,463	22,560,144	14,320,835	13,897,091

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Group	**Note**	**Year ended 31 December 2023 $**	**Year ended 31 December 2022 $**
Revenue	3	25,064,452	21,360,569
Cost of sales	*	(16,915,647)	(14,574,450)
Gross profit		8,148,805	6,786,119
Other operating income	20	425,612	816,502
Administrative expenses		(7,782,742)	(7,757,213)
Other operating expenses		(70,012)	–
Allowance for impairment losses of financial assets and contract assets, net		(838,984)	(141,112)
Impairment of goodwill	8	(374,826)	–
Finance costs	21	(500,916)	(497,391)
Share of results of associates		122,882	40,739
Loss before tax	22	(870,181)	(752,356)
Tax credit/(expense)	24	1,760	(3,984)
Loss for the year		(868,421)	(756,340)
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		(36,672)	(68,430)
Share of other comprehensive loss of associates		(11,365)	(22,216)
Other comprehensive loss for the year, net of nil tax		(48,037)	(90,646)
Total comprehensive loss for the year		(916,458)	(846,986)
Loss attributable to:			
Equity holders of the Company		(551,563)	(776,848)
Non-controlling interests		(316,858)	20,508
		(868,421)	(756,340)
Total comprehensive loss attributable to:			
Equity holders of the Company		(599,600)	(867,494)
Non-controlling interests		(316,858)	20,508
		(916,458)	(846,986)
Loss per share:			
Basic and diluted loss per share (cents)	25	(0.28)	(0.63)

* The major components include the following:

	Note	**Year ended 31 December 2023 $**	**Year ended 31 December 2022 $**
Cost of inventories	9	5,776,790	4,181,460
Costs for subcontractor work and materials		3,194,106	1,873,427
Depreciation of property, plant and equipment	4, 22	270,477	323,031
Direct overhead expenses		154,156	17,501
Freight cost		310,089	202,506
Repair and maintenance		103,885	93,773
Wages and other benefits		6,994,968	7,876,799
Reversal of allowance for inventory obsolescence	9	(16,679)	(16,520)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Group	Note	Share capital $	Translation reserve $	Merger reserve $	Share option reserve $	Net discount received on equity $	Retained earnings $	Equity attributable to owners of the Company $	Non-controlling interests $	Total equity $
At 1 January 2022		11,554,627	(44,786)	(3,913,614)	69,690	221,206	3,331,492	11,218,615	1,927,548	13,146,163
Loss for the year		–	–	–	–	–	(776,848)	(776,848)	20,508	(756,340)
Other comprehensive income:										
Currency translation differences arising on consolidation		–	(68,430)	–	–	–	–	(68,430)	–	(68,430)
Share of other comprehensive loss of associates		–	(22,216)	–	–	–	–	(22,216)	–	(22,216)
Other comprehensive loss for the year, net of nil tax		–	(90,646)	–	–	–	–	(90,646)	–	(90,646)
Total comprehensive (loss)/income for the year		–	(90,646)	–	–	–	(776,848)	(867,494)	20,508	(846,986)
Transaction with owners, recognised directly in equity										
Changes in ownership interests in subsidiaries										
Acquisition of equity interest from non-controlling interest without a change in control	6B	–	–	–	–	374,907	–	374,907	(1,974,907)	(1,600,000)
Total changes in ownership interests in subsidiaries		–	–	–	–	374,907	–	374,907	(1,974,907)	(1,600,000)
Total transactions with owners		–	–	–	–	374,907	–	374,907	(1,974,907)	(1,600,000)
At 31 December 2022		**11,554,627**	**(135,432)**	**(3,913,614)**	**69,690**	**596,113**	**2,554,644**	**10,726,028**	**(26,851)**	**10,699,177**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(551,563)**	**(551,563)**	**(316,858)**	**(868,421)**
Other comprehensive loss:										
Currency translation differences arising on consolidation		**–**	**(36,672)**	**–**	**–**	**–**	**–**	**(36,672)**	**–**	**(36,672)**
Share of other comprehensive loss of associates		**–**	**(11,365)**	**–**	**–**	**–**	**–**	**(11,365)**	**–**	**(11,365)**
Other comprehensive loss for the year, net of nil tax		**–**	**(48,037)**	**–**	**–**	**–**	**–**	**(48,037)**	**–**	**(48,037)**
Total comprehensive loss for the year		**–**	**(48,037)**	**–**	**–**	**–**	**(551,563)**	**(599,600)**	**(316,858)**	**(916,458)**
Transaction with owners, recognised directly in equity										
Contributions by and distributions to owner										
Issue of ordinary shares related to business combination	6C	**1,800,000**	**–**	**–**	**–**	**–**	**–**	**1,800,000**	**–**	**1,800,000**
Changes in ownership interests in subsidiaries										
Acquisition of a subsidiary, with non-controlling interest	6C	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**276,104**	**276,104**
Total changes in ownership interests in subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**276,104**	**276,104**
Total transactions with owners		**1,800,000**	**–**	**–**	**–**	**–**	**–**	**1,800,000**	**276,104**	**2,076,104**
At 31 December 2023		**13,354,627**	**(183,469)**	**(3,913,614)**	**69,690**	**596,113**	**2,003,081**	**11,926,428**	**(67,605)**	**11,858,823**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023 $	Year ended 31 December 2022 $
Cash Flows from Operating Activities			
Loss before taxation		(870,181)	(752,356)
Adjustments for:			
Interest income	20	(177)	(455)
Interest expense	21	500,916	497,391
Allowance of impairment losses of financial assets and contract assets, net	10,11	838,984	141,112
Depreciation of property, plant and equipment	4	868,531	1,011,029
Depreciation of right-of-use assets	5	132,131	128,992
Gain on disposal of property, plant and equipment	20	(94,916)	(3,000)
Property, plant and equipment written off		1,490	–
Share of results of associates	7	(122,882)	(40,739)
Impairment on goodwill	8,22	374,826	–
Write back for inventory obsolescence	9	(16,679)	(16,520)
Exchange differences		(35,092)	(64,831)
Operating profit before working capital changes		1,576,951	900,623
Changes in inventories		12,099	19,431
Changes in trade and other receivables and contract assets		(1,980,999)	595,749
Changes in trade and other payables and contract liabilities		1,916,026	112,664
Cash generated from operations		1,524,077	1,628,467
Interest received		177	455
Interest paid		(65,265)	(46,824)
Income tax paid		(75,059)	(23,912)
Net cash generated from operating activities		1,383,930	1,558,186
Cash Flows from Investing Activities			
Purchases of property, plant and equipment	4	(332,022)	(108,619)
Proceeds from disposal of property, plant and equipment		95,000	3,000
Acquisition of a subsidiary, net of cash acquired	6C	295,203	–
Dividends received from an associate	7	34,995	47,440
Net cash generated from/(used in) investing activities		93,176	(58,179)
Cash Flows from Financing Activities			
Interest paid	Note A	(435,651)	(449,381)
Decrease/(increase) in pledged bank deposits	Note B	26,541	(100,923)
Payment of deferred consideration in respect of the acquisition of non-controlling interests in subsidiaries	Note 6B	(200,000)	–
Acquisition of additional interest in subsidiaries	6B	–	(1,400,000)
Proceeds from bank loans	Note A	3,033,732	100,000
Proceeds from trade financing	Note A	2,343,834	2,599,486
Repayments of bank loans	Note A	(3,664,024)	(2,701,818)
Repayment of trade financing	Note A	(2,342,590)	(2,424,977)
Repayments of lease liabilities	Note A	(107,472)	(97,690)
Net cash used in financing activities		(1,345,630)	(4,475,303)
Net increase/(decrease) in cash and cash equivalents		131,476	(2,975,296)
Cash and cash equivalents at beginning of year		1,749,432	4,724,728
Cash and cash equivalents at end of year	12	1,880,908	1,749,432

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Note A:

The Group	**Term loans**	**Trade financing with a financier**	**Lease liabilities**	**Total**
	$	**$**	**$**	**$**
At 1 January 2022	8,621,220	–	1,702,045	10,323,265
Cash flows:				
– Proceeds	100,000	2,599,486	–	2,699,486
– Repayments	(2,701,818)	(2,424,977)	(97,690)	(5,224,485)
– Interest paid	(282,336)	(59,719)	(107,326)	(449,381)
Non-cash changes:				
– Interest expense	282,336	59,719	107,326	449,381
– Modification on lease liabilities	–	–	18,008	18,008
At 31 December 2022	6,019,402	174,509	1,622,363	7,816,274
Cash flows:				
– Proceeds	3,033,732	2,343,834	–	5,377,566
– Repayments	(3,664,024)	(2,342,590)	(107,472)	(6,114,086)
– Interest paid	(258,842)	(74,440)	(102,369)	(435,651)
Acquisition of subsidiary	434,338	–	–	434,338
Non-cash changes:				
– Interest expense	258,842	74,440	102,369	435,651
– Modification on lease liabilities	–	–	24,805	24,805
At 31 December 2023	5,823,448	175,753	1,539,696	7,538,897

Note B:

The Group	**Pledged bank deposit**
	$
At 1 January 2022	–
Cash flows:	
Increase in pledged bank deposit	(100,923)
At 31 December 2022	(100,923)
Cash flows:	
Decrease in pledged bank deposit	26,541
At 31 December 2023	(74,382)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1 GENERAL INFORMATION

The financial statements of the Group and of the Company for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

The Company is incorporated and domiciled in Singapore and is listed on the Catalist which is a market on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of its registered office and principal place of business is at 10 Tuas South Street 15, Singapore 637076.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

2(A) BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar ("SGD") which is the Company's functional currency. All financial information is presented in Singapore Dollar, unless otherwise stated.

The accounting policies have been applied consistently to all years presented in these financial statements.

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

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 and in any future periods affected.

The critical accounting estimates and assumptions used and areas involving significant judgement are described below.

Significant judgement made in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

a) Acquisition of Setya

The Group had on 6 February 2023 completed the acquisition of 60% equity interest of Setya. This is a significant transaction during the year which requires significant management judgement regarding the allocation of the purchase price to the assets and liabilities acquired. This exercise also requires management to determine the fair value of the assets and liabilities acquired.

In assessing whether the acquisition of Setya is an acquisition of business, the Group has applied its judgement in evaluating whether the acquired processes are substantive and together with the acquired inputs, significantly contribute to the ability to generate revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(A) BASIS OF PREPARATION (CONTINUED)

Significant judgement made in applying accounting policies (continued)

b) Principal versus agent considerations

The Group acts as an agent to procure, on behalf of customers, supply of goods from relevant suppliers in relation to its trading of commodity business. The Group has determined that it does not control the goods at any time, because the goods are provided only at the time that they are transferred to the customers and, thus, do not exist before that transfer. Therefore, the Group does not at any time have the ability to direct the use of the goods, or obtain substantially all of the remaining benefits from the goods, before they are transferred to customers. The Group neither purchases, nor commits itself to purchase, goods before they are sold to customers.

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.

a) Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past historical experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of the Group's and the Company's trade and other receivables and contract assets at the end of the reporting period are disclosed in Notes 10 and 11 to the financial statements. A reasonably possible change in key assumptions indicates that the impact is insignificant.

The Company held non-trade receivables from its subsidiaries that are repayable on demand of $4,131,269 (2022 – $4,429,009) as at the reporting date. These balances are amounts extended to the subsidiaries to satisfy their short-term funding requirements. The impairment of the amounts due from subsidiaries is based on the expected loss model using general approach which considers the availability of highly accessible liquid assets of the subsidiaries to repay these amounts if demanded repayment at the reporting date. As a result of management's assessment, allowance for impairment loss on non-trade receivables due from its subsidiaries during the financial year ended 31 December 2023 is not expected to be significant. A reasonably possible change in key assumptions indicates that the impact is insignificant.

b) Revenue and costs of contracts

Heat exchanger services

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

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

2(A) BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainty (continued)

b) Revenue and costs of contracts (continued)

Piping services

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

Revenue from the provision of heat exchanger services and piping services are disclosed in Note 3. The carrying amounts of contract assets and liabilities are disclosed in Note 10.

c) Impairment of non-financial assets (Notes 4, 5, 6 and 7)

Property, plant and equipment, right-of-use assets, investments in subsidiaries and associates are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, cash generating units, have been determined based on the higher of fair value less costs of disposal and value-in-use calculations. These calculations require the use of estimates. Estimating the recoverable amount requires the Group to make estimates of the expected future cash flows from the cash-generating unit and use estimates and assumptions such as future market growth, forecast revenue and costs, utilisation period of the assets, discount rates and other factors.

The carrying amounts of the Group's property, plant and equipment and right-of-use assets at the reporting date amounted to $6,487,139 (2022: $7,026,801) and $1,354,056 (2022: $1,461,382) respectively. The carrying amounts of the Company's property, plant and equipment and right-of-use assets at the reporting date amounted to $2,839,040 (2022: $3,017,715) and $809,090 (2022: $899,342), respectively.

The Company's investments in subsidiaries and the Group's investment in associates at the reporting date amounted to $6,423,729 (2022: $5,408,187) and $329,433 (2022: $252,911) respectively. Allowance for impairment loss on investment in subsidiaries is disclosed in Note 6.

Sensitivity analysis

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

	Increase in impairment charge $
HJPL Group	
Discount rate at:	
2022	
0.5% higher than the management's projection	310,168

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(A) BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainty (continued)

d) Impairment tests for Setya containing goodwill (Note 8)

Goodwill is allocated to a subsidiary, Setya as follows:

	31 December 2023 $
Goodwill:	
Setya	1,011,017

The recoverable amount of goodwill is determined based on the higher of fair value less cost to sell ("FVLCTS") and VIU. The VIU is the cash flow projections based on financial budgets and future forecasts prepared by management covering a five-year period for Setya with terminal value. Key assumptions used for VIU are disclosed in Note 8 to the financial statements.

An increase of 0.5% in the discount rate used would decrease the recoverable amount of the CGU by $56,000.

2(B) ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

On 1 January 2023, the Group and the Company have adopted all the new and revised SFRS(I)s, SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them. The adoption of these new and revised SFRS(I) pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods.

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 17	*Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 1-8	*Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to SFRS(I) 1-12	*International Tax Reform – Pillar Two Model Rules*	1 January 2023

SFRS(I) 17 Insurance Contracts

SFRS(I) 17 is a new comprehensive accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. When effective, SFRS(I) 17 shall replace SFRS(I) 4 Insurance Contracts. SFRS(I) 17 applies to all types of insurance contracts (such as life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as certain guarantees and financial instruments with discretionary participation features. A few scope exceptions are applicable. The overall objective of SFRS(I) 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SFRS(I) 4, which are largely based on grandfathering previous local accounting policies, SFRS(I) 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects. The core of SFRS(I) 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows, explicitly measures the cost of that uncertainty, and takes into account market interest rates and the impact of policyholders' options and guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(B) ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

SFRS(I) 17 Insurance Contracts (continued)

SFRS(I) 17 are applied retrospectively, unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the beginning of the reporting period in which SFRS(I) 17 is first applied, and the transition date is the beginning of the period immediately preceding the date of initial application.

There is no impact on the financial statements as the Group does not have such contracts in scope of SFRS(I) 17 as at the reporting date.

Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 Disclosure of Accounting Policies

The amendments provide guidance and examples to help a reporting entity apply materiality judgement to accounting policy disclosures. The amendments aim to help the entity to provide accounting policy disclosures that are more useful by replacing the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies and by adding guidance on how the entity applies the concept of materiality in making decisions about accounting policy disclosures.

The amendments to SFRS(I) 1-1 are applied prospectively. The amendments to SFRS(I) Practice Statement 2 do not contain an effective date or transition requirements.

There is no financial impact on the financial statements on adoption of these amendments. The material accounting policy information (2022 – Significant accounting policies) in Note 2(D) were updated in line with the amendments.

Amendments to SFRS(I) 1-8 Definition of Accounting Estimates

The amendments replace the definition of 'change in accounting estimates' with a definition of 'accounting estimates'. The amendments clarify the distinction between change in accounting estimates and change in accounting policies and correction of errors, and that entities use measurement techniques and inputs to develop accounting estimates.

The amendments are applied to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of the period of initial application.

There is no impact on the financial statements as there have been no such changes in accounting policies and changes in accounting estimates during the year.

Amendments to SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, a reporting entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

The Group has adopted the amendments from 1 January 2023. The amendments are applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, deferred tax asset and deferred tax liability shall be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(B) ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Amendments to SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

The Group previously has not accounted for deferred tax on leases in the past years. As of 31 December 2023, the taxable temporary differences in relation to right-of-use assets and the deductible temporary differences in relation to lease liabilities amount to $230,000 (2022: $248,000) and $262,000 (2022: $276,000) respectively. On adoption of the amendments, the Group should have recognised a deferred tax liability of $267,000 in relation to its right-of-use assets and a deferred tax asset of $289,000 in relation to its lease liabilities. However, there was no significant impact on the statement of financial position because the balances qualify for offset under paragraph 74 of SFRS (I) 1-12. There was also no significant impact on the opening retained earnings as at 1 January 2022 as a result of the change.

Amendments to SFRS(I) 1-12 International Tax Reform – Pillar Two Model Rules

The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform.

The OECD published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate.

The amendments will introduce:

- a temporary exception – to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules. This will help to ensure consistency in the financial statements while easing into the implementation of the rules; and

- targeted disclosure requirements – to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

Companies can benefit from the temporary exception immediately but are required to provide the disclosures to investors for annual reporting periods beginning on or after 1 January 2023.

There is no impact on the financial statements as the Group's consolidated revenue is less than EUR 750 million each for financial years ended 31 December 2023 and 2022, and thus, it is not in scope of the Pillar Two model rules.

2(C) STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the Group and the Company have not adopted the new and revised SFRS(I), SFRS(I) INT and amendments to SFRS(I) that have been issued but are not yet effective. Management anticipates that the adoption of these relevant new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group's and the Company's financial statements in the period of their initial application, except as disclosed.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to SFRS(I) 1-1	*Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to SFRS(I) 1-1	*Non-current Liabilities with Covenants*	1 January 2024
Amendments to SFRS(I) 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to SFRS(I) 1-7 and SFRS(I) 7	*Supplier Finance Arrangements*	1 January 2024
Amendments to SFRS(I) 1-21	*Lack of Exchangeability*	1 January 2025
Amendments to SFRS(I) 10 and SFRS(I) 1-28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Yet to be determined

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(C) STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Amendments to SFRS(I) 1-7 and SFRS(I) 7

The amendments require specific disclosures about supplier finance arrangements (SFAs). The new disclosures will provide information about:

1) Terms and conditions of SFAs.

2) Carrying amount of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.

3) Carrying amount of the financial liabilities in (2) for which suppliers have already received payment from the finance providers.

4) Range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.

5) Non-cash changes in the carrying amounts of financial liabilities in (2).

6) Access to SFA facilities and concentration of liquidity risk with the finance providers.

The objective of the new disclosures is to provide information about supplier finance arrangements that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.

The following reliefs will be available in the first year of application:

A. Disclosure of comparative information – Comparative information is not required during the first year the entity applies the amendments, that is, an entity with a closing reporting date of 31 December 2024 will not need to present the comparative information of 2023.

B. Disclosure of specified opening balances – Quantitative disclosures (2) to (4) are normally required at the opening and closing of each reporting period. However, considering the complexity that may exist for disclosures (3) and (4), in the first year of application, entities are provided with transition relief meaning the disclosures (3) and (4) are only required as of year-end. The amendments are effective for reporting periods beginning on or after 1 January 2024. Early application is permitted.

The Group is currently assessing the impact of the amendments. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the financial statements in the period of initial application.

2(D) MATERIAL ACCOUNTING POLICY INFORMATION

Consolidation

(i) Basis of consolidation

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

- 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.

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Consolidation (continued)

(i) Basis of consolidation (continued)

The Company or its subsidiary 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 or its subsidiary 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 or its subsidiary considers all relevant facts and circumstances in assessing whether or not the Company's or its subsidiary's voting rights in an investee are sufficient to give it power, including:

- size of the Company's or its subsidiary'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 or its subsidiary, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances which indicate that the Company or its subsidiary 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 or its subsidiary obtains control over the subsidiary or investee and ceases when the Company or its subsidiary loses control of the subsidiary or investee. Specifically, income and expenses of a subsidiary or an investee acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company or its subsidiary gains control until the date when the Company or its subsidiary ceases to control the subsidiary or investee.

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 and investees are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

(ii) 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 the owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Consolidation (continued)

(ii) Changes in the Group 's ownership interests in existing subsidiaries (continued)

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

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. 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 on which the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 Income Taxes and SFRS(I) 1-19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 Share-based Payment at the acquisition date; and
- disposal groups that are classified as held for sale in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Consolidation (continued)

(ii) Changes in the Group 's ownership interests in existing subsidiaries (continued)

Business combinations (continued)

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.

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, 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.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the consolidated financial statements of the Group's controlling shareholder. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Subsidiaries

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

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

Associates

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Associates (Continued)

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

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

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

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

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

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.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds 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 in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 unit 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 cash generating unit pro-rata on the basis of the carrying amount of each asset in the cash generating unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Industrial building on leasehold land	1.8% to 5.3% (18.83 years to 55 years)
Leasehold improvements	1.8% to 5.3% (18.83 years to 55 years)
Plant and equipment	5.26% to 33.33% (3 years to 19 years)
Motor vehicles	18% to 26% (4 years to 5 years)
Renovation	10% to 20% (5 years to 10 years)

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits in excess of the standard of performance of the asset before that expenditure was made will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of profit or loss and other comprehensive income.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Asset under construction represents office premise under renovation, which is stated at cost less any impairment losses, and is not depreciated. Costs comprise the renovation costs. Asset under construction is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Impairment of non-financial assets (Continued)

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

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

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

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

Inventories

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

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

(a) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group recognises those lease payments in the statement of profit or loss and other comprehensive income in the periods that trigger those lease payments. For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component. The lease liabilities are presented as a separate line item in the statement of financial position.

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

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to the statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

(b) Right-of-use assets

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

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

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Leasehold land	1.8% to 5.3% (18.83 years to 55 years)

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Financial instruments

Financial instruments carried on the statement of financial position include financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These are recognised on the Group's and the Company's statement of financial position when the Group and the Company become a party to the contractual provisions of the instrument. Disclosures of the Group's and the Company's financial risk management objectives and policies are provided in Note 31.

Financial assets and financial liabilities are offset and the net amount presented on the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

– Financial assets at amortised cost (debt instruments);

– Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);

– Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or

– Financial assets at FVTPL.

The Group and the Company do not hold any financial assets at FVOCI or financial assets at FVTPL.

Subsequent measurement of debt instruments depends on the Group's and the Company's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding on the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the assets are derecognised or impaired, and through amortisation process.

The Group's and the Company's financial assets at amortised cost comprise trade and other receivables (excluding prepayments, GST recoverable and advance payment to supplier) and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group and the Company assess on a forward-looking basis, the expected credit losses ("ECLs") associated with its debt instrument assets carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Group and the Company measure the loss allowance at an amount equal to lifetime ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on other receivables has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The Group and the Company consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company.

At the end of each reporting period, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of changes in value and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged deposits.

Financial liabilities

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

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

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

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

Financial guarantees

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

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

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

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

Share capital

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

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.

Provisions for other liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Provisions for other liabilities (Continued)

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

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

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

Borrowings

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

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

Borrowing costs

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

Employee benefits

Defined contribution obligations

The Group contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The Group's contributions to CPF are charged to the statement of profit or loss and other comprehensive income in the period to which the contributions relate.

Employee leave entitlements

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employee benefits (Continued)

Share-based compensation

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

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

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

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

Deferred tax assets and liabilities are recognised on transactions that, on initial recognition, give rise to equal amounts of deductible and taxable temporary differences, arising from leases and decommissioning liabilities.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the statement of profit or loss and other comprehensive income except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue recognition

The Group recognises revenue from the following major sources:

- Fabrication and servicing of heat exchangers;
- Provision of piping services;
- Provision of chemical cleaning services; and
- Trading of marine petroleum products.

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

Revenue from fabrication and servicing of heat exchangers

The Group provides heat exchanger services (including design, fabricate and repair of heat exchangers) under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group's performance creates or enhances an asset that the customer controls as the Group performs.

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

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

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

Revenue from provision of piping services

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue recognition (Continued)

Revenue from provision of piping services (Continued)

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

Revenue from provision of chemical cleaning services

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

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

Trading of marine petroleum products

The Group acts as an agent to procure, on behalf of customers, supply of goods from relevant suppliers. The Group recognises a net income, being the amount of consideration that the Group retains after paying the supplier the consideration received in exchange for the goods provided by the supplier. Revenue from trading of marine petroleum products is recognised at the point in time when the goods are delivered and accepted by the customers.

Referral income

Net referral income is recognised upon the performance of services.

Interest income

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

Dividend income

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

Related parties

A related party is defined as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Related parties (Continued)

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

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain key executive officers are considered key management personnel.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Singapore Dollar.

The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore Dollar. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Conversion of foreign currencies

Foreign currency transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the date of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in profit of loss, unless they arise from borrowings in foreign currencies and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the profit or loss as part of the gain or loss on disposal of the foreign operation.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

Group entities

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

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

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of transactions; and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

Dividends

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

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

Government grants

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

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

2(D) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Operating segments

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

3 REVENUE

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

	2023 $	2022 $
The Group		
Timing of revenue recognition		
At a point in time:		
Chemical cleaning*	3,250,815	2,573,988
Net income earned on trading of commodity#	9,242	–
Net income earned on referral service#	133,552	–
Over time:		
Heat exchanger*	16,174,263	11,610,934
Piping*	5,496,580	7,175,647
	25,064,452	21,360,569

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

* relates to the provision of service, such as fabrication and servicing of heat exchangers, piping and chemical cleaning.

\# relates to net revenue earned as an agent.

Geographical Information

For management purposes, revenue is grouped into country or region that exhibit similar economic environment. Revenue information based on the geographical location of customers is as follows:

	2023 $	2022 $
The Group		
Revenue		
Singapore	24,639,179	21,178,362
People's Republic of China	425,273	182,207
	25,064,452	21,360,569

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 PROPERTY, PLANT AND EQUIPMENT

	Asset under construction $	Industrial building on leasehold land $	Leasehold improvements $	Plant and equipment $	Motor vehicle $	Renovation $	Total $
The Group							
Cost							
At 1 January 2022	–	9,760,184	177,242	4,146,695	290,569	310,549	14,685,239
Additions	–	–	–	108,619	–	–	108,619
Disposals	–	–	–	(71,800)	–	–	(71,800)
Write-offs	–	–	–	(79,690)	–	–	(79,690)
Currency translation differences	–	–	–	(3,793)	(5,277)	–	(9,070)
At 31 December 2022	–	9,760,184	177,242	4,100,031	285,292	310,549	14,633,298
Additions	268,576	–	–	63,446	–	–	332,022
Disposals	–	–	–	(283,824)	(169,006)	–	(452,830)
Write-offs	–	–	–	(2,980)	–	–	(2,980)
Currency translation differences	–	–	–	(2,019)	(2,357)	–	(4,376)
At 31 December 2023	268,576	9,760,184	177,242	3,874,654	113,929	310,549	14,505,134
Accumulated depreciation							
At 1 January 2022	–	3,763,045	52,946	2,453,199	197,889	244,581	6,711,660
Depreciation for the year	–	435,912	11,017	474,897	54,384	34,819	1,011,029
Disposals	–	–	–	(71,800)	–	–	(71,800)
Write-offs	–	–	–	(79,690)	–	–	(79,690)
Currency translation differences	–	–	–	(3,356)	(2,115)	–	(5,471)
At 31 December 2022	–	4,198,957	63,963	2,773,250	250,158	279,400	7,565,728
Depreciation for the year	–	435,912	11,019	379,045	18,681	23,874	868,531
Disposals	–	–	–	(283,740)	(169,006)	–	(452,746)
Write-offs	–	–	–	(1,490)	–	–	(1,490)
Currency translation differences	–	–	–	(1,236)	(1,561)	–	(2,797)
At 31 December 2023	–	4,634,869	74,982	2,865,829	98,272	303,274	7,977,226
Accumulated impairment loss							
Balance at 1 January 2022, 1 January 2023 and 31 December 2023	–	–	–	40,769	–	–	40,769
Net carrying amount							
At 31 December 2023	268,576	5,125,315	102,260	968,056	15,657	7,275	6,487,139
At 31 December 2022	–	5,561,227	113,279	1,286,012	35,134	31,149	7,026,801

In view of the losses sustained by the Group and the Company and certain of its subsidiaries during the year, management has assessed that there are indications of impairment in respect of the property, plant and equipment and right-of-use assets. The recoverable amount of these assets has been determined based on fair value less cost of disposal which is still higher than the carrying value of the assets under assessment. As such, no further impairment loss was recognised during the year. Refer to Note 6D for the disclosure of the determination of fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Asset under construction $	Industrial building on leasehold land $	Leasehold improvements $	Plant and equipment $	Total $
The Company					
Cost					
At 1 January 2022	–	6,036,700	177,242	984,669	7,198,611
Additions	–	–	–	27,900	27,900
At 31 December 2022	–	6,036,700	177,242	1,012,569	7,226,511
Additions	268,576	–	–	–	268,576
At 31 December 2023	268,576	6,036,700	177,242	1,012,569	7,495,087
Accumulated depreciation					
At 1 January 2022	–	2,915,249	52,944	759,436	3,727,629
Depreciation for the year	–	353,364	11,019	116,784	481,167
At 31 December 2022	–	3,268,613	63,963	876,220	4,208,796
Depreciation for the year	–	353,364	11,019	82,868	447,251
At 31 December 2023	–	3,621,977	74,982	959,088	4,656,047
Net book value					
At 31 December 2023	268,576	2,414,723	102,260	53,481	2,839,040
At 31 December 2022	–	2,768,087	113,279	136,349	3,017,715

The Group's and the Company's industrial building on leasehold land with the net carrying value of $5,125,315 (2022 – $5,561,227) and $2,414,723 (2022 – $2,768,087) respectively are pledged to secure certain banking facilities granted to the Group (Note 15).

Depreciation included in the consolidated statement of profit or loss and other comprehensive income as follows:

	The Group		The Company	
	2023 $	2022 $	2023 $	2022 $
The Group				
Cost of sales (Note 22)	270,477	323,031	–	–
Administrative expenses (Note 22)	598,054	687,998	447,251	481,167
	868,531	1,011,029	447,251	481,167

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5 RIGHT-OF-USE ASSETS

	Leasehold land $
The Group	
Cost	
At 1 January 2022	1,963,446
Lease modifications	18,008
At 31 December 2022	1,981,454
Lease modifications	24,805
At 31 December 2023	2,006,259
Accumulated depreciation	
At 1 January 2022	391,080
Depreciation	128,992
At 31 December 2022	520,072
Depreciation	132,131
At 31 December 2023	652,203
Carrying amount	
At 31 December 2023	1,354,056
At 31 December 2022	1,461,382

	Leasehold land $
The Company	
Cost	
At 1 January 2022 and 31 December 2022	1,353,505
Lease modifications	24,805
At 31 December 2023	1,378,310
Accumulated depreciation	
At 1 January 2022	341,745
Depreciation	112,418
At 31 December 2022	454,163
Depreciation	115,057
At 31 December 2023	569,220
Carrying amount	
At 31 December 2023	809,090
At 31 December 2022	899,342

Depreciation included in the consolidated statement of profit or loss and other comprehensive income as follows:

	The Group		The Company	
	2023 $	2022 $	2023 $	2022 $
The Group				
Administrative expenses (Note 22)	132,131	128,992	115,057	112,418

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6 INVESTMENT IN SUBSIDIARIES

	2023 $	2022 $ (Restated)
The Company		
Unquoted equity shares, at cost		
At 1 January	16,083,928	16,083,928
– Acquisition of a subsidiary	1,800,000	–
– Accumulated impairment loss	(11,460,199)	(10,675,741)
At 31 December	6,423,729	5,408,187
Movement in allowance account:		
At 1 January	(10,675,741)	(10,581,129)
– Reversal of impairment loss	1,466,764	3,440,154
– Impairment loss for the year	(2,251,222)	(3,534,766)
	(11,460,199)	(10,675,741)

Details of subsidiaries of the Company are set out below:

Name	Place of incorporation/ principal place of business	Effective equity held by the Company 2023 %	Effective equity held by the Company 2022 %	Principal activities
Held by the Company				
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.
Setya Energy Pte. Ltd.(1)	Singapore	60	–	Trading of marine petroleum products.
Held by Heatec Jietong Pte. Ltd.				
Heatec (Shanghai) Co., Ltd.(2, 4)	People's Republic of China	100	100	Sales and repair of air cooler(s) evaporator, heat exchanger and related auxiliaries.
Chem-Grow Pte Ltd(1)	Singapore	100	100	Provide chemical cleaning services to ships and tankers.
Chem Grow Engineering Pte. Ltd.(1)	Singapore	100	100	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ principal place of business	Effective equity held by the Company 2023 %	2022 %	Principal activities
Heatec Veslink Marine Services Corp.(3)	Philippines	60	60	To engage in the business of trading, selling, servicing, manufacturing, distributing, marketing, maintenance, export and import.
JTY Engineering Pte. Ltd.(1)	Singapore	100	100	To carry on business of repairing ships, tankers and other ocean-going tankers.
Heatec Vietnam Company Ltd.(3)	Vietnam	100	100	Technical and management consultancy services

(1) Audited by Foo Kon Tan LLP
(2) Audited by Shanghai Zhong Chuang Haijia CPA Co., Ltd, a firm of Certified Public Accountants in People's Republic of China
(3) Dormant entities
(4) Audited by Foo Kon Tan LLP for consolidation purpose

A. Summarised financial information of subsidiary with material non-controlling interest ("NCI")

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

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI 2023 %	2022 %	Profit/(loss) allocated to NCI 2023 $	2022 $	Net assets/ (liabilities) attributable to NCI 2023 $	2022 $
Setya Energy Pte. Ltd.	Singapore	40	–	(316,184)	–	(40,080)	–

6 INVESTMENT IN SUBSIDIARIES (CONTINUED)

A. Summarised financial information of subsidiary with material non-controlling interest ("NCI") (continued)

Summarised financial information prepared in accordance with SFRS(I), modified for fair value adjustments on acquisitions but before inter-company eliminations, in respect of Group's subsidiaries that have a material non-controlling interest (NCI) is set out below:

	Setya Energy Pte. Ltd. 2023 $	Other individually immaterial subsidiaries 2023 $	Total 2023 $
Summarised Statement of Financial Position			
Non-current assets	–		
Current assets	580,860		
Current liabilities	(681,058)		
Net liabilities	(100,198)		
Net liabilities attributable to NCI	(40,080)	(27,525)	(67,605)
Summarised Income Statement			
Revenue	204,502		
Loss before tax	(784,144)		
Income tax expense	(6,316)		
Loss after tax representing total comprehensive loss	(790,460)	(1,684)	
Loss after tax representing total comprehensive loss allocated to NCI	(316,184)	(674)	(316,858)
Summarised Cash Flows			
Cash flows generated from operating activities	203,880		
Cash flows used in financing activities	(128,333)		
Net increase in cash and cash equivalents	75,547		

B. Acquisition of Non-Controlling Interest

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

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

6 INVESTMENT IN SUBSIDIARIES (CONTINUED)

B. Acquisition of Non-Controlling Interest (continued)

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

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

Note a

In the financial year ended 31 December 2021, one of the subsidiaries entered into Sale and Purchase Agreement with a third party to purchase the remaining 30% of the issued share capital of CG and CGE with total purchase consideration of S$1,600,000, out of which S$1,400,000 was paid in the last financial year ended 31 December 2022. The remaining consideration of S$200,000 was paid during the financial year.

	Chem Grow Engineering Pte Ltd As at 30 April 2022 $	**Chem-Grow Pte Ltd As at 30 April 2022 $**
Summarised Statement of Financial Position		
Non-current assets	591	4,266,750
Current assets	1,563,530	2,350,990
Non-current liabilities	–	(984,777)
Current liabilities	(284,084)	(329,976)
Net assets	1,280,037	5,302,987
Net assets attributable to NCI	384,011	1,590,896

	Chem Grow Engineering Pte Ltd 1 January to 30 April 2022 $	**Chem-Grow Pte Ltd 1 January to 30 April 2022 $**
Summarised Income Statement		
Revenue	290,571	899,409
Profit before tax	101,283	32,913
Income tax expense	–	–
Profit after tax representing total comprehensive income	101,283	32,913
Profit after tax representing total comprehensive income allocated to NCI	30,385	9,874
Summarised Cash Flows		
Cash flows (used in)/generated from operating activities	(309,929)	357,087
Cash flows used in investing activities	–	(3,358)
Cash flows used in financing activities	–	(14,439)
Net (decrease)/increase in cash and cash equivalents	(309,929)	339,290

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6 INVESTMENT IN SUBSIDIARIES (CONTINUED)

C. Acquisition of Setya Energy Pte. Ltd.

On 6 February 2023, the Group completed its acquisition of 60% of the equity shares and voting interests in Setya Energy Pte. Ltd. ("Setya") and gained control over Setya.

Included in the identifiable assets and liabilities acquired on the date of acquisition of Setya are inputs (customer relationships), process and an organised workforce. The Group has determined that together the acquired inputs and process significantly contribute to the ability to create revenue and concluded that the acquired set is a business.

As the Group currently provides chemical cleaning services as part of its existing business, the Group is expected to be able to capitalise and leverage on the network of customers in the marine industry available to Setya and also offer services which are presently provided under the Group's existing business to such customers (and vice versa in respect of Setya). The acquisition is expected to expand the Group's existing customer base as well as the scale of the Group's existing business operation in providing such related services.

For the 11 months ended 31 December 2023, Setya contributed revenue of $204,502 and loss of $790,460 to the Group's results. If the acquisition had occurred on 1 January 2023, management estimates that consolidated revenue would have been $25,156,836 and consolidated loss for the year would have been $879,626. In determining these amounts, management has assumed that any fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023.

Acquisition related costs

The Group incurred acquisition related costs of $374,100. These costs have been included in Administrative expenses.

Details of the consideration transferred, the assets acquired, and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

		FY2023 $
The Group		
Consideration transferred through equity instruments issued (81,818,181 ordinary shares)	(i)	1,800,000
Identifiable assets acquired and liabilities assumed		
At fair value		
Trade and other receivables	(ii)	1,015,238
Cash and bank balances		295,203
Trade payables		(126,977)
Other payables		(3,758)
Current tax payables		(55,107)
Borrowings		(434,338)
Net identifiable assets acquired		690,261
Non-controlling interests recognised and goodwill arising		
Consideration transferred		1,800,000
Add: Non-controlling interest	(iii)	276,104
Less: Fair value of identifiable net assets acquired		(690,261)
Goodwill arising from acquisition		1,385,843
Effects on cash flows of the Group		
Cash consideration paid		–
Add: Cash and cash equivalents in acquiree		295,203
Cash inflow on acquisition of a subsidiary		295,203

6 INVESTMENT IN SUBSIDIARIES (CONTINUED)

C. Acquisition of Setya Energy Pte. Ltd. (continued)

(i) Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company on 6 February 2023 of $0.022 per share.

(ii) Trade receivables comprise gross contractual amounts due of $1,015,238. Other receivables comprising of deposits paid to vendor to secure marine petroleum products of $502,400 was expected to be uncollectible at the date of acquisition.

(iii) The Group has elected to recognise the non-controlling interests in Setya based on its proportionate share in the recognised amounts of identifiable assets acquired and liabilities assumed of the acquiree.

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the entity into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purpose.

D. Company level – Assessment of carrying value of cost of investment in subsidiaries

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

During the financial year, management performed a review of the Company's cost of investment in HJPL Group to determine if further impairment or reversal of impairment loss is necessary. Based on the recoverable amount of the investments in subsidiaries, determined based on the higher of FVLCTS and VIU, the Company recognised a reversal of impairment loss of $1,466,764 (2022: further impairment loss of $3,534,766). The recoverable amount of HJPL Group was determined based on FVLCTS (2022: value-in-use calculations using cash flow projections forecast covering a five-year period). As at 31 December 2023, the recoverable amount of HJPL and certain of its subsidiaries was based on their revalued net assets. In deriving the revalued net assets of the subsidiaries, the fair values of the underlying assets are estimated based on their expected selling prices or realisable amounts, and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. Management had considered the underlying assets and liabilities of the investees held by HJPL, including the engagement of independent valuers to determine the fair values of the property, plant and equipment.

The fair value of the industrial building on leasehold land has been estimated using the comparable sales approach. The significant unobservable inputs used in the valuation included the transacted prices, timing of the transactions, location & accessibility, tenure, size, type of use and age & condition of the comparable properties. Accordingly, the fair value measurement of the properties is categorised as an unobservable level 3 input. The adjusted price per square foot of the comparable properties range from $234 – $549 (2022: $278 – $445).

The fair value of the plant and equipment has been estimated using replacement method under cost approach. As significant unobservable inputs are used in the valuation, therefore the fair value measurement of the plant and equipment is categorised under level 3 of the fair value hierarchy. The significant unobservable inputs included the estimation of the reinstatement value and the residual life of the assets.

For one of the subsidiaries whose recoverable amount was determined based on future cash flow projections, the forecasted revenue growth was 5% (2022: 5%) and the forecasted gross margin was 21% (2022: 23%). The pre-tax discount rate applied to the cash flow projections was 12.4% (2022: 14.4%) and terminal growth rate applied was 2.22% (2022: 2%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6 INVESTMENT IN SUBSIDIARIES (CONTINUED)

D. Company level – Assessment of carrying value of cost of investment in subsidiaries (continued)

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

A discount for lack of marketability ("DLOM") of 15.7% is applied to the revalued net assets of HJPL Group since is not publicly traded. The DLOM was extracted from the 2022/2023 Edition of Stout Restricted Stock Companion Guide, which is an independent research study report.

For impairment test as at 31 December 2022, the forecasted revenue growth was 5% and the forecasted gross margin was 31%. The pre-tax discount rate applied to the cashflows projections was 10.4% and the forecasted growth rate used to extrapolate cash flow projection beyond the five-year period was 1.48%.

(ii) HJT Engineering & Construction Pte. Ltd. ("HJT") and JJY Engineering & Construction Pte. Ltd. ("JJY")

During the financial year, management performed a review for the carrying value of the Company's investment in HJT and JJY to determine if further impairment or reversal of impairment loss may be necessary. Based on the recoverable amount of the investments in HJT and JJY, determined based on the higher of FVLCTS and VIU, the Company recognised an allowance of impairment loss of $836,199 (2022: reversal of impairment loss of $2,867,230) and $127,607 (2022: reversal of impairment loss of $572,924) on the investments in HJT and JJY respectively.

The recoverable amount was determined based on the revalued net asset approach since the financials of the entities comprised mainly of cash balances, trade and other receivables, contract assets, trade and other payables and borrowings which were current and approximated fair values at year end.

(iii) Setya Energy Pte. Ltd. ("Setya")

In view of the losses sustained by Setya during the financial year, there was indication of impairment triggered for the investment in Setya. The recoverable amount of Setya was based on VIU. The VIU is a discounted cash flow model using cash flow projections based on financial budget prepared by management covering a five-year period with terminal value. Based on management's assessment, the recoverable amount has been estimated to be lower than its carrying amount of the cost of investment in Setya and thus impairment loss has been recognised in the profit or loss of $1,287,416 to write down the cost of investment to its recoverable amount. Refer to Note 8 for details of the assumptions used.

7 INVESTMENT IN ASSOCIATES

	2023 $	2022 $
The Group		
Unquoted equity shares, at cost	187,616	187,616
Share of post-acquisition reserves, net of dividend received	243,349	155,462
Foreign currency translation differences	(31,532)	(20,167)
Impairment loss	(70,000)	(70,000)
	329,433	252,911

At the end of each reporting period, the Group carried out a review whether there is an indication that the investment in associates are impaired. No impairment loss has been recognised in respect of the financial years ended 31 December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7 INVESTMENT IN ASSOCIATES (CONTINUED)

Movements in allowance for impairment loss are as follows:

	2023 $	2022 $
The Group		
Balance at beginning of year	70,000	270,000
Written off during the year	–	(200,000)
Balance at end of year	70,000	70,000

Details of associates of the Group are set out below:

Name of associates	Place of incorporation/ principal place of business	Effective equity held by the Group 2023 %	2022 %	Principal activities
Held by Heatec Jietong Pte. Ltd.				
Zhoushan Heatec IMC-YY[1] Engineering Co., Ltd.	People's Republic of China	45	45	Service and repair all kinds of heat exchangers and piping works.
Heatec Marine Phils Construction Inc.	Philippines	39.97	39.97	Dormant.
Karnot Technology Pte. Ltd.	Singapore	–	–	Dormant.

(1) Audited by Zhoushan An Da Certified Public Accountants.

In the last financial year ended 31 December 2022, Karnot Technology Pte. Ltd. was struck off, and the cost of investments and impairment had been written off accordingly.

The Group has an associate that is material to the Group.

Summarised financial information, adjusted for the Group's share of equity interest in respect of the associate are set out below:

	Zhoushan Heatec IMC-YY Engineering Co., Ltd. 2023 $	2022 $
Revenue	1,742,455	1,037,231
Profit for the year	273,070	90,531
Other comprehensive income	–	–
Total comprehensive income	273,070	90,531
Dividends received from associate	34,995	47,440
Current assets	864,511	566,326
Non-current assets	101,565	122,523
Current liabilities	(234,003)	(126,825)
Net assets of the associate	732,073	562,024

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7 INVESTMENT IN ASSOCIATES (CONTINUED)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associates, is as follows:

	2023 **$**	**2022** **$**
Net assets attributable to investee's shareholders	732,073	562,024
Proportion of the Group's ownership interest in the associate	45%	45%
	329,433	252,911
Proportion of the Group's ownership interest held in the associate at beginning of the year	252,911	281,828
Share of results for the year	122,882	40,739
Dividend received	(34,995)	(47,440)
Foreign currency translation differences	(11,365)	(22,216)
Carrying amount of the Group's ownership interest in the associate at the end of the year	329,433	252,911

8 GOODWILL

	2023 **$**
The Group	
Goodwill arising on consolidation	
At beginning of year	–
Goodwill arising on consolidation	1,385,843
Allowance for impairment loss	(374,826)
At end of year	1,011,017

Movement in allowance account

	2023 **$**
At beginning of year	–
Addition	374,826
At end of year	374,826

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8 GOODWILL (CONTINUED)

Impairment tests for goodwill

As at 31 December 2023, the carrying amount of goodwill is attributable to Setya Energy Pte. Ltd., which has been identified as the lowest level of identifiable cash inflows that are independent of the cash inflows from other assets or group of assets.

The recoverable amounts of the goodwill was determined based on VIU, being the higher of FVLCTS and VIU calculations. The VIU calculation is a discounted cash flow model using cash flow projections based on financial budget prepared by management covering a five-year period with terminal value. Cash flows for the budgeted period were extrapolated using the estimated growth rates stated below.

Key assumptions used for VIU:

	2023
Gross profit margin(1)	2.3%
Growth rate(2)	13.4%
Terminal growth rate(3)	2%
Discount rate(4)	12.07%

(1) Budgeted average gross profit margin
(2) Compound annual growth rate
(3) Long term average growth rate of Singapore
(4) Pre-tax discount rate applied to the pre-tax cash flow projections

The discount rate was determined based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. A long-term growth rate into perpetuity has been determined based on the inflation rate of Singapore forecasted at the end of the five-year period.

These assumptions were used for the analysis of CGU within the business segment. Management determined budgeted gross profit margin and revenue growth rate based on expectation of future market changes. The discount rates used reflected specific risks to the CGU.

The recoverable amount of the goodwill was determined to be lower than the carrying amount of its CGU and an impairment loss of $374,826 was recognised during the year. The impairment loss was fully allocated to goodwill and disclosed on the face of consolidated statement of profit or loss and other comprehensive income.

9 INVENTORIES

	2023 $	2022 $
The Group		
Raw materials, at cost	394,002	403,847
Goods-in-transit, at cost	–	2,254
	394,002	406,101
Less: Allowance for slow moving inventories		
Beginning of the financial year	(48,545)	(65,065)
Reversal of impairment loss for slow moving inventory	16,679	16,520
End of financial year	(31,866)	(48,545)
	362,136	357,556

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9 INVENTORIES (CONTINUED)

Inventories amounting to $5,776,790 (2022 – $4,181,460) were recognised as cost of sales in profit or loss for the year ended 31 December 2023.

In addition, a reversal of allowance for inventories of $16,679 (2022 – $16,520) was made as a result of Group's ability to sell the inventories at higher net realisable value. The reversal has been included in 'cost of sales' in the profit or loss.

10 CONTRACT ASSETS AND LIABILITIES

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

Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date on the Group's heat exchanger, piping businesses and chemical cleaning services.

Contract assets

	2023 $	2022 $
The Group		
Contract assets	7,145,512	6,420,108
Less: Loss allowance		
Beginning of the financial year	(80,000)	–
Allowance for impairment loss for the financial year	–	(80,000)
End of financial year	(80,000)	(80,000)
Contract assets – total	7,065,512	6,340,108

As at 1 January 2022, the Group's contract assets balance amounted to $5,407,004.

	2023 $	2022 $
The Group		
Contract assets reclassified to trade receivables	(23,418,906)	(20,347,465)
Increase due to revenue recognised during the financial year but not reclassified to trade receivables	24,144,310	21,360,569

Further information about ECL is disclosed at Note 31.

Contract liabilities relate to advance consideration received from customers and billings in-excess of revenue recognised to-date. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10 CONTRACT ASSETS AND LIABILITIES (CONTINUED)

Contract liabilities

	2023 $	2022 $
The Group		
Advances from customers and billing in-excess	453,144	825,381

As at 1 January 2022, the Group's contract liabilities balance amounted to $379.

	2023 $	2022 $
The Group		
Revenue recognised that was included in the contract liabilities at the beginning of the financial year	(777,348)	–
Increase due to cash received, excluding amounts recognised as revenue during the financial year	405,111	825,002

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

	2023 $	2022 $
The Group		
Trade receivables from contract with customers (Note 11)	5,991,903	4,724,083
Contract assets	7,065,512	6,340,108
Contract liabilities	453,144	825,381

An increase in contract assets and a decrease in contract liabilities occurred because the work was progressing faster than the billing milestones. Consequently, more revenue was recognised, leading to a reduction in contract liabilities.

11 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2023 $	2022 $	2023 $	2022 $
Trade receivables	7,243,096	5,234,758	–	–
Allowance for impairment loss	(1,251,193)	(510,675)	–	–
Net trade receivables	5,991,903	4,724,083	–	–
Other receivables	111,350	136,811	–	–
Amount due from subsidiaries	–	–	4,131,269	4,429,009
Deposits	278,644	207,164	14,700	7,410
Financial assets at amortised cost	6,381,897	5,068,058	4,145,969	4,436,419
Advance payment to supplier	121,928	30,602	–	–
Prepayments	178,820	131,532	31,905	47,045
Net input GST/VAT recoverable	20,235	40,839	–	–
	6,702,880	5,271,031	4,177,874	4,483,464

Trade receivables are non-interest bearing and are generally on 30 to 45 days (2022 – 30 to 45 days) credit term.

Other receivables which comprise mainly of staff loans, are non-trade in nature, non-interest bearing, unsecured and repayable on demand at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Company's non-trade amounts due from subsidiaries representing loan advances and payments made on behalf of these subsidiaries are non-trade in nature, non-interest bearing, unsecured and repayable on demand.

The movement of allowance for impairment losses for trade receivables is as follows:

	2023 $	2022 $
The Group		
At the beginning of the year	510,675	449,563
Allowance for impairment loss	880,972	84,685
Reversal of impairment loss	(41,988)	(23,573)
Impairment loss recognised, net	838,984	61,112
Impairment loss utilised	(98,466)	–
At the end of the year	1,251,193	510,675

12 CASH AND BANK BALANCES

	The Group		The Company	
	2023 $	2022 $	2023 $	2022 $
Cash at bank	1,552,302	1,749,432	71,102	88,383
Bank deposits	74,382	100,923	–	–
Cash on hand	328,606	–	–	–
	1,955,290	1,850,355	71,102	88,383
Pledged bank deposits	(74,382)	(100,923)	–	–
Cash and cash equivalents in the statement of cash flows	1,880,908	1,749,432	71,102	88,383

As at 31 December 2023, bank deposits of $74,382 (2022 – $100,923) are pledged to secure banking facilities granted to the Group (Note 15).

As at 31 December 2023, a wholly-owned subsidiary in People's Republic of China ("PRC") has cash and bank balances of $78,276 (2022 – $74,844) that are held in the PRC, of which the repatriation of funds out of the country is subject to the local Foreign Exchange Control Regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

13 SHARE CAPITAL

	No. of ordinary shares		Amount	
	2023	2022	2023 $	2022 $
The Group and the Company				
Issued and fully paid, with no par value				
Balance at beginning of year	122,959,345	122,959,345	11,554,627	11,554,627
Issue of new shares	81,818,181	–	1,800,000	–
Balance at end of year	204,777,526	122,959,345	13,354,627	11,554,627

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

13 SHARE CAPITAL (CONTINUED)

The Company had, on 6 February 2023, announced that it had completed the acquisition of 60% of the entire issued capital in Setya. Pursuant to the sale and purchase agreement ("SPA"), the Company will issue 81,818,181 new ordinary shares amounting to an aggregate consideration of $1,800,000 at the date of settlement. 81,818,181 new shares were issued and allotted on 6 February 2023.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14 RESERVES

	The Group		The Company	
	2023	2022	2023	2022
	$	$	$	$
				(Restated)
Translation reserve[(a)]	(183,469)	(135,432)	–	–
Merger reserve[(b)]	(3,913,614)	(3,913,614)	–	–
Share options reserve[(c)]	69,690	69,690	69,690	69,690
Net discount received on acquisition from non-controlling interests[(d)]	596,113	596,113	–	–
Retained earnings/(accumulated losses)	2,003,081	2,554,644	(1,490,277)	(616,769)
	(1,428,199)	(828,599)	(1,420,587)	(547,079)

(a) Translation reserve

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

Movement in translation reserve:

	2023	2022
	$	$
The Group		
Balance at 1 January	(135,432)	(44,786)
Changes during the financial year in other comprehensive income	(48,037)	(90,646)
Balance at 31 December	(183,469)	(135,432)

(b) Merger reserve

Merger reserve represents the difference between the amount of the share capital of the subsidiaries at the date on which it was acquired by the Group and the amount of the share capital issued as consideration for the acquisition. The merger reserve amounted to a debit balance of $3,913,614 as at 31 December 2023 and 2022.

(c) Share options reserve

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

Further information about share-based payments to employees is disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14 RESERVES (CONTINUED)

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

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

In prior year

On 18 May 2022, as disclosed in Note 6(B), Heatec Jietong Pte. Ltd. acquired the remaining shares in each of CGE and CG through step-acquisition from 70% to 100% for a total consideration of $1,600,000. Consequently, the step acquisition had given rise to discount on acquisition of $374,907 which was directly recognised in equity.

15 BORROWINGS

	The Group		The Company	
	2023	2022	2023	2022
	$	$	$	$
Non-current				
Term loans				
– Lender A	–	700,188	–	700,188
– Lender B	905,088	–	–	–
– Lender C	–	–	–	–
	905,088	700,188	–	700,188
Current				
Term loans				
– Lender A	700,188	666,117	700,188	666,117
– Lender B	3,912,167	4,653,097	–	–
– Lender C	306,005	–	–	–
Trade Financing with a financier	175,753	174,509	–	–
	5,094,113	5,493,723	700,188	666,117
Total borrowings	5,999,201	6,193,911	700,188	1,366,305

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

Lender A

The Company was granted a loan from Lender A on 10 December 2021 which has a carrying amount of $700,188 at reporting date (2022 – $1,366,305). Repayment commenced on 16 December 2021 and was repayable over 3 years. The loan is secured by a corporate guarantee by the Company's subsidiary. The loan carries fixed interest at 5.00% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

15 BORROWINGS (CONTINUED)

Lender B

The Group had been granted following loans from Lender B:

(i) A loan with principal amount of $3,701,156 was raised on 18 October 2018. The loan has carrying amount of $986,471 at reporting date (2022 – $1,524,547). Repayment commenced on 19 November 2018 and is repayable over 7 years. The loan carries interest at 1.73% plus 3 months Singapore Overnight Rate Average ("SORA") per annum.

(ii) A loan with principal amount of $3,000,000 was raised on 16 May 2018 has carrying amount of $352,356 at reporting date (2022 – $1,156,730). Repayment commenced on 18 June 2018 and is repayable over 6 years. The loan carries fixed interest at 6.75% per annum.

(iii) A loan with principal amount of $1,500,000 was raised on 14 July 2020 has carrying amount of $611,844 at reporting date (2022 – $985,910). Repayment commenced on 14 August 2021 and is repayable over 4 years. The loan carries fixed interest at 2.50% per annum.

(iv) A loan with principal amount of $1,500,000 was raised on 15 September 2020 has carrying amount of $611,844 at reporting date (2022 – $985,910). Repayment commenced on 14 August 2021 and is repayable over 4 years. The loan carries fixed interest at 2.50% per annum.

(v) Import invoice financing loans outstanding of $754,740 (2022 – Nil) were drawn down to finance the purchase of goods and services. The import invoice financing loans carry interest rate at 1.70% per annum over the bank's prevailing cost of funds.

(vi) Total revolving working capital loans outstanding of $1,500,000 (2022 – Nil) were drawn down between September 2023 and November 2023. The revolving loans carry interest rate which ranged from 6.09% to 6.20% per annum over the bank's prevailing cost of funds.

As at 31 December 2023, bank deposits of $74,382 (2022 - $100,923) are pledged to secure some of the above loans' banking facilities granted to the Group.

The above loans are secured by:

(a) A first legal mortgage over the Group's industrial building on leasehold land (Note 4); and

(b) A corporate guarantee by the Company.

Lender C

The Group has been granted following loans from Lender C relating to Setya:

(i) A loan with principal amount of $400,000 was raised on 9 March 2020 has carrying amount of $116,109 as at 31 December 2023. Repayment commenced on 23 April 2020 and is repayable over 5 years. The loan carries fixed interest at 6.50% per annum.

(ii) A loan with principal amount of $300,000 was raised on 21 December 2021 has carrying amount of $189,896 as at 31 December 2023. Repayment commenced on 26 February 2022 and is repayable over 5 years. The loan carries fixed interest at 4.50% per annum.

A personal guarantee had been provided by a director of Setya to Lender C.

Trade Financing with a financier

In the last financial year ended 31 December 2022, one of the subsidiaries entered into Corporate Vendor Financing Facility agreement with a third party factoring service provider. The facility bears an interest rate of 1.02% per month and is repayable in 5 months from the funding dates, with repayment dated on 10 April 2024.

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15 BORROWINGS (CONTINUED)

Fair values

Fixed-rate term loans

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

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

	The Group		The Company	
	2023	2022	2023	2022
	$	$	$	$
Term loans				
– Lender A	–	700,188	–	700,188
– Lender B	456,692	–	–	–
– Lender C	–	–	–	–
	456,692	700,188	–	700,188

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

	The Group		The Company	
	2023	2022	2023	2022
	$	$	$	$
Term loans				
– Lender A	–	692,649	–	692,649
– Lender B	429,328	–	–	–
– Lender C	–	–	–	–
	429,328	692,649	–	692,649

The fair values are determined from discounted cash flow analysis using a discount rate based upon the market borrowing rates at 5.27% (2022 – 5%) per annum of an equivalent instrument or market lending rate for similar types of lending arrangement which the directors expect would be available to the Group.

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

Floating rate term loans

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

The Group is required to maintain net worth of a specified amount in order to comply with covenants in loan agreements with banks.

In FY2023, one of the subsidiaries had breached its loan covenant with Lender C as it did not meet the positive net worth as at 31 December 2023. The related bank borrowing of $306,005 was classified within current liabilities on the statement of financial position.

In the financial year ended 31 December 2022, the Group did not fulfil certain financial covenants on its loans from Lender B with a carrying amount of $4,653,097. The Group obtained a confirmation from the bank to accommodate the breach for the financial year ended 31 December 2022 on a one-off basis up to 31 October 2023. Accordingly, the affected loan balances were presented within current liabilities in the last financial year.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16 LEASE LIABILITIES

	The Group		The Company	
	2023	2022	2023	2022
	$	$	$	$
Undiscounted lease payments due:				
– Within one year	210,568	206,220	165,939	161,591
– In the second to fifth year inclusive	842,271	824,881	663,756	646,366
– From sixth year and onwards	1,533,138	1,730,663	331,878	501,313
	2,585,977	2,761,764	1,161,573	1,309,270
Less: Future interest costs	(1,046,281)	(1,139,401)	(227,729)	(298,365)
	1,539,696	1,622,363	933,844	1,010,905
Presented as:				
– Non-current	1,424,463	1,518,659	824,588	912,807
– Current	115,233	103,704	109,256	98,098
	1,539,696	1,622,363	933,844	1,010,905

The Group's lease liabilities are secured by the lessors' title to the leased assets.

Total cashflows for all leases in the current financial year amounted to $316,371 (2022 – $271,804).

Interest expense on lease liabilities of $102,369 (2022 – $107,326) is recognised within "finance costs" in the consolidated statement of profit or loss and other comprehensive income.

Information about the Group's leases are disclosed in Note 29.

Further information about the financial risk management are disclosed in Note 31.

17 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	2023	2022
	$	$
The Group		
Balance at 1 January	269,486	288,562
Tax credited to profit or loss (Note 24)	(8,076)	(19,076)
Balance at 31 December	261,410	269,486
Presented on the statements of financial position:		
Non-current		
Deferred tax liabilities	261,410	269,486

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

	Accelerated tax depreciation	Others	Total
	$	$	$
The Group			
Balance at 1 January 2022	300,997	(12,435)	288,562
Credited to profit or loss for the year (Note 24)	(19,076)	–	(19,076)
Balance at 31 December 2022	281,921	(12,435)	269,486
Credited to profit or loss for the year (Note 24)	(8,076)	–	(8,076)
Balance at 31 December 2023	273,845	(12,435)	261,410

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18 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
				(Restated)
Trade payables:				
– Associate	411,865	45,665	–	–
– Third parties	1,570,434	841,961	–	–
	1,982,299	887,626	–	–
Other payables:				
Subsidiaries	–	–	209,864	13,972
Accruals	1,410,012	1,189,798	390,078	330,893
Other payables	1,579,938	677,928	114,943	74,204
GST payables	120,961	118,859	37,878	93,264
	5,093,210	2,874,211	752,763	512,333

The credit period for trade payables generally ranges from 30 to 60 days (2022 – 30 to 60 days).

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

19 PROVISION

This represents provision for warranty, which was estimated by management based on present value of the future outflow of economic benefits that may be required under the Group's warranty program for design-and-build contracts relating to heat exchangers. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

20 OTHER OPERATING INCOME

	2023	**2022**
	$	**$**
The Group		
Interest income	177	455
Government grant income	121,528	668,187
Gain on disposal of property, plant and equipment	94,916	3,000
Sundry income	208,991	112,635
Net foreign exchange gain	–	32,225
	425,612	816,502

In the last financial year ended 31 December 2022, government grant income of $480,250 relates to Foreign Worker Levy rebates received from the Singapore Government to help businesses deal with the impact of the COVID-19 pandemic. The rebates were paid with the objective of helping employers to defray labour costs during the period of economic uncertainty. These incentives were granted in the form of cash payout.

21 FINANCE COSTS

	2023	**2022**
	$	**$**
The Group		
Interest expense on:		
– Term loans	258,842	282,336
– Lease liabilities	102,369	107,326
– Trade financing	74,440	59,719
– Others	65,265	48,010
	500,916	497,391

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

22 LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

	Note	2023 $	2022 $
The Group			
Included in "cost of sales"			
Depreciation of property, plant and equipment	4	270,477	323,031
Reversal of allowance for inventory obsolescence	9	(16,679)	(16,520)
Cost of inventories	9	5,776,790	4,181,460
Costs for subcontractor work and materials		3,194,106	1,873,427
Employee benefits:			
– Wages, bonuses and other benefits	23	6,958,854	7,812,363
– Contribution to defined contribution plans	23	36,114	64,436
Included in "Administrative expenses"			
Depreciation of plant and equipment	4	598,054	687,998
Depreciation of right-of-use assets	5	132,131	128,992
Audit fees paid/payable to the auditors of the Company		200,000	86,000
Professional fees:			
– others(*)		296,283	541,201
– corporate advisory services(#)		283,909	634,000
Rental expenses		106,530	66,788
Employee benefits:			
– Salaries, bonuses and other benefits	23	4,506,468	4,205,770
– Contribution to defined contribution plans	23	393,724	342,591
Included in "Other operating expenses"			
Foreign exchange loss		68,438	–
Impairment losses on financial assets and contract assets			
Reversal of expected credit loss	11	(41,988)	(23,573)
Allowance for expected credit loss	10, 11	880,972	164,685
Impairment of goodwill	8	374,826	–

In 2023, there are non-audit fees of $45,200 (2022 – $NIL) payable to the auditors of the Company.

(*) This includes the professional fee amounting to $37,900 (2022 – $80,550) for legal and corporate secretarial services rendered by an entity managed and controlled by one of the directors of the Company.

In the last financial year ended 31 December 2022, the Group incurred professional fees totalling $361,500 in relation to (i) acquisition of Setya Energy Pte. Ltd. (Note 6(C)) which was completed on 6 February 2023 and (ii) step-acquisition of remaining 30% equity interests in CGE and CG during the last financial year (Note 6(B)).

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

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

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

(#) On 21 July 2023, the Company entered into an agreement entitled "Consultancy Service Agreement" with a 12 months service period from 21 July 2023 with the Service Provider. Pursuant thereto, the Company engaged the Service Provider to provide consultancy services including but not limited to advisory work relating to expansion of business through mergers and acquisitions ("M&A") program and all associated corporate structuring and fund-raising services that is needed. The Company was to pay the Service Provider a monthly consultancy service fee of $35,000. However, the agreement was subsequently terminated in October 2023.

Pursuant to the above mentioned agreements, the Group and the Company have incurred and paid a total of $220,000 (2022: $490,000) to the Service Provider during the current year.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

23 STAFF COSTS

	2023 $	2022 $
The Group		
Included in "Administrative expenses"		
Directors' fees	191,000	187,833
Directors' remuneration		
– Salaries, bonuses and other benefits	367,500	364,500
– Contribution to defined contribution plans	22,164	21,443
	389,664	385,943
Key management personnel		
– Salaries, bonuses and other benefits	457,195	415,770
– Contribution to defined contribution plans	44,377	41,591
	501,572	457,361
Other staff costs		
– Salaries, bonuses and other benefits	3,490,773	3,237,667
– Contribution to defined contribution plans	327,183	279,557
	3,817,956	3,517,224
Total salaries, bonuses and other benefits	4,506,468	4,205,770
Total contribution to defined contribution plans	393,724	342,591
	4,900,192	4,548,361
Included in "Cost of sales"		
Other staff costs		
– Salaries, bonuses and other benefits	6,958,854	7,812,363
– Contribution to defined contribution plans	36,114	64,436
	6,994,968	7,876,799
	11,895,160	12,425,160
Total salaries, bonuses and other benefits	11,465,322	12,018,133
Total contribution to defined contribution plans	429,838	407,027
	11,895,160	12,425,160

24 TAX (CREDIT)/EXPENSE

Major components of income tax (credit)/expense

The major components of income tax expenses for the year ended 31 December 2023 and 31 December 2022 are:

	2023 $	2022 $
The Group		
Current tax expense		
Current year tax expense	–	27,000
Under/(over)provision in respect of prior years	6,316	(3,940)
	6,316	23,060
Deferred tax expense (Note 17)		
Deferred taxation	(8,076)	(37,076)
Underprovision in respect of prior years	–	18,000
	(8,076)	(19,076)
Total tax (credit)/expense	(1,760)	3,984

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

24 TAX (CREDIT)/EXPENSE (CONTINUED)

Reconciliation of effective tax rate

	2023 $	2022 $
The Group		
Loss before taxation	(870,181)	(752,356)
Less: Share of results of a associate, net of tax	122,882	40,739
Loss before taxation excluding share of result of associate	(993,063)	(793,095)
Tax at statutory rate of 17% (2022 – 17%)	(168,821)	(134,826)
Tax effect on non-deductible expenses[(a)]	142,351	305,868
Tax effect on non-taxable income	(11,242)	(39,742)
Effect of different tax rate in other countries	10,668	8,305
Effect of partial tax exempt income	(52,275)	(19,185)
Unused tax losses and capital allowances not recognised as deferred tax assets	240,412	106,793
Utilisation of previously unrecognised deferred tax assets	(177,278)	(239,361)
Under/(over)provision of current tax in respect of previous financial years	6,316	(3,940)
Under provision of deferred tax in respect of previous financial years	–	18,000
Others	8,109	2,072
	(1,760)	3,984

(a) Expenses not deductible for tax purposes relate mainly to disallowed expenses incurred in the ordinary course of business and the impairment loss of goodwill attributable to Setya.

The income tax applicable to the Company is 17% (2022 – 17%). The corporate income tax rate applicable to the subsidiaries in Singapore and People's Republic of China are 17% (2022 – 17%) and 25% (2022 – 25%) respectively.

As at 31 December 2023, the Group has deferred tax assets in respect of tax losses, capital allowances and other temporary differences of $10,498,000 (2022 – $10,058,000) and available for carry-forward to set-off against future taxable income arising from trade source subject to the agreement of the tax authorities and compliance with relevant provisions of the tax legislation of the respective countries in which the Group operate. The potential deferred tax assets have not been recognised in the financial statements as it is not probable that future taxable profit will be sufficient to allow related tax benefits to be utilised. The unutilised tax losses do not expire under current tax legislation.

25 LOSS PER SHARE

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

	2023 $	2022 $
The Group		
Loss attributable to equity holders of the Company	(551,563)	(776,848)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	196,483,628	122,959,345
Basic and diluted loss per share (cents per share)	(0.28)	(0.63)

The weighted average number of ordinary shares in issue for the 12 months ended 31 December 2023 was calculated after taking into account that 81,818,181 shares were issued on 6 February 2023.

25 LOSS PER SHARE (CONTINUED)

The diluted loss per share is equivalent to the basic loss per share as the share options outstanding during the financial year were anti-dilutive in nature as at 31 December 2023 and 31 December 2022.

There has been no other transactions involving ordinary shares on potential ordinary shares for the financial year except as disclosed.

26 SHARE-BASED PAYMENTS

Equity-settled share option scheme

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

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

The Group and The Company	2023 Number of share options	2023 Weighted average exercise price $	2022 Number of share options	2022 Weighted average exercise price $
Outstanding at the beginning and end of the financial year	3,000,000	0.076	3,000,000	0.076
Exercisable at the end of the financial year	3,000,000	0.076	3,000,000	0.076

The options outstanding at the end of the financial year have a weighted average remaining contractual life of 3.30 (2022 – 4.30) years.

27 FINANCIAL GUARANTEES

The Company has provided financial guarantees to banks for borrowings of $4,817,255 (2022 – $4,653,097) and letters of guarantee of $623,106 (2022 – $1,039,856) taken by its subsidiaries. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantees. The fair values of these corporate guarantees is estimated to be insignificant as the borrowings are fully collateralised by the related mortgaged properties and no default in payment is noted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

28 RELATED PARTY TRANSACTIONS

(i) Sale and purchase of goods and services

In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

	2023 $	2022 $
The Group		
With associates		
Purchases	743,083	228,162
With entity controlled by a Director of one of the subsidiaries		
Rental expense	13,500	–
With shareholders who exert significant influence over the Company		
Rendering of services	13,065	50,695
Provision of consultancy services	72,912	72,576
With entity controlled by a Director of the Company		
Acquisition of Setya	1,800,000	–
Provision of legal and corporate secretarial services	37,900	80,550

(ii) Compensation of key management personnel

Key management personnel are directors and those person having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly. Remuneration for key management personnel, including amounts paid to the Company's Directors are disclosed in Note 23.

29 LEASES

Nature of the Group's leasing activities

The Group's activities comprise the following:

i) The Group leases leasehold land from non-related parties. The leases have an average tenure of between 18 to 60 years.

ii) In addition, the Group leases staff accommodation and equipment with contractual terms of an average period of one year. These leases are short-term in nature. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The maturity analysis of the lease liabilities is disclosed in Note 16.

Rental expenses not capitalised in lease liabilities but recognised within "Administrative expenses" in profit or loss are set out below:

	2023 $	2022 $
The Group		
Short-term lease	106,530	66,788

Please refer to Note 31 for liquidity risk exposure.

Lease liabilities are denominated in Singapore Dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 SEGMENT INFORMATION

The Group is organised into business units based on its services for management purposes. The reportable segments are piping, heat exchanger, chemical cleaning and trading of petroleum products. Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment. Expenses other than finance costs of $500,916 (2022: $497,391) are allocated to the other operating segments.

The segment information provided to management for the reportable segments are as follows:

	Piping $	Heat exchanger $	Chemical cleaning $	Trading of petroleum products $	Head office expenses $	Consolidated $
2023						
Segment revenue:						
Sales to external customers, representing total revenue	5,496,580	16,174,263	3,250,815	142,794	–	25,064,452
Segment results	(1,206,555)	1,426,152	489,648	(1,201,392)	–	(492,147)
Other significant non-cash expenses						
Depreciation of property, plant and equipment	7,649	224,358	189,273	–	447,251	868,531
Depreciation of right-of-use assets	–	–	17,074	–	115,057	132,131
Impairment of goodwill	–	–	–	374,826	–	374,826
(Reversal)/net impairment losses on financial assets	827	(40,940)	(658)	879,755	–	838,984
Share of results of associates	–	–	–	–	(122,882)	(122,882)
Write back for inventory obsolescence	–	(16,679)	–	–	–	(16,679)
Gain on disposal of property, plant and equipment.	–	–	(94,916)	–	–	(94,916)
Segment assets	6,058,295	8,706,601	3,646,274	1,579,777	5,276,516	25,267,463
Segment assets includes						
Additions to non-current assets	2,935	19,045	41,466	–	268,576	332,022
Segment liabilities	1,871,634	5,918,015	2,961,002	481,059	2,176,930	13,408,640

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 SEGMENT INFORMATION (CONTINUED)

	Piping $	Heat exchanger $	Chemical cleaning $	Head office expenses $	Consolidated $
2022					
Segment revenue:					
Sales to external customers, representing total revenue	7,175,647	11,610,934	2,573,988	–	21,360,569
Segment results	(332,789)	416,033	(378,948)	–	(295,704)
Other significant non-cash expenses					
Depreciation of property, plant and equipment	12,577	222,812	294,472	481,168	1,011,029
Depreciation of right-of-use assets	–	–	16,574	112,418	128,992
Impairment losses on financial assets and contract assets	80,805	60,307	–	–	141,112
Share of results of associates	–	–	–	(40,739)	(40,739)
Write back for inventory obsolescence	–	(16,520)	–	–	(16,520)
Gain on disposal of property, plant and equipment.	–	(3,000)	–	–	(3,000)
Segment assets	5,749,913	7,527,964	3,669,917	5,612,350	22,560,144
Segment assets includes					
Additions to non-current assets	2,198	53,885	24,636	27,900	108,619
Segment liabilities	734,090	6,872,665	1,378,641	2,875,571	11,860,967

Segment results

Segment revenue represents revenue generated from external and internal customers. Segment results represents the loss/profit incurred/generated by each segment without allocation of share of results of associates, finance costs and income tax expense, and after allocation of head office expenses. This is the measure reported to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance.

A reconciliation of segment results to the consolidated loss before tax is as follows:

	2023 $	2022 $
The Group		
Segment results	(492,147)	(295,704)
Share of results of associates	122,882	40,739
Finance costs	(500,916)	(497,391)
Loss before tax	(870,181)	(752,356)

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments.

Segment liabilities

The amounts provided to the management with respect to total liabilities are measured in a manner consistent with that of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

30 SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations are primarily carried out in Singapore and People's Republic of China ("PRC"). Management has evaluated and concluded that the non-current assets and revenue from external customers recorded in a subsidiary in PRC are not material to the Group. Accordingly, no geographical segment on non-current assets and revenue from external customers' information are presented.

Information about major customer

Revenue is derived from 4 (2022 – 3) external customers who individually contributed 10% or more of the Group's revenue and are attributable to the segments as detailed below:

The Group	Attributable segments	2023 $	2022 $
Customer A	Piping segment and Chemical cleaning segment	3,692,934	5,530,091
Customer B	Heat exchanger segment	1,958,277	3,103,887
Customer C	Heat exchanger segment	4,042,412	–
Customer D	Piping segment and Chemical cleaning segment	3,353,623	2,308,613
		13,047,246	10,942,591

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group's entities are exposed to foreign currency risk on trade and other receivables, cash and cash equivalents, borrowings and trade and other payables that are denominated in currencies other than their respective functional currencies. The foreign currencies in which the Group's currency risk arises are mainly United States Dollar ("USD"). The Group does not hedge against foreign exchange exposure as the currency risk is not expected to be significant.

The Group's exposure to foreign currency risk is as follows:

	2023 $	2022 $
The Group		
United States Dollar		
Financial assets		
Trade receivables	2,326,261	1,530,237
Cash and bank balances	796,772	506,533
	3,123,033	2,036,770
Financial liabilities		
Trade payables	1,342,702	811,980
Borrowings	754,739	–
	2,097,441	811,980
	1,025,592	1,224,790
<u>Sensitivity analysis</u>		
Strengthened 10% (2022 – 10%)	(102,560)	(122,479)
Weakened 10% (2022 – 10%)	102,560	122,479

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

A 10% weakening/strengthening of the USD against the functional currencies of the respective entities within the Group at the reporting date would increase/(decrease) the Group's loss after tax by the amounts above.

The Company is not exposed to foreign currency risk because its transactions and related financial assets and financial liabilities are mainly transacted and denominated in SGD.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from their borrowings. Borrowings at variable rates totalling $3,241,211 (2022 – $1,524,547) expose the Group to cash flow interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates). The Group does not account for any fixed rate financial assets and liabilities at FVTPL. Therefore, in respect of the fixed rate instruments, a change in fixed rate at the reporting date would not affect profit or loss. The Group's policy is to obtain most favourable interest rate available whenever the Group obtains additional financing through bank borrowings. The interest rates and terms of maturity and repayment of borrowings of the Group are disclosed in Note 15. The Group does not utilise derivatives to mitigate its interest rate risk.

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

The Company is not significantly exposed to interest rate risk since its borrowing are at fixed rate.

Sensitivity analysis for interest rate risk

The sensitivity analysis below has been determined based on the exposure to interest rates for borrowings at the end of reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of borrowings that have floating rates.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in Singapore Dollars ("SGD"). If the SGD interest rates increase/decrease by 200 (2022 – 200) basis points with all other variables including tax rate being held constant, the loss after tax of the Group will be higher/lower by $64,824 (2022 – $30,491) as a result of higher/lower interest expense on these borrowings.

Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group.

For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

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

Concentration of credit risk and maximum exposure

The Group does not have significant credit concentration except that the Group's 3 (2022 – 3) largest trade receivables and contract assets represented 65% (2022 – 88%) of total trade receivables and contract assets.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statements of financial position and the amount of $5,440,361 (2022 – $5,692,953) (Note 27) relating to corporate guarantees given by the Company to banks for the subsidiaries' credit facilities.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

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

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 4 years past due for major shipyards or 3 years past due for other counterparties unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowance.

Movements in credit loss allowance are as follows:

	Trade receivables $	Contract assets $	Total $
The Group			
Balance at 1 January 2022	449,563	–	449,563
Loss allowance measured:			
Lifetime ECL			
– simplified approach	84,685	80,000	164,685
Receivables recovered	(23,573)	–	(23,573)
Balance at 31 December 2022	510,675	80,000	590,675
Loss allowance measured:			
Lifetime ECL			
– simplified approach	880,972	–	880,972
Loss allowance utilised	(98,466)	–	(98,466)
Receivables recovered	(41,988)	–	(41,988)
Balance at 31 December 2023	1,251,193	80,000	1,331,193

Trade receivables and contract assets

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

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

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic on the ability of the customers to settle the receivables. There has been no change in the estimation techniques or significant assumptions made during the current financial year.

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2023 and 2022 are set out in the provision matrix below:

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Trade receivables and contract assets (continued)

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

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2023 are set out in the provision matrix below:

				Past due		
	Category A	**Category B**	**Category C**	**Category D**	**Category E**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
The Group						
31 December 2023						
Trade receivables and contract assets – Gross	9,773,217	3,363,227	1,002,246	138,104	111,814	14,388,608
Loss allowance	–	(100,066)	(981,307)	(138,006)	(111,814)	(1,331,193)
	9,773,217	3,263,161	20,939	98	–	13,057,415
31 December 2022						
Trade receivables and contract assets – Gross	8,943,863	2,293,418	200,385	134,181	83,019	11,654,866
Loss allowance	–	(174,582)	(200,293)	(132,781)	(83,019)	(590,675)
	8,943,863	2,118,836	92	1,400	–	11,064,191

Other financial assets at amortised cost

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

	12-month/ Lifetime ECL	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
		$	**$**	**$**
At 31 December 2023				
The Group				
Other receivables (excluding prepayments, GST/VAT recoverable, and advance payment to supplier)	12-month ECL	389,994	–	389,994
Cash and bank balances	Limited exposure	1,955,290	–	1,955,290
		2,345,284	–	2,345,284
The Company				
Other receivables (excluding prepayments)	12-month ECL	4,145,969	–	4,145,969
Cash and bank balances	Limited exposure	71,102	–	71,102
		4,217,071	–	4,217,071

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Other financial assets at amortised cost (continued)

	12-month/ Lifetime ECL	Gross carrying amount $	Loss allowance $	Net carrying amount $
At 31 December 2022				
The Group				
Other receivables (excluding prepayments, GST recoverable, grant receivable and advance payment to supplier)	12-month ECL	343,975	–	343,975
Cash and bank balances	Limited exposure	1,850,355	–	1,850,355
		2,194,330	–	2,194,330
The Company				
Other receivables (excluding prepayments)	12-month ECL	4,436,419	–	4,436,419
Cash and bank balances	Limited exposure	88,383	–	88,383
		4,524,802	–	4,524,802

Cash and bank balances are subject to immaterial credit risk.

The credit loss exposure for other receivables and cash and bank balances are immaterial as at 31 December 2023 and 2022.

Liquidity risk

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

The Group manages the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities (Note 15).

Analysis of financial instruments by remaining contractual maturities

The following are the contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude impact of netting agreements:

		Contractual undiscounted cash flows			
	Carrying amount $	Total $	Less than 1 year $	Between 2 and 5 years $	Over 5 years $
The Group					
31 December 2023					
Trade and other payables[#]	4,972,249	4,972,249	4,972,249	–	–
Borrowings	5,999,201	6,118,951	5,199,102	919,849	–
Lease liabilities	1,539,696	2,585,977	210,568	842,271	1,533,138
	12,511,146	13,677,177	10,381,919	1,762,120	1,533,138

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	Carrying amount $	Contractual undiscounted cash flows Total $	Less than 1 year $	Between 2 and 5 years $	Over 5 years $
The Group					
31 December 2022					
Trade payables and other payables#	2,755,352	2,755,352	2,755,352	–	–
Borrowings	6,193,911	6,293,947	5,574,651	719,296	–
Lease liabilities	1,622,363	2,761,764	206,220	824,881	1,730,663
	10,571,626	11,811,063	8,536,223	1,544,177	1,730,663
The Company					
31 December 2023					
Other payables#	714,885	714,885	714,885	–	–
Lease liabilities	933,844	1,161,573	165,939	663,756	331,878
Term loan	700,188	719,296	719,296	–	–
Financial guarantees*	5,440,361	5,440,361	5,440,361	–	–
	7,789,278	8,036,115	7,040,481	663,756	331,878
31 December 2022					
Other payables#	419,069	419,069	419,069	–	–
Lease liabilities	1,010,905	1,309,270	161,591	646,366	501,313
Term loan	1,366,305	1,438,600	719,304	719,296	–
Financial guarantees*	5,692,953	5,692,953	5,692,953	–	–
	8,489,232	8,859,892	6,992,917	1,365,662	501,313

* At the end of the reporting period, the maximum exposure of the Company in respect of the intra-group financial guarantees granted in favour of its subsidiaries (Note 27) based on facilities drawn down by the subsidiaries is $5,440,361 (2022 – $5,692,953).

excludes GST payables

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices.

The Group and the Company are not exposed to any movement in price risk as it does not hold any quoted or marketable financial instruments.

32 FAIR VALUE MEASUREMENT

Definition of fair value

SFRS(I)s define fair value as 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.

Fair value measurement of financial instruments

The Group analyses the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

32 FAIR VALUE MEASUREMENT (CONTINUED)

Fair value measurement of financial instruments (continued)

The carrying values of variable rate bank loans approximate their fair values as disclosed in Note 15 to the financial statements. The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and bank balances, trade and other payables and provisions) approximate their fair values because of the short period to maturity.

Long-term borrowings

The fair values and the carrying amounts of the long-term borrowings is disclosed at Note 15.

Lease liabilities

The fair value disclosure of lease liabilities is not required.

There is no financial assets and financial liabilities measured at fair value as at 31 December 2023 and 2022.

33 FINANCIAL INSTRUMENTS

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	2023 $	2022 $
The Group		
Financial assets at amortised cost		
Trade and other receivables*	6,381,897	5,068,058
Cash and cash equivalents	1,955,290	1,850,355
	8,337,187	6,918,413
Financial liabilities at amortised cost		
Trade and other payables#	4,972,249	2,755,352
Lease liabilities	1,539,696	1,622,363
Borrowings	5,999,201	6,193,911
	12,511,146	10,571,626

	2023 $	2022 $
The Company		
Financial assets at amortised cost		
Other receivables*	4,145,969	4,436,419
Cash and cash equivalents	71,102	88,383
	4,217,071	4,524,802
Financial liabilities at amortised cost		
Other payable#	714,885	419,069
Lease liabilities	933,844	1,010,905
Borrowings	700,188	1,366,305
	2,348,917	2,796,279

* Excludes prepayments, advance payment to supplier and net input GST/VAT recoverable.

\# Exclude GST payable

34 CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

There were no changes in the Group's and the Company's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements, other than those as disclosed in Note 15 to the financial statements.

	The Group		**The Company**	
	31 December 2023 $	**31 December 2022 $**	**31 December 2023 $**	**31 December 2022 $**
				(Restated)
Net debt	10,676,817	8,840,130	2,315,693	2,801,160
Total equity	11,858,823	10,699,177	11,934,040	11,007,548
Total capital	22,535,640	19,539,307	14,249,733	13,808,708
Net debt to total capital ratio	47%	45%	16%	20%

35 PRIOR YEAR ADJUSTMENTS

(a) Restatement

As at 31 December 2022, management had previously assessed that there were indicators of impairment and/or indication that an impairment loss recognised in prior periods may no longer exist or may have decreased for its cost of investment in subsidiaries. Management had previously determined the recoverable amount of these assets based on value-in-use calculations only. Management had reassessed the recoverable amount based on the higher of FVLCTS and VIU as disclosed in Note 6 and adjusted the impairment allowance for 31 December 2022. The adjustment in relation to this error amounted to $94,612.

Furthermore, for the financial guarantee which the Company had previously provided as at 31 December 2022, management had reassessed and determined that the subsidiary had sufficient financial resources to repay its liabilities based on the realisable value of its assets. The adjustment in relation to this error amounted to $224,000.

The correction of the above error has no impact on the statements of financial position as at 1 January 2022. Accordingly, opening balance of assets, liabilities and equity for the earliest period is not presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

35 PRIOR YEAR ADJUSTMENTS (CONTINUED)

(a) Restatement (continued)

The adjustments have been accounted for retrospectively in accordance with SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Policies and Errors*. The retrospective restatement had impacted the following financial statement line items as follows:

	As previously reported $	Adjustment $	As restated $
The Company			
31 December 2022			
Statement of financial position			
Assets			
Non-current assets			
Investment in subsidiaries	5,502,799	(94,612)	5,408,187
Equity and liabilities			
Capital and Reserves			
Retained earnings	676,467	(129,388)	547,079
Current liabilities			
Trade and other payables	(736,333)	224,000	(512,333)

(b) Reclassification

Certain reclassifications were made to the consolidated statement of financial position for the financial year ended 31 December 2022. These reclassifications do not result in any changes to the balances and disclosure of property, plant and equipment and right-of-use assets and have been made to enhance comparability with the current year's financial statements.

	As previously reported $	Adjustment $	As reclassified $
The Group			
31 December 2022			
Statement of financial position			
Assets			
Non-current assets			
Property, plant and equipment	8,488,183	(1,461,382)	7,026,801
Right-of-use assets	–	1,461,382	1,461,382

	As previously reported $	Adjustment $	As reclassified $
The Company			
31 December 2022			
Statement of financial position			
Assets			
Non-current assets			
Property, plant and equipment	3,917,057	(899,342)	3,017,715
Right-of-use assets	–	899,342	899,342

SUSTAINABILITY REPORT

CHAIRMAN'S MESSAGE

Dear Stakeholders,

As we publish our 7th Sustainability Report for the financial year that concluded on 31 December 2023 ("**FY2023**"), we find ourselves at a pivotal intersection of recovery and responsibility. With the waning impact of COVID-19, our focus now intensifies on the urgent challenge of climate change. This report not only reaffirms our commitment but also showcases the tangible steps we are taking towards a sustainable future.

Embedded within the communities and environments we serve, our pledge is to continuously seek ways to reduce our ecological footprint. We acknowledge that the scope of the Group's achievements cannot be captured by financial metrics alone. True success is also reflected in our environmental stewardship and the social value we create.

With a firm resolve, we have refined our operations to uphold sustainability principles, integrating environmental, social, and governance ("**ESG**") considerations across our business model, and actively enhancing the wellbeing of our shared ecosystem.

Our compliance with the Singapore Exchange Securities Trading Limited's (the "**SGX**") latest sustainability and climate reporting guidelines extends beyond regulatory obligations; it represents our commitment to transparency and accountability. These guidelines, along with the Global Reporting Initiatives ("**GRI**") and the Taskforce on Climate-related Financial Disclosures ("**TCFD**"), inform our reporting practices, ensuring we adhere to and communicate our progress against industry best practices.

The United Nations Sustainable Development Goals ("**UN SDGs**") outline a universal framework for global well-being and environmental preservation. By embedding these goals into our strategic core, we are not only endorsing them but are also making substantial contributions through our operations, community involvement, and ecological endeavours.

Our Board provides unwavering guidance and oversight, enabling us to address the intricacies of sustainability and create enduring value for our stakeholders in every aspect – economic, social, and environmental.

As we forge ahead, we encourage our stakeholders to engage with us, to inspire us, and to collaborate towards a shared vision. Our collective efforts aim to establish a legacy that will inspire future generations – a legacy measured by our contributions, not our extractions.

Warm regards,

Soon Yeow Kwee Johnny
Executive Chairman and Non-Independent Director

12 June 2024

SUSTAINABILITY REPORT

BOARD STATEMENT

As the Board of Directors of Heatec Jietong Holdings Ltd. (the "**Company**" or "**Heatec**", together with its subsidiaries, the "**Group**"), we actively guide the Group towards a future where economic growth, environmental stewardship, and social responsibility are not just aligned, but collectively enhancing long-term value.

We are dedicated to embedding sustainability considerations within our strategic decision-making framework. Our conviction stems from an understanding that Heatec's enduring success is deeply intertwined with the health of the environment and the prosperity of our communities. The choices we make today are pivotal in defining the legacy we leave for future generations.

The Board takes full responsibility for directing Heatec's strategic focus, ensuring that sustainability issues are integral to this process. We also take ownership of the Group's sustainability reporting, believing that the enclosed report transparently and accurately reflects our strategy and performance in environmental, social, and governance matters.

SUPPORT THE GLOBAL GOALS

In September 2015, the UN SDGs were unanimously adopted at the UN Summit by 193 member states, setting forth a visionary agenda for global progress. The scope and ambition of these goals recognize that government initiatives alone are insufficient to achieve meaningful change. As such, they call for an unprecedented mobilization of the private sector's resources and innovation. Within this framework, businesses play a pivotal role, not merely as facilitators but as active drivers of sustainable development.

Our commitment to the UN SDGs is embedded in our corporate strategy, guiding us to contribute positively to the world's most urgent social and environmental needs. Through strategic partnerships, responsible business practices, and dedicated investments in sustainable solutions, we are not just aligning with these goals; we are firmly integrating them into the very core of our business operations, illustrating our unwavering dedication to fostering a sustainable future.

Source: Image from United Nations (https://sdgs.un.org/goals)

In line with our business strategy, we are focusing on the following Goals:

SUSTAINABILITY REPORT

ABOUT THIS REPORT

We are pleased to present Heatec's Sustainability Report for FY2023, reflecting our commitment to transparency and accountability to our valued stakeholders. This report provides a comprehensive overview of our ESG practices and performance, addressing the concerns most material to our diverse stakeholders, including shareholders, suppliers, customers, management, and employees. The purpose of this report is to detail the sustainability measures and approaches we have implemented, demonstrating our commitment to sustainable development. This report should be read together with the FY2023 Annual Report.

Reporting Period

This report encapsulates our sustainability initiatives and achievements throughout FY2023, spanning from 1 January 2023 to 31 December 2023, underscoring our unwavering commitment to sustainable business practices and our drive towards a resilient and prosperous future.

Reporting Framework

Adhering to global standards, our report is structured in line with the GRI standards, 2021 revision, which represents a best-practice benchmark for sustainability reporting. The GRI framework ensures a consistent and transparent methodology for reporting our sustainability impacts.

In compliance with the regulatory environment, this document has been prepared in accordance with Rules 711A and 711B of the SGX Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), along with Practice Note 7F Sustainability Reporting Guide.

In our commitment to climate stewardship, we have aligned our climate-related financial disclosures with the recommendations provided by the TCFD.

Reporting Scope

Our Sustainability Report comprehensively encompasses the sustainability endeavours across all business divisions of the Group. This includes our diverse operations including heat exchanger services, piping services, and chemical cleaning services. The Company also acquired a new business segment on trading. However, as the acquisition was recently completed, the Company will require some time to align its operations and data collection methodologies. We are committed to include the new trading segment in future editions of the report. Maintaining a comprehensive reporting scope remains a steadfast commitment to our stakeholders. The report provides a detailed account of our sustainability journey during FY2023, emphasising the contributions of the following key subsidiaries:

- Heatec Jietong Pte.Ltd. ("**HJPL**")
- Chem-Grow Pte.Ltd. ("**Chem-Grow**")
- Chem-Grow Engineering Pte.Ltd. ("**Chem-Grow Engineering**")
- HTJ Engineering Pte Ltd. ("**HJT**")
- JJY Engineering Pte Ltd. ("**JJY**")
- JTY Engineering Pte.Ltd. ("**JTY**")

We affirm that there have been no significant changes in the scope, boundary, or assessment of material sustainability issues compared to the previous reporting period, ensuring continuity and comparability for our stakeholders.

Feedback

For inquiries, propositions, or input pertaining to the Group's sustainability endeavours, esteemed stakeholders are invited to direct their communication to the following electronic mailing address: info@heatec.com.sg.

Your engagement is greatly valued, and responses will be furnished with due diligence.

SUSTAINABILITY REPORT

Internal Review and Assurance

The Group hereby declares that the data within this report is disclosed in a manner reflecting the utmost integrity and is based upon the most accurate information available to us.

In our pursuit of excellence in sustainability reporting and to align with prevailing standards, we have sought the expertise of an esteemed external sustainability consultancy. Their guidance has been instrumental in ensuring our adherence to the latest reporting requirements.

The internal review of the sustainability reporting process has been conducted by BDO Advisory Pte. Ltd. (the "**Internal Auditor**"). The data and information presented herein have been subject to a rigorous review by the Internal Auditor specializing in sustainability, as appointed by the Group, in line with Rule 711B of the Catalist Rules. It is to be noted, however, that no external assurance has been obtained for the contents of this sustainability report.

BUSINESS MEMBERSHIP AND CERTIFICATION

ISO Certification

Heatec, together with our subsidiaries, upholds high standards of health and safety for our employees. To ensure that our performance is on par with industry standards, we have secured the ISO 9001:2015 Quality Management Systems and ISO 45001:2018 Occupational Health and Safety Management Systems certificates for our subsidiaries.

	ISO 9001:2015 Quality Management Systems	ISO 45001:2018 Occupational Health and Safety Management Systems
Heatec Jietong Pte. Ltd.	√	√
Chem-Grow Pte. Ltd.	√	√
Chem Grow Engineering Pte. Ltd.	√	√

BizSafe

The following entities have been awarded with BizSafe Star awards:

- Heatec Jietong Pte. Ltd.
- Chem-Grow Pte. Ltd.
- Chem Grow Engineering Pte. Ltd.

Membership Association

We are a member of the following associations and actively participate in their programs:

- Singapore Business Federation ("**SBF**")
- Association of Singapore Marine Industries ("**ASMI**")
- Association of Process Industry ("**ASPRI**")
- Heat Transfer Research Inc ("**HTRI**")

SUSTAINABILITY REPORT

SUSTAINABILITY DEVELOPMENT STRATEGY

Heatec is dedicated to advancing operations that are environmentally sustainable, socially responsible, and economically sound. We acknowledge the potential impacts of business activities on society and the environment, and our strategy aims to address and minimize these effects.

Sustainability Governance

A specialized Sustainability and Climate Risk Committee, consisting of our Chief Executive Officer ("**CEO**") as the chairperson and senior management members, oversees the integration of sustainability into our business, addressing related risks and opportunities.

Labor Health and Safety

We prioritize safety by exceeding regulatory compliance, offering extensive training, and investing in protective gear and technology to reduce hazards.

Chemical Use and Discharge

Our environmental commitment includes implementing stringent chemical management, preferring safer alternatives, and employing advanced purification for water discharge to protect ecosystems.

Engagement and Training

We are building a culture of sustainability, engaging employees across the board and providing training to promote responsibility towards the environment and society.

Performance Monitoring and Reporting

Sustainability performance is regularly monitored and transparently reported by the Board and the Sustainability and Climate Risk Committee.

Review and Continuous Improvement

We continuously review and refine our sustainability strategy to stay aligned with global standards, including GRI, TCFD and the UN Sustainable Development Goals, thus securing a sustainable future for all stakeholders.

POLICY COMMUNICATION AND COMMITMENT

Heatec reaffirms its steadfast commitment to sustainable practices and the highest standards of ethical conduct. Our policies, rooted in stringent environmental, human resource management, and occupational health and safety systems, align with our ISO certifications and underpin our operations.

Key Commitments:

- We maintain unwavering adherence to exceptional business ethics.
- We ensure fair employment practices across the organization.
- We are dedicated to the protection and preservation of the environment.
- We uphold outstanding occupational health and safety for our workforce and partners.

Policy Transparency: We pledge to transparently share our policy details with all internal parties and external partners – suppliers, contractors, and stakeholders, thereby underscoring our commitment to operational excellence.

Anti-Corruption and Fraud Prevention: Our governance framework is designed to prevent corruption and fraud, mandating compliance with all legal and regulatory requirements and thorough documentation of financial transactions. We employ stringent internal controls and policies to mitigate corruption-related risks.

Employee Compliance and Discipline: All employees must abide by our anti-corruption policies, with disciplinary measures in place for non-compliance, including potential termination. Staff in key positions must annually disclose any conflicts of interest. Employees are obliged to report any corruption they encounter, with a whistle-blower protection mechanism ensuring no retaliation against those reporting in good faith. Ongoing training is provided to reinforce corruption prevention and awareness.

Partner and Associate Expectations: Business associates are held to the same anti-corruption standards, with the Group reserving the right to address any violations. Due diligence is exercised to ensure business relationships are only formed with reputable entities. Guidelines on the acceptance of gifts aim to preserve employee integrity and professional standards.

Vendor Oversight: The Group routinely evaluates vendor compliance with our standards to ensure alignment with our ethical commitments.

This statement encapsulates Heatec's dedication to ethical business conduct, compliance, transparency, and continuous improvement, underscoring our unwavering dedication to integrity in all aspects of our business engagements.

REMEDIATE NEGATIVE IMPACTS FROM OUR OPERATION ACTIVITIES

Heatec is fully aware of the potential environmental and workforce-related challenges associated with its operations. To address these concerns, we have established a comprehensive remediation policy, which includes:

- Labor Health and Safety Remediation: Prioritizing the safety and well-being of employees, the policy outlines immediate actions to address health and safety incidents. This includes providing support, medical assistance, and rehabilitation. Thorough investigations are conducted to prevent recurrence, with findings communicated openly to management and employees.
- Noise Pollution Remediation: Heatec commits to regularly monitoring noise levels and taking immediate steps to reduce noise exposure at facilities and work sites. Engagement with local communities ensures concerns are addressed, and noise reduction measures are implemented accordingly.
- Water Discharge Remediation: Heatec closely monitors chemical cleaning operations to prevent water contamination. In case of accidental discharge, an emergency response plan is activated, including cleanup operations and ecosystem restoration. Procedures are evaluated and revised to prevent future incidents.
- Continuous Monitoring and Improvement: Heatec persistently track and report all remediation actions to the appropriate committees and boards, evaluating their effectiveness against our existing performance metrics.
- Annual Compliance Reviews: We conduct thorough annual reviews to ensure continuous compliance with safety and environmental standards, integrating feedback from stakeholders to enhance our monitoring and improvement processes.
- Stakeholder Engagement: Heatec values engagement with employees, customers, suppliers, and local communities. Transparent communication on remediation efforts and feedback channels are established to improve policies and practices.
- Training and Education: Ongoing training is provided to employees on remediation techniques, promoting a culture of awareness and proactive reporting to address potential negative impacts.

Through these commitments and policies, Heatec demonstrates its responsibility to prevent, address, and rectify negative impacts promptly, ensuring the sustainability of its operations while upholding its duty to employees, the environment, and the wider community.

SUSTAINABILITY REPORT

REPORTING APPROACH

In alignment with the GRI 2021-Foundation guidelines, our FY2023 Sustainability Report has been crafted in adherence to the eight core reporting principles. These principles have guided the presentation and substantiation of the information contained within this report.

Principle	Explanation
Accuracy	The information disclosed in this Report is correct and sufficiently detailed to assess Heatec's business impacts towards Governance, Environment, and Social perspective.
Balance	The information is disclosed in an unbiased way and provides a fair representation of Heatec's negative and positive impacts.
Clarity	The information presented in this Report is accessible and understandable.
Comparability	Heatec endeavours to select and compile the report information consistently to enable an analysis of changes in Heatec's impacts over time.
Completeness	Heatec tries its best to provide sufficient information to enable the transparency of its efforts in ESG topics.
Sustainability Context	Heatec ensures that the information it discloses in this Report is about its business impacts within the context of sustainable development.
Timeliness	Heatec reviews its ESG material topics on a regular basis to ensure that all the information declared in this Report is updated.
Verifiability	This report has undergone an internal review to ensure its verifiability. Our Sustainability Consultant and Internal Auditor, acting in their independent capacities, have provided guidance to ensure the accuracy of the critical materiality data.

GOVERNANCE STRUCTURE

A robust corporate governance framework, rooted in ethical business practices, is vital for Heatec's accountability and long-term performance to safeguard shareholder interests. Committed to exemplary governance, our Board adheres to the Code of Corporate Governance 2018 and relevant regulations from authorities such as the Monetary Authority of Singapore ("**MAS**") and the SGX-ST. They set strategic objectives, allocate resources, and oversee risk management to enhance shareholder value. With a focus on good governance, the Board ensures compliance with regulatory updates, maintains effective control frameworks, and promotes corporate governance, risk management, and internal controls to protect shareholder interests and company assets.

Please refer to pages 12 to 18 of this Annual Report for a detailed discussion of our Corporate Governance practices.

Our Governance Structure

For the detailed information of our governance structure and board directors please refer to our Annual Report pages 12 to 18.

SUSTAINABILITY REPORT

Board Director Diversity

The Board has a board diversity policy which sets out guidelines in identifying nominees for directorship positions within Heatec, and primarily focuses on having an appropriate mix of expertise, complementary skills, core competencies and experiences for facilitating effective decision-making, regardless of gender. More information on our board diversity policy can be found in the Corporate Governance Report on page 21 of this Annual Report.

7 out of 8 Board Directors (including an alternate director) are male, a reflection not of preference but of the specific expertise and skill sets required in our industry sector. The composition is structured with 43% serving as non-independent directors and 57% as independent directors, ensuring a balanced oversight.

Collective Expertise of the Governance Body

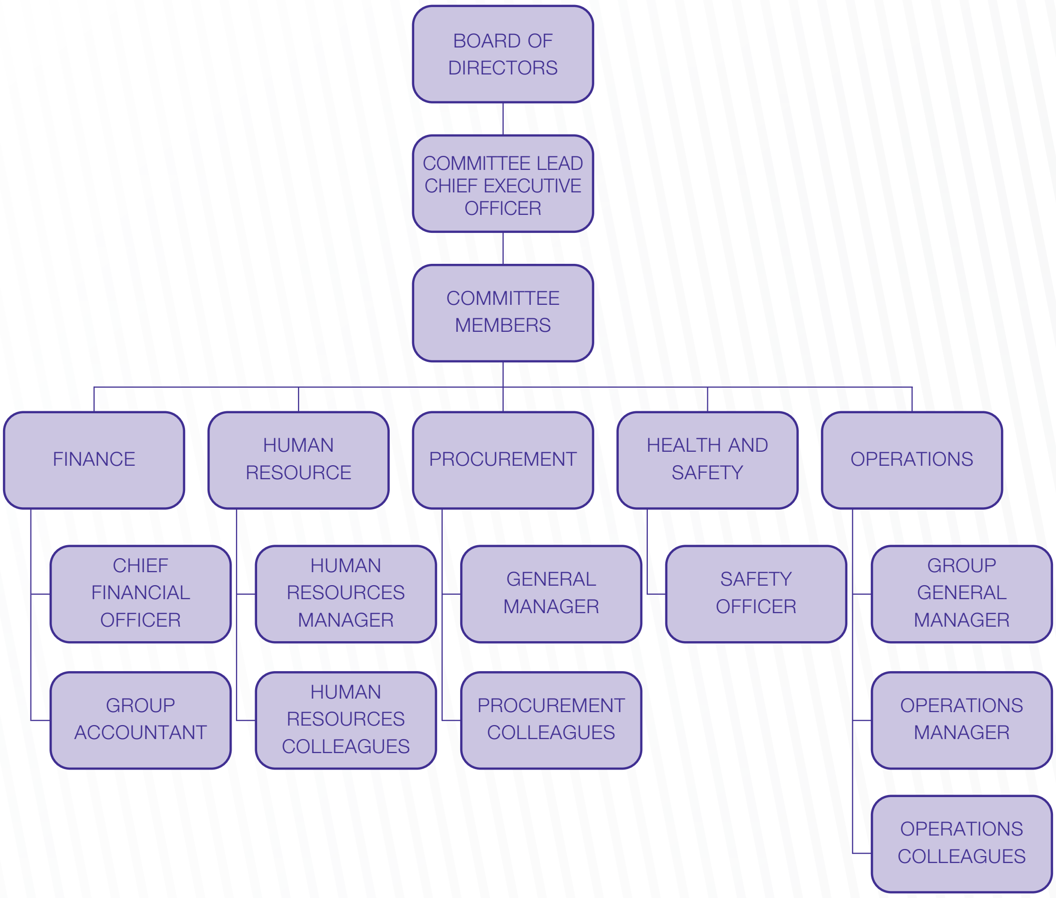
The Board's expertise encompasses essential areas vital for Heatec's success, such as Business and Financial Management, Engineering, Corporate Governance and Accounting. More details are available in the Corporate Governance Statement of our annual report.

Board Director Sustainability Training

All Board Directors have attended the one-time director sustainability training required by the SGX-ST.

SUSTAINABILITY GOVERNANCE STRUCTURE

To fortify our approach to sustainability and climate risk management, Heatec established the Sustainability and Climate Risk Committee in FY2023. Details of its structure are outlined below:



The Board of Directors plays a critical role in sustainability and climate-related risk governance, providing strategic oversight, policy stewardship, resource allocation, cultural leadership, risk management, and ensuring effective monitoring and control.

SUSTAINABILITY REPORT

The Sustainability and Climate Risk Committee is responsible for comprehensive sustainability governance, including ESG and climate risk oversight, setting strategic direction, policy formulation with a climate perspective, performance and risk monitoring, resource management for climate initiatives, and strategic climate action. The Sustainability and Climate Risk Committee's further roles include managing ESG integration, tracking progress, engaging stakeholders, mitigating risks, raising awareness, encouraging continual enhancement, tracking climate targets, managing policy discussions, and assessing risks and opportunities in climate management.

ENTERPRISE RISK MANAGEMENT

Effective risk management is crucial for the Group's sustainability. We maintain a risk management framework, overseen by the Board, to integrate control into daily operations and comply with regulations. Our Enterprise Risk Management Framework helps balance risks before strategic decisions are made. We manage market, credit, operational, legal, financial, and ESG risks, seeking to optimize returns while managing calculated risks. We aim to enhance our internal controls by conducting ongoing risk assessments. The process includes risk identification, assessment, mitigation, communication, implementation, and monitoring. We prioritize ESG issues for long-term sustainability, ensuring that we are responsive to legislative, regulatory, socioeconomic, and reputational factors. Our commitment involves integrating sustainability considerations into our business, mitigating risks, and continuously improving operations to benefit stakeholders.

For a detailed discussion on our Risk Management initiatives, see pages 52 to 57 of the Annual Report.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is essential for building trust, understanding, gathering feedback for business decision-making and long-term sustainability. We continuously engage our internal and external stakeholders through various established means, listening and responding to feedback and queries. We aim to address all stakeholders' concerns constantly by actively engaging them through constructive communication and feedback in order to build trust over the long term.

Stakeholder Identification

The internal and external stakeholders for the Group are listed below:

Internal Stakeholders

Shareholders and Investors
Board of Directors
Managers
Employees

External Stakeholders

Customers
NGOs and Community
Supplier and Contractors
Government and Regulators

We endeavour to do our utmost to protect all our stakeholders' interests

SUSTAINABILITY REPORT

Stakeholder Engagement Approach

We are committed to expanding our engagement methods and using any subsequent outputs in our future disclosures. The various established means of engaging our internal and external stakeholders are detailed below.

Stakeholder Group	Engagement Approach	Frequency
Management/Employees	Townhall sessions Open dialogue among teams Training and staff appraisal Employee Engagement survey	Throughout the year
Investors/Shareholders	Annual Report Annual General Meeting Extraordinary General Meeting Circulars Investor meetings/Roadshows Teleconferences Corporate Announcements Press releases	Throughout the year
Customers	Frontline interaction with sales team Hotline/Email queries Customer feedback/surveys	Throughout the year
Local Communities	Social activities	Throughout the year
Suppliers and Service Providers	Face-to-face meetings Annual audit review on quality Feedback sessions	As required
Government and Regulators	Face-to-face meetings Various discussions	As required

ESG MATERIAL TOPICS

A materiality assessment was conducted during the year and a metric-based approach, based on likelihood and impact, was adopted to address Heatec's sustainability risk profile and prioritise issues. This method is used to monitor the Group's risk profile on a regular basis.

The Sustainability and Climate Risk Committee continues to evaluate and review the materiality aspects based on the industry standards and stakeholders' needs, and to resolve the findings during internal workshop discussions.

In order to determine if an aspect is material, its potential impact on the economy, environment and society and the influence on the stakeholders is assessed. The Group had reviewed the materiality of the ESG factors reported last year and incorporated inputs from stakeholder engagements.

We have adopted the following approach to assist us in determining our material topic:

Step 1 Scoping	Step 2 Identification	Step 3 Evaluation	Step 4 Priorization	Step 5 Review
Conduct the scoping analysis to understand the business context.	Identify the actual and potential impacts, including positive and negative.	Evaluate the significance of the impacts based on management and stakeholder inputs.	Prioritize the most significant impacts for reporting.	Re-examine the material topics taking into consideration the changing of business landscape and emerging trends.

The scoping analysis involved an analysis of market trends and the latest regulatory requirements to ensure that we have a firm understanding of the business context and regulatory requirements.

The identification process involved identifying a list of ESG matters via discussions with senior management.

SUSTAINABILITY REPORT

The ESG topics were evaluated through their significant impacts based on management and stakeholder inputs. The material ESG topics were eventually determined based on stakeholders feedback and management input. The material topics reported in this report have been approved by the Board.

Key ESG material topics were prioritised for reporting. These ESG matters were then rated anonymously by representatives from various departments. We believe that this process enabled us to bring internal and external stakeholders' perspectives to this exercise.

This review process was conducted to ensure continued relevance to our business operations. The key ESG material topics will be reviewed in each reporting year.

Senior Management conducts an annual review of the Group's material topics and monitors the performance as part of the Group's Sustainability Strategy.

In response to the evolving socio-economic climate and the new sustainability reporting guidelines introduced by the SGX, our leadership and the Sustainability and Climate Risk Committee have initiated a thorough reassessment of our material topics. This reassessment is crucial for maintaining the efficacy of our sustainability strategy and ensuring our competitive edge in the marketplace.

To facilitate this process, the Group has partnered with ESG & Biz Solutions Pte. Ltd. (the "**Sustainability Consultant**"). Together with our Sustainability and Climate Risk Committee, the Sustainability Consultant is tasked with pinpointing the sustainability issues that are most pertinent and impactful to the Group in FY2023.

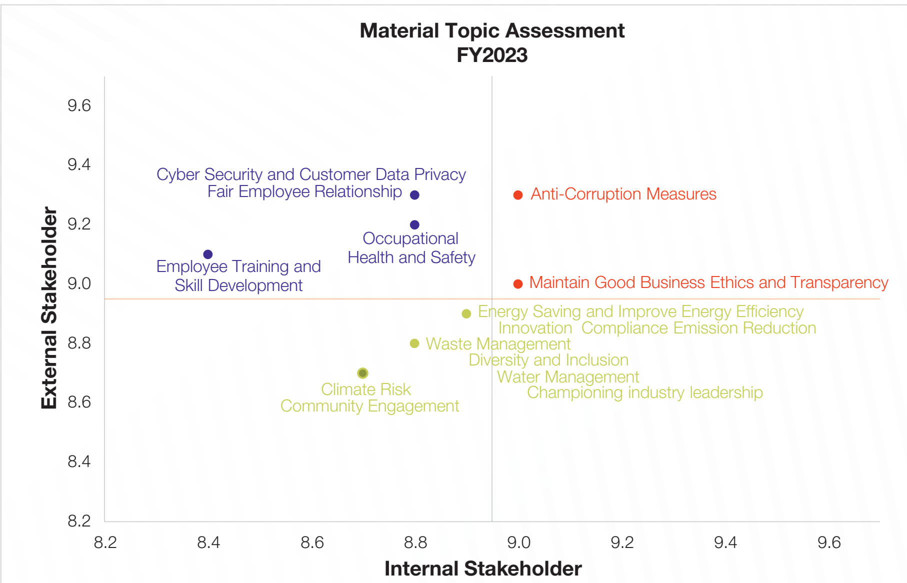
Additionally, the feedback from significant external stakeholders is regularly gathered and reviewed to stay aligned with their expectations and concerns.

A comprehensive questionnaire was developed and an online survey platform was utilized to determine the ESG topics deemed significant by both internal and external stakeholders of the Group.

Materiality Assessment and Stakeholder Engagement Outcome

During FY2023, we initiated a comprehensive stakeholder survey to better understand the concerns of our stakeholders regarding our sustainable development initiatives. We received a total of 38 responses from key stakeholders across various groups. The insights from this survey are critical in guiding our sustainability focus and will be detailed in the subsequent sections of the report.

Stakeholder Focus



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The management of Heatec is committed to ongoing improvement through active engagement with essential stakeholder groups. The details of these engagements are outlined in the table provided.

Stakeholder Group	Stakeholder Focus
Employees	Anti-Corruption Measures Cyber Security and Customer Data Privacy Occupational Health and Safety Community Engagement Fair Employee Relationship Regulatory and Legal Compliance
Government and Regulators	Anti-Corruption Measures Regulatory and Legal Compliance Economic Performance
Investors/Shareholders	Economic Performance
Customers	Anti-Corruption Measures Energy Saving and Improve Energy Efficiency Fair Employee Relationship Employee Training and Skill Development Cyber Security and Customer Data Privacy Supply Chain Management
Local Communities	Economic Performance Waste Management Community Engagement Cyber Security and Customer Data Privacy Diversity and Inclusion
Suppliers and Service Providers	Anti-Corruption Measures Fair Employee Relationship Maintain Good Business Ethics and Transparency Cyber Security and Customer Data Privacy Occupational Health and Safety

Material aspects were identified and prioritised through internal workshops together with senior management to determine the prioritisation of aspects that impact the most on the Group's business sustainability and stakeholders' needs. Peer reviews and social impact assessments were performed at site level. With reference to the GRI Standards, the following material aspects have been identified:

Material Topics

ESG	Material Topics	GRI Standard
Governance and Economic Performance	Economic Performance	GRI 201
	Procurement Practice	GRI 204
	Anti-Corruption	GRI 205
	Regulatory and Legal Compliance	GRI 2-27
Environment	Response to Climate Change	TCFD, GRI 302
	Energy and Emission	GRI 305
	Water and Effluent Management	GRI 303
	Waste Management	GRI 306
Social	Employee Management	GRI 401
	Equality and Diversity	GRI 405 GRI 406
	Training and Skill Development	GRI 404
	Occupational Health and Safety	GRI 403
	Customer Health and Safety	GRI 416
	Customer and Employee Data Privacy	GRI 418

ECONOMIC PERFORMANCE

MATERIAL TOPIC	RELEVANT SDG
GRI 201 Economic Performance • 201-1 Direct economic value generated and distributed	8 DECENT WORK AND ECONOMIC GROWTH

Why This Is Important

Heatec is committed to sustainable development, anchored by our core services that foster economic growth while adhering to ESG principles. Our Heat Exchanger, Piping Services and Chemical Cleaning are essential to the marine and oil and gas sectors. By investing in these areas, we generate value for shareholders and stimulate local economies through job creation, tax contributions, and community engagement. Our operations demonstrate a balance between profitability and social responsibility, ensuring long-term sustainability for Heatec and the communities we serve.

Management Approach

Heatec's management approach to driving economic performance is rooted in the application of industry best practices and adherence to international standards, such as ISO 9000:2015 Quality Management Systems and ISO 45001:2019 Occupational Health and Safety Management Systems. This commitment to quality and safety underpins our strategy for organic growth and sustainable development. In the near term, we aim to enhance economic performance by increasing revenue and managing costs, capitalizing on the expanding FPSO market. Our immediate goal is to secure additional contracts and foster sustainable relationships with current clients, while boosting competitiveness and operational efficiency. For the medium to long term, we will pursue inorganic growth through strategic, synergistic acquisitions and partnerships.

FY2023 Performance

The Group has successfully achieved a significant increase in revenue compared to FY2022. Additionally, we have dedicated efforts to maintaining customer loyalty and have monitored our daily performance in managing business costs through improved resource allocation.

	FY2023 S$'000	FY2022 S$'000	Change (%)
Economic Value Generated[(1)]	25,490	22,177	15
Operating Cost (related to supply chain)	16,916	14,574	16
Operating Cost (not related to supply chain)	9,067	7,898	15
Employee benefits expenses	11,895	12,425	(4)
Distribution to providers of debt capital[(2)]	377	390	(3)
Distribution to governments/taxes	(2)	4	NM

Notes:

(1) Economic value generated is derived by summing revenues and other income.

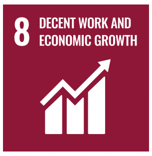
(2) Distribution to providers of debt capital refers to interest paid to the lenders.

FY2024 Target

In FY2024, the Group is striving for long-term sustainability development to drive our economic growth.

SUSTAINABILITY REPORT

PROCUREMENT PRACTICES

MATERIAL TOPIC	RELEVANT SDG
GRI 204 Procurement Practices • 204-1 Proportion of spending on local suppliers	

Why This Is Important

Effective procurement practices play a vital role in the Group's operations, as they directly contribute to improved financial performance by optimizing costs and enhancing the bottom line. These practices also embody transparency and accountability, which are essential for maintaining investor confidence and ensuring regulatory compliance. A robust procurement policy not only fosters exemplary corporate governance but also strengthens Heatec's reputation, aligning with its commitments to sustainability.

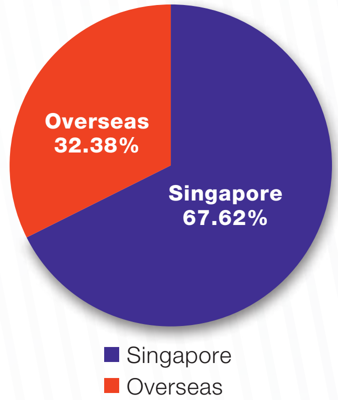
Management Approach

Heatec collaborates with a wide array of vendors, contractors, and suppliers to provide services that not only meet high-quality standards but also add significant value. It is paramount for us to nurture and maintain strong relationships with these partners. Our selection process is thorough, giving preference to vendors who exhibit exceptional health and safety practices, strict compliance with local regulations, and the necessary certifications. We prioritize partners who deliver exceptional service efficiency while upholding rigorous health, safety, and environmental standards.

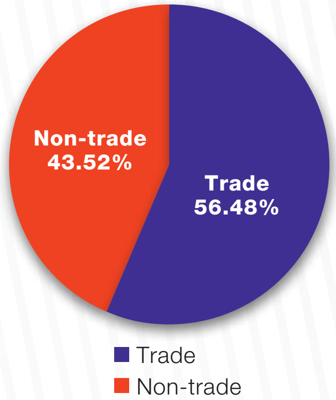
FY2023 Performance

Despite the ongoing global challenges affecting supply chains, our company has initiated the collection of procurement data starting in FY2023. In FY2023, 67.62% of our procurement budget was spent in Singapore, with 32.38% spent overseas. 56.48% of our spending was for trade purposes and 43.52% was for non-trade purposes.

Procurement Budget Spent Based on Country FY2023



Procurement Budget Spent Based on Trade Type FY2023

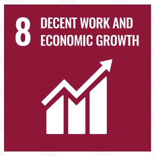


FY2024 Target

In FY2024, the Group remains committed to partnering with local suppliers, while simultaneously broadening our supplier base to guarantee the timely delivery of essential items for our operations, thereby minimising potential disruptions.

SUSTAINABILITY REPORT

ANTI-CORRUPTION

MATERIAL TOPIC	RELEVANT SDG
GRI 205 Anti-Corruption • 205-2 Communication and training about anti-corruption policies and procedures • 205-3 Confirmed incidents of corruption and action taken	

Why This Is Important

Good business ethics and conduct are essential for Heatec as they build trust, enhance reputation, and attract customers and partners. Ethical behaviour ensures legal compliance, reduces risks, and fosters a positive work environment, improving employee retention. It also cultivates customer loyalty, sets Heatec apart from competitors, and appeals to socially responsible investors. Additionally, a commitment to sustainability and environmental responsibility aligns with global expectations and contributes to long-term success and viability in an ever-evolving business landscape.

Management Approach

The Code of Conduct and Business Ethics of the Group outlines the standards and ethical practices mandatory for all employees within the organization. This comprehensive code addresses various domains, including conduct in the workplace, ethical business dealings, safeguarding Heatec's assets, the sanctity of confidential information, and managing conflicts of interest.

Additionally, the Group has instituted a robust whistle-blowing framework. This mechanism is designed to support the reporting of any instances of corporate malfeasance.

The Group maintains a strict policy against child labour and the use of any unethical practices, whether direct or indirect, within its operational conduct. The term "indirect" signifies the Group's commitment to dissociate and refrain from engaging with any business entities – be it partners, suppliers, or third-party producers – that are implicated in unethical business practices.

Anti-Corruption Policy

A zero-tolerance stance on corruption is central to the Group's ethos, with the commitment to take decisive action against any employee found engaging in such practices. The Group's operations are in strict accordance with anti-corruption laws across all regions of business activity, forbidding any improper transactions or gifts involving any individuals or entities, including officials, clients, and vendors.

The anti-corruption policy is a fundamental part of Heatec's Employee Handbook accessible by employees and is emphasized to new staff during their HR Orientation and briefing. The policy extends to suppliers, subcontractors, and business partners, ensuring clear communication of these standards at the beginning of any business relationship. Furthermore, the Group's Finance Department is charged with rigorous monitoring of all financial transactions to prevent and detect any anomalies.

Anti-Fraud Policy

The Group defines fraud as any illegal action involving deceit, breach of trust, or hiding the truth. These actions aim to gain assets, services, or advantages dishonestly, without using violence. Fraud can include various financial tricks like altering accounting records, stealing funds or assets, hiding transactions, lying about financial situation, or manipulating data for personal benefit.

Understanding the serious consequences of unethical or illegal behaviour, such as financial loss, legal trouble, and harm to reputation, the Group strictly enforces its anti-fraud policy. If any fraud is suspected or confirmed, whether by employees or outsiders, it is quickly reported to the authorities for investigation and action.

Whistle-Blowing Policy

The Group is committed to maintaining the highest standards of integrity and accountability within its operations. To this end, we have instituted a whistle-blowing policy that empowers both our staff and external stakeholders to report any suspicious activities or concerns they may have relating to our business operations. This could range from accounting and financial reporting discrepancies to deviations in auditing practices, internal controls, and the conduct of business operations.

The whistle-blowing policy is designed to ensure that all reports are investigated thoroughly and impartially, with appropriate measures taken in response to the findings. To facilitate this process, we have established clear procedures and protocols, as detailed in our Employee Handbook. This handbook is readily available to all employees on Heatec's internal server, ensuring that the policy is both transparent and accessible.

To report any irregularities, employees can contact the Whistleblowing Hotline. This line is operated by Heatec's internal auditors, BDO Advisory Pte. Ltd., ensuring that all reports are managed with the utmost professionalism and confidentiality. BDO Advisory Pte. Ltd. maintains regular communication with the Chairman of the Audit and Risk Management Committee, submitting monthly reports on the hotline activity.

FY2023 Performance

In FY2023, the Group not only achieved but maintained its set objectives from the prior year, reflecting our unwavering commitment to integrity. We are proud to report a record of exemplary compliance, with no occurrences of corruption, no whistleblowing incidents, and no detected cases of fraud or corruption. This accomplishment underscores our continuous efforts toward our steadfast goal of upholding a zero-incident environment.

FY2024 Target

As we look forward to FY2024, our commitment to operational integrity remains unwavering, with our sights set on perpetuating our record of zero malpractice reports. In the year ahead, we will continue to cultivate a culture that prioritizes transparency and accountability throughout the Group, affirming our pledge to ethical practices in every facet of our work. The Group's long-term target is to ensure our clean record on zero malpractice reports.

SUSTAINABILITY REPORT

REGULATORY AND LEGAL COMPLIANCE

MATERIAL TOPIC	RELEVANT SDG
GRI 2 General Disclosures • 2-27 Compliance with laws and regulations	8 DECENT WORK AND ECONOMIC GROWTH

Why This Is Important

Heatec is dedicated to upholding the highest standards of legal and ethical behaviour, acknowledging the critical importance of compliance within our highly regulated industry. Our robust whistleblowing mechanisms and anti-corruption measures, coupled with a thorough legal policy, highlight our unwavering commitment to business integrity. We consistently strive to operate with fairness and impartiality, reflecting our core values in every aspect of our corporate conduct.

Management Approach

Heatec rigorously maintains a comprehensive legal and regulatory register across all subsidiaries to ensure our business practices are in strict conformity with the latest regulatory requirements. Our compliance framework is robust, built to not only meet but strive to surpass the industry standards and legal obligations.

Our role as a corporate citizen is embraced with significant resolve, recognizing that our societal contributions, including fair tax practices and social investments, are a reflection of our corporate principles. Upholding anti-corruption laws, adhering to financial regulations, and abiding by applicable legalities are intrinsic to Heatec's culture.

We engage in regular audits of our clientele and contractors, ensuring proactive defence against international sanctions and the upholding of fair-trade practices. The Group's commitment to regulatory adherence is a cornerstone of our operation, particularly with respect to environmental stewardship and social impact.

Aware of the profound influence our operations have on stakeholders and the environment, we treat environmental and safety regulations as paramount. Heatec is ever vigilant, ready to adapt and implement strategic measures in response to evolving legal frameworks, thereby affirming our pledge to environmental integrity and safety.

In all, Heatec's dedication to legal compliance is interwoven with our commitment to sustainable and accountable business practices, ensuring a positive impact on both society and the environment.

FY2023 Performance

Heatec is gratified to announce that throughout FY2023, the Group maintained full compliance with all local anti-corruption statutes, rules, and regulations, reporting no instances of non-compliance on environmental and social topics.

FY2024 Target

Our objective for FY2024 and the subsequent years is to perpetuate our record of strict adherence to legal standards, continuing to achieve zero violations in all jurisdictions of operation.

SUSTAINABILITY REPORT

RESPONSE TO CLIMATE CHANGE

MATERIAL TOPIC	RELEVANT SDGs
Response to Climate Change (TCFD) • Governance • Strategy • Risk Management • Metrics and Target	8 DECENT WORK AND ECONOMIC GROWTH 13 CLIMATE ACTION

Why This Is Important

Heatec is committed to addressing the challenges of climate change and the rising carbon tax in the marine engineering industry. This combination presents a substantial threat to both our communities and the global economy, underscoring the critical need for proactive responses. We understand that given our position in an industry with high energy demands and potential disruptions in the global supply chain, we must address the challenges posed by rising energy costs and the increasing carbon tax, in addition to environmental concerns. To ensure our competitiveness and uphold our role as responsible corporate citizens in the battle against climate change, we are wholeheartedly dedicated to preparing for a sustainable future.

As a responsible corporation, we are adapting to new regulations such as mandates from the SGX-ST and TCFD guidelines. We are focused on reducing emissions and promoting sustainable practices to ensure our competitiveness and environmental responsibility. By implementing the TCFD framework, we aim to lead our sector towards a more sustainable future.

Heatec aims to lead the marine engineering industry toward a greener and more sustainable future.

Management Approach

In alignment with the TCFD Reporting guidelines, the Group is proactively gearing up to evaluate our performance and disclosure across four pivotal dimensions: Governance, Strategy, Risk Management, and Metrics and Targets.

Governance

Heatec has taken proactive measures to establish a robust Sustainability and Climate Risk Committee within our organization. We have seamlessly integrated climate-related risk management into our comprehensive risk management system, ensuring its seamless integration into our strategic approach. As part of our commitment to ESG principles, we have conducted a thorough review of our ESG strategy and performance, with particular emphasis on climate risk control strategies and risk assessment reports.

In FY2023, we achieved a significant milestone by creating the Sustainability and Climate Risk Committee, highlighting our unwavering dedication to addressing climate risks comprehensively. The Sustainability and Climate Risk Committee will play a pivotal role in examining, responding to, and devising strategies for climate risks, ensuring they remain a central focus of our sustainability efforts.

Furthermore, we have embedded key climate-related indicators into our daily performance monitoring system. These indicators serve as measurable targets that guide our teams in their day-to-day activities, reaffirming our steadfast commitment to sustainability and environmental responsibility.

Strategy

Taking into consideration its unique business characteristics and the evolving trajectory of the global shipping industry, Heatec has proactively identified climate change risks and conducted thorough analyses to assess their potential financial implications.

Our risk assessment encompasses two primary categories: physical risks, which are associated with the immediate impacts of climate-related events and long-term climate pattern shifts on our company assets, and transition risks, which relate to the challenges in transitioning to a low-carbon economy. These transition risks include market uncertainties arising from shifts in policies, regulations, and customer preferences.

Drawing from the identification of these climate change risks, Heatec has implemented strategic measures to address and mitigate their potential impacts.

Climate Risk Management

Physical Risk

Physical risks are associated with the physical impacts of climate change arising from extreme weather events due to changes in climate patterns.

The physical risk might affect the following operation activities within Heatec's operation.

Risk Type	Risk	Description	Potential Financial Impact
Acute Risk	Extreme weather events (including flooding, rainstorms, and extreme hot days)	1) Intense rainfall and flooding can inflict damage on infrastructure and equipment, leading to workers' inability to perform any job and job delays. 2) Reduced outdoor productivity is often a consequence of persistent rainfall. 3) Sudden and extreme precipitation events are capable of causing flash floods, which can disrupt the supply chain of our materials and impede standard business activities. 4) Worker safety is compromised during severe weather conditions, as frequent lightning and flooding curtail outdoor activities and elevate safety hazards. 5) Elevated temperatures heighten the risk of heat-related illnesses, such as heat stroke, among outdoor workers.	Operational difficulties Supply chain disruption Increased operating costs
Chronic Risk	Rising sea levels	As sea levels rise, there is a heightened risk to port infrastructure. This situation may necessitate substantial financial investment to modify or relocate at-risk facilities.	Increased operating and maintenance costs
	Temperature change	Increasingly frequent hot days raise health and safety risks for workers and drivers involved in outdoor operations, necessitating enhanced protective measures and protocols.	Operational difficulties Increased operation costs

Transition Risk

Transition Risk means transitioning to a lower-carbon economy which may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying financial and reputational risk levels to organizations.

Within the operation activities, the following transition risks might be faced by the organization in our short and long-term operations:

Risk Type	Risk	Description	Potential Financial Impact
Legal and Regulation Risk	Revising of existing requirements and introducing of new regulations	(1) As governments reinforce policies to combat climate change, complying with these regulations may require significant investments in environmentally-friendly technologies and operational practice modifications. (2) Government initiatives promoting a shift towards a low-carbon economy include incentives for adopting Electric Vehicles (EVs) in company transportation.	Early scrapping of current assets Increased operating and maintenance costs
	Increased carbon tax	Increased carbon taxation will lead to higher energy and maintenance expenses.	Increased operating and maintenance costs;
Market Shift	Customer preference change	(1) Difficulties in meeting customer expectations for sustainable practices, such as energy efficiency and carbon reduction, could lead to the Group losing its customer base to competitors perceived as leaders in low-carbon industries. (2) Increasing customer demand for environmentally friendly services necessitates an accelerated shift toward a carbon-neutral model, resulting in higher research and development (R&D) expenditures and other operational costs associated with this transition.	Operation difficulties Increased operating cost Decline in demand for goods and services Negative impact on revenue
Reputational Risk	Growing concern of stakeholders about negative feedback	1) Insufficient environmental performance and transparency may lead investors and customers to prefer competitors who demonstrate stronger eco-friendly credentials. 2) Investors are advocating for the adoption of new and renewable energy sources within company operations to align with sustainable investment criteria. 3) Growing investor and customer scrutiny over environmental performance dictates that compliance with contemporary regulations is critical. Non-compliance may result in Heatec facing contract terminations and a decrease in investments.	Decline in demand for goods and services Loss of investors Decrease in income

As a Group, we are dedicated to staying at the forefront of environmental responsibility by continuously monitoring and implementing cutting-edge strategies to reduce our environmental footprint.

Metrics and Target

The Group has developed comprehensive climate data collection metrics in collecting Scope 1 and Scope 2 emissions to track our emission performance as our response towards climate change. For details about our metrics and target setting, please refer to Energy and Emissions Section.

SUSTAINABILITY REPORT

ENERGY AND EMISSIONS

MATERIAL TOPIC	RELEVANT SDGs
GRI 302 Energy • 302-1 Energy consumption within the organization GRI 305 Emissions • 305-1 Direct (Scope 1) GHG emissions • 305-2 Energy indirect (Scope 2) GHG emissions	8 DECENT WORK AND ECONOMIC GROWTH 13 CLIMATE ACTION

Why is this Important?

Energy consumption and emission reduction stand as paramount priorities for the Group, aligning directly with our steadfast commitment to sustainable development and environmental guardianship. Beyond mere compliance with global environmental standards, our efforts to diminish energy usage and emissions serve to mitigate the escalating expenses of energy and the burgeoning financial burdens of carbon taxes. Through the implementation of these initiatives, we play our role in steering towards a low-carbon economy, thereby ensuring the well-being of our planet for posterity.

Management Approach

Energy usage is monitored at the Group's workplaces to ensure that resources are used economically, meaningfully, and responsibly. On an ongoing basis, the Group continually seeks to lower electricity consumption by closing off floors that are not utilised and shutting down air-conditioning compressors in those areas. Our administrative offices do not use centralised air-conditioning but modular units.

The Group has developed comprehensive data collection metrics in collecting Scope 1 and 2 emissions to track our energy consumption and emission performance, empowering us to continuously monitor our performance and take actions in enhancing our energy efficiency in the long term.

FY2023 Performance

In the FY2023, our company aligned its energy consumption data gathering and emission calculations with internationally recognized standards, including the TCFD and the Greenhouse Gas ("**GHG**") Protocol. Due to the methodological and data discrepancies between the reports of FY2022 and FY2023, a direct reconciliation is not possible at this time. We are advancing our data collection and monitoring practices, prioritizing energy and emissions performance. This initiative is aimed at accumulating reliable data to inform the setting of both medium and long-term goals for our energy and emissions strategy moving forward.

Energy Consumption

In FY2023, the Group's total energy consumption equalled 4,079.54 gigajoules ("**GJ**"), which comprised 1,830.50 GJ from the combustion of diesel, compressed natural gas ("**CNG**") and liquefied petroleum gas ("**LPG**"), and 2,249.04 GJ from consumption of electricity.

Energy Consumption (GJ) From Fuel and Gas Combustion

Source	Energy Source	Consumption Quantity	Unit	Energy Consumption (GJ)	Total Energy Consumption (GJ)
Stationary	Diesel	850.00	L	30.53	**1,830.50**
Mobile	Diesel	48,131.70	L	1,738.49	
Purchased Gas	CNG	1,068.34	kg	47.29	
	LPG	300.00	kg	14.19	

* Acetylene (as purchased gas) is currently not listed under the GHG Protocol/NEA list for energy and emission calculation. In FY2023, Heatec consumed 14.4 m^3 of acetylene.

SUSTAINABILITY REPORT

Energy Consumption (GJ) From Electricity Consumption

Financial Year	Total Electricity Consumption (kWh)	Total Energy Consumption (GJ)
FY2023	624,732.91	2,249.04
FY2022	511,750.00	1,842.30

Total Energy Consumption (GJ)

Energy Source	Fuel and Gas	Electricity	Total (GJ)
Energy Consumption (GJ)	1,830.50	2,249.04	**4,079.54**

Emissions

In FY2023, our total GHG emissions totalled 397.80 tonnes of CO_2 equivalent ("**tCO_2e**"). Our Scope 1 GHG emissions from fuel and gas combustion combined with the usage of 0.98 tonnes of purchased CO_2 added up to 137.42 tCO_2e. Our electricity consumption created Scope 2 GHG emissions of 260.38 tCO_2e.

Scope 1 GHG Emissions (tCO_2e)

Total Energy Consumption (GJ)	Total Scope 1 GHG Emission (tCO_2e)
1,830.50	**137.42**

* Heatec's Scope 1 GHG emissions included consumption of 0.98 tonnes of purchased CO_2.

Scope 2 GHG Emissions (tCO_2e)

Total Energy Consumption (GJ)	Total Scope 2 GHG Emission (tCO_2e)
2,249.04	**260.38**

Total GHG Emissions (Scope 1 and Scope 2) (tCO_2e)

GHG Emissions Category	Scope 1	Scope 2	Total (tCO_2e)
Total GHG Emissions (tCO_2e)	137.42	260.38	**397.80**

FY2024 Target

Heatec is dedicated to setting and achieving both ambitious and realistic targets for energy and emissions reduction. Recognizing that targets for energy usage and electricity consumption were established in FY2022, it is important to note that with our new data collection methodology for energy and emissions-aligned with the TCFD and GHG Protocol-this marks our inaugural year of reporting. As such, we will continue to closely monitor the Group's performance and engage in benchmark analysis. This will inform the determination of our targets for FY2024.

WATER AND EFFLUENT MANAGEMENT

MATERIAL TOPIC	RELEVANT SDGs
GRI 303 Water and Effluents • 303-2 Management of water discharge-related impacts • 303-5 Water consumption	8 DECENT WORK AND ECONOMIC GROWTH 6 CLEAN WATER AND SANITATION

Why This Is Important

Water and trade effluent management is crucial for the Group due to its role in safeguarding the environment, ensuring compliance with strict Singapore's National Environment Agency ("**NEA**") and Public Utility Board ("**PUB**") regulations, and protecting public health. Efficient management practices also contribute to operational efficiencies, reduce costs, and foster innovation in sustainable waste treatment. Furthermore, it strengthens community relations and positions the Group as a market leader in environmental stewardship, which is increasingly valued by clients and investors.

Management Approach

The Group commits to strict compliance with the regulatory guidelines set by NEA and the PUB for managing water and effluent discharge. Our operations are centred on the manufacture and maintenance of heat exchangers, including a vigilant process control for chemical usage and storage, with regular checks of our equipment to ensure the effectiveness of our water treatment process.

We engage licensed waste collectors for the safe disposal of exhausted chemicals and continuously monitor our effluent treatment system to neutralize wastewater before its discharge into the sewerage system. Our NEA-approved monitoring systems allow us to manage environmental impacts proactively. Training for staff in handling chemicals and emergency response is paramount, along with maintaining comprehensive records and regular reporting to relevant authorities.

We prioritize continuous improvement through system reviews for eco-friendlier processes. Internal and external audits are integral to our approach, ensuring our practices remain transparent and exceed environmental standards.

FY2023 Performance

In FY2023, the Group consumed a total of 6,238.90 m^3 of water, which was stable compared to last year's consumption.

Financial Year	Total Water Consumption (m^3)
FY2023	6,238.90
FY2022	6,121.00

FY2024 Target

We are committed to achieving zero violations in our trade effluent discharge processes, ensuring full compliance with government regulations. Our goal is to maintain a record of zero accidental spill incidents on-site. Concurrently, we are dedicated to reducing our water consumption starting in FY2024, as part of our ongoing commitment to sustainability and efficient resource use.

SUSTAINABILITY REPORT

WASTE MANAGEMENT

MATERIAL TOPIC	RELEVANT SDGs
GRI 306 Waste • 306-2 Management of significant waste-related impacts • 306-3 Waste generated	8 DECENT WORK AND ECONOMIC GROWTH 13 CLIMATE ACTION

Why This Is Important

Waste management is integral to Heatec's long-term sustainable development for several compelling reasons. It ensures that we operate within the confines of environmental regulations, avoiding legal penalties and further impact to our operation activities. It reflects our commitment to preserving the planet for future generations, a value that resonates with our customers and the wider community.

Adopting and improving waste management practices is not just an operational necessity for Heatec; it's a strategic approach that underpins our ability to grow sustainably, foster innovation, and maintain a leading role in the industry's progression towards a greener future.

Management Approach

The Group uses a 3-R approach – Reduce, Reuse, Recycle – which advocates bringing production waste to the minimum by reducing the generation of waste, as well as reusing and recycling resources wherever possible.

FY2023 Performance

In FY2023, the Group generated 0.41 tonnes of non-hazardous waste which was properly recycled.

FY2024 Target

We are committed to a strategic reduction of our waste output starting in FY2024, continuing this initiative into the future with sustained and collaborative efforts.

EMPLOYEE MANAGEMENT

MATERIAL TOPIC	RELEVANT SDGs
GRI 401 Employment • 401-1 New employee hires and employee turnover • 401-3 Parental leave	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH

Why This Is Important

Heatec operates in a labour-intensive industry where our workforce is one of our most valuable assets. Therefore, the implementation of a fair employment policy and robust employment practices is of paramount importance to Heatec's growth and prosperity.

These practices not only attract and retain top-tier talent but also significantly boost productivity, ensuring that we consistently meet our customers' needs on time. Furthermore, a comprehensive employment policy guarantees our compliance with relevant legal regulations, safeguarding our reputation and minimizing legal risks.

Overall, these elements work together to support Heatec's development, culminating in a motivated, diverse, and engaged workforce, strict legal adherence, enhanced reputation, increased innovation, and ultimately greater profitability and a positive impact on our community and industry.

Management Approach

Heatec has documented a comprehensive employment policy in our employee handbook, which is accessible to all our employees. Before the commencement of employment with the Group, employees will be briefed of the policies.

Our Employee Handbook highlights Heatec's commitment to creating an inclusive and respectful workplace. It outlines our policies and procedures pertaining to various aspects, including hiring, employee benefits, and workplace conduct.

Our Fair Employment Policy underscores our dedication to providing equal opportunities to all employees, free from discrimination. The hiring process comprises job postings, application screening, and interviews.

Our employee benefits package encompasses medical, dental, along with provisions for professional development. Additionally, we offer specific leave policies such as annual, sick, parental, compassionate, and maternity leave. All employees have access to medical, dental, and insurance, as well as opportunities for fair professional development.

We uphold a strict stance against harassment, fostering a safe and supportive environment for all our employees.

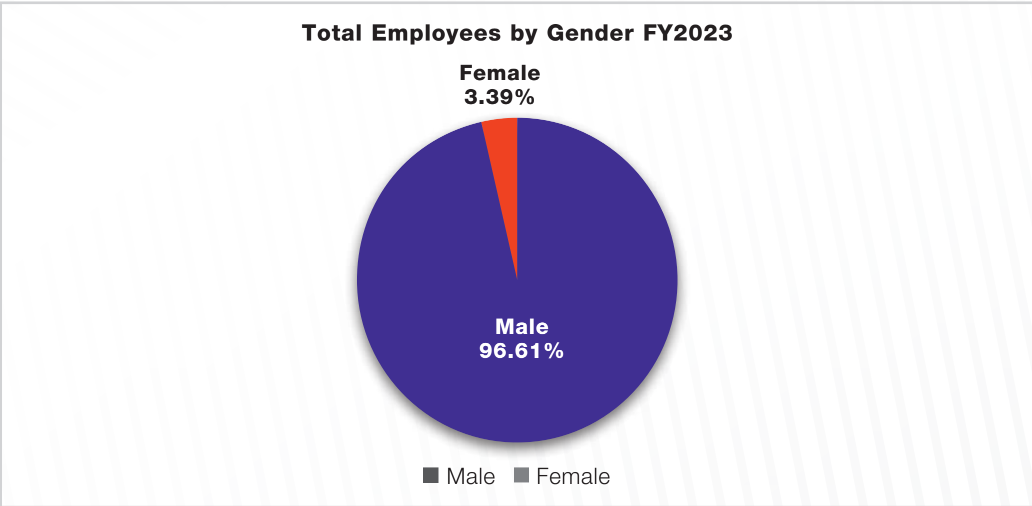
SUSTAINABILITY REPORT

FY2023 Performance

Total Employees by Gender

As of 31 December 2023, the Group had 383 employees in total under the Group's employment. Among our employees in FY2023, 96.61% were male, and 3.39% were female. The gender ratio remained stable as compared to FY2022's.

	Gender		
Financial Year	**Male**	**Female**	**Total**
FY2023	370 (96.61%)	13 (3.39%)	383
FY2022	97%	3%	100%



Total Employees by Contract Type

In FY2023, all our 383 employees were on permanent contracts with the Group.

Contract Type		
Permanent	**Temporary**	**Total**
383	0	383

Total Employees by Working Type

In FY2023, we had 380 full-time employees and 3 part-time employees. 99.22% of our workforce are full-time employed by the Group.

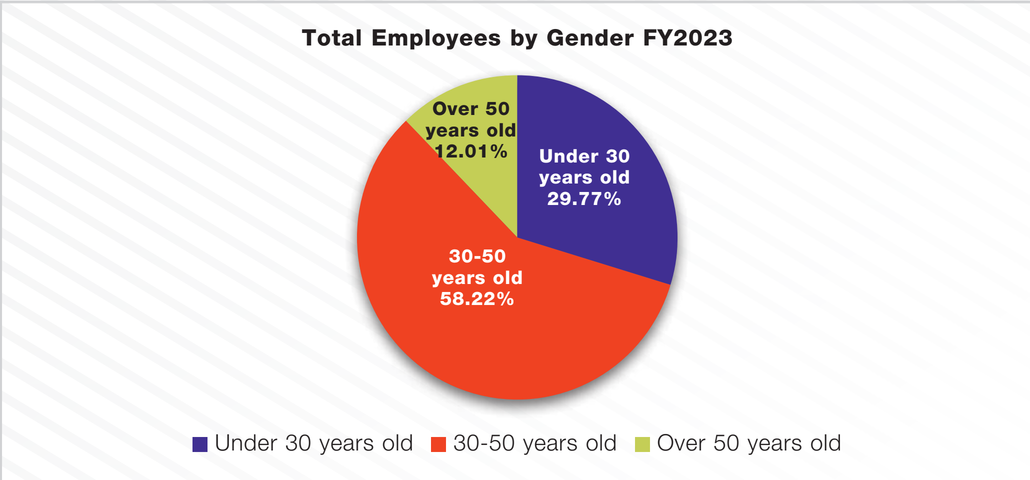
Working Type		
Full Time	**Part Time**	**Total**
380	3	383

SUSTAINABILITY REPORT

Total Employees by Age Group

In FY2023, we had 114 employees under 30 years old, 223 employees between 30 and 50 years old, and 46 employees over 50 years old.

	Age Group			
Financial Year	**Under 30**	**30-50**	**Over 50**	**Total**
FY2023	114 (29.77%)	223 (58.22%)	46 (12.01%)	383
FY2022	10%	72%	18%	100%

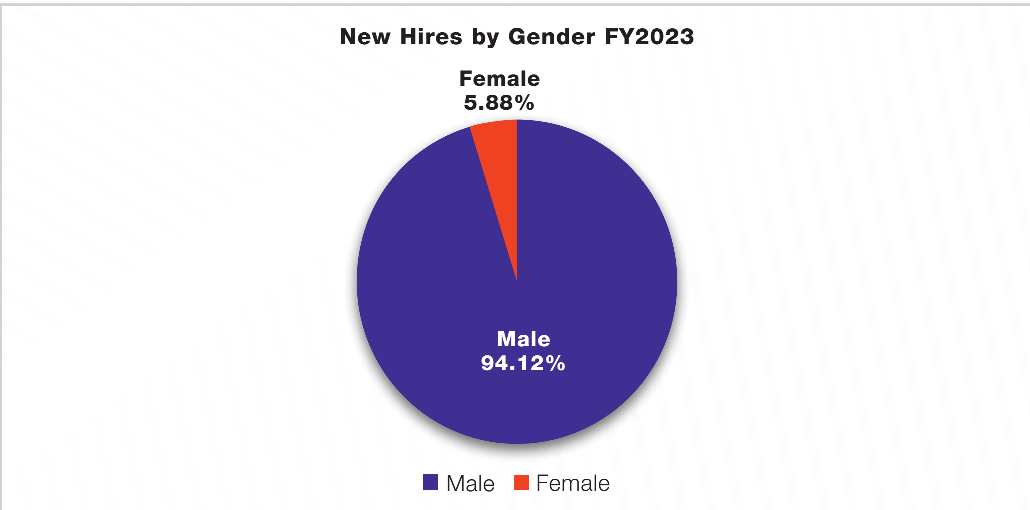


New Hires

New Hires By Gender

In FY2023, our 68 new hires consisted of 64 males and 4 females.

Gender		
Male	**Female**	**Total**
64	4	68

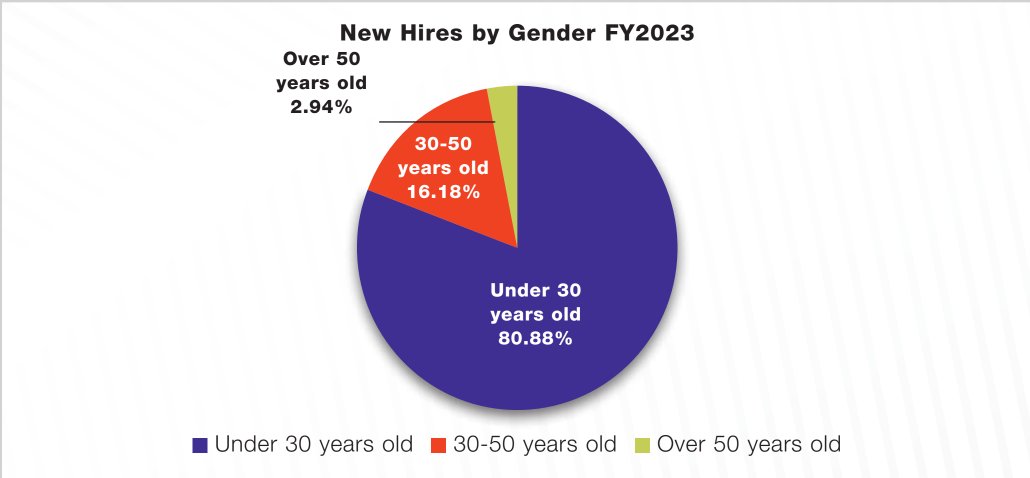


SUSTAINABILITY REPORT

New Hires by Age Group

In FY2023, we hired 55 employees under 30 years old, 11 employees between 30 and 50 years old, and 2 employees above 50 years old.

Age			
Under 30	30-50	Over 50	Total
55	11	2	68



Employee Turnover Rate

In FY2023, the overall employee turnover rate for the Group was 10.14%.

No. of Employees Who Left	Employee No. at the Beginning of FY	Employee No. at the End of FY	Employee Turnover Rate
37	347	383	10.14%

Employee Parental Leave

We entitled 1 female employee with parental leave, with a 100% return to work and retention rate in FY2023.

FY2024 Target

In FY2024, our goal is to continue receiving zero complaints from our workforce regarding unfair treatment in the workplace.

SUSTAINABILITY REPORT

EQUALITY AND DIVERSITY

MATERIAL TOPIC	RELEVANT SDGs
GRI 405 Diversity and Equal Opportunity 405-1 Diversity of governance bodies and employees GRI 406 Non-discrimination 406-1 Incidents of discrimination and corrective actions taken	

Why This Is Important

Equality and diversity are essential for Heatec's development. They bring innovation, attract and retain talent, expand market reach, ensure legal compliance, boost employee engagement, improve problem-solving, and have a positive impact on our community and industry. In essence, they are both ethical imperatives and strategic assets that drive our growth and success.

Management Approach

Heatec is firmly committed to diversity and equal opportunity for all our employees and has a zero-tolerance policy towards any form of racial discrimination or gender bias. Our approach to employment and career development is based on individuals', to align with their skills, experience, and potential to excel in their respective roles, irrespective of gender, ethnicity, religion, sexual orientation, disability, or any other non-work-related attributes. These principles guide our recruitment and career advancement practices, which are built on merit, capabilities, and a positive attitude.

Our Community Engagement Stories FY2023

Meals-On-Wheels (Food Donation Drive)

We helped the home-bound elderly who live alone and may have dietary or physical disabilities and carried out our responsibility as a society by helping one another.

Visit Old Age Home (All Saints Home Jurong East)

We educated employees to show care and passion for the elderly, reminded them to show their appreciation and learn the way of care taking, to create closer bonds among employees and the elderly and among employees who took part in the event.

Year End Event

We held the event as a form of appreciation to employees and encouraged bonding among staff.

SUSTAINABILITY REPORT

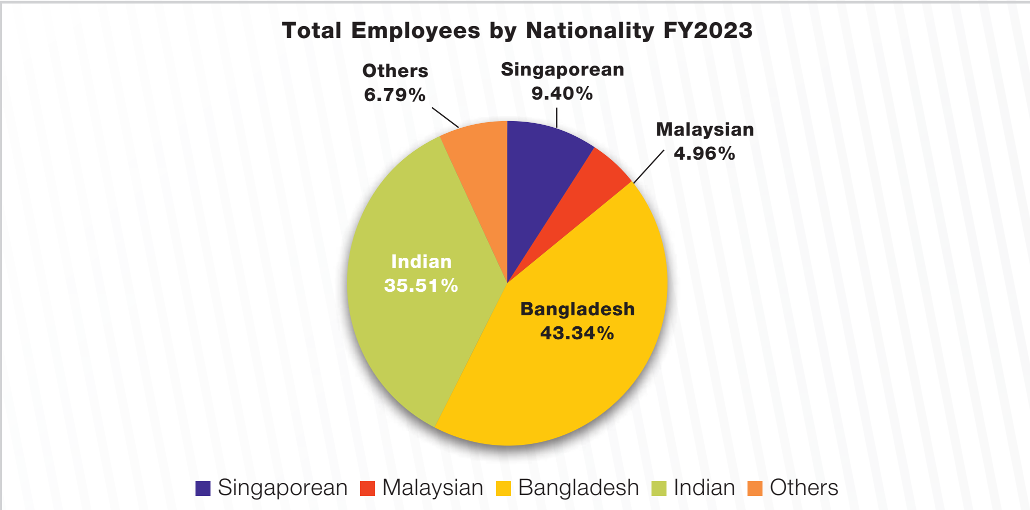
Furthermore, Heatec is dedicated to upholding fair employment practices as prescribed by the Tripartite Alliance for Fair Employment Practices ("**TAFEP**"). We are committed to fostering an inclusive workplace solely based on merit and ability, adhering to the best practices in human resource management. This commitment translates into providing equal opportunities for career progression within the organization, as well as offering training, development, and other enriching opportunities to all employees.

FY2023 Performance

Total Employees by Nationality

In FY2023, our employees were from 8 different countries. Singaporeans and Malaysians constituted 9.40% and 4.96% of our workforce, respectively. Bangladesh nationals comprised the majority of our employees at 43.34%, while Indians made up 35.51%. Employees from other countries accounted for 6.79% of our staff.

Nationality	No. of Employees
Singaporean	36
Malaysian	19
Bangladesh	166
Indian	136
Others	26
Total	383

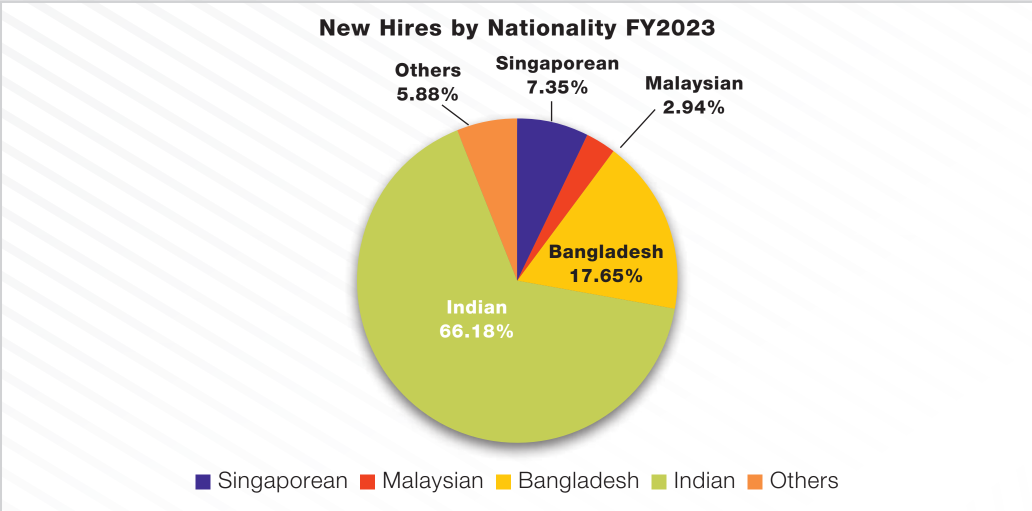


SUSTAINABILITY REPORT

New Hires by Nationality

In FY2023, our 68 new hires came from 5 different countries: Singapore nationals consisted of 7.35% of the headcount while Malaysians constituted 2.94%. More than half of our new employees, accounting for 66.18%, were Indian nationals, followed by Bangladesh at 17.65% and others at 5.88%.

Nationality	No. of Employees
Singaporean	5
Malaysian	2
Bangladesh	12
Indian	45
Others	4
Total	68

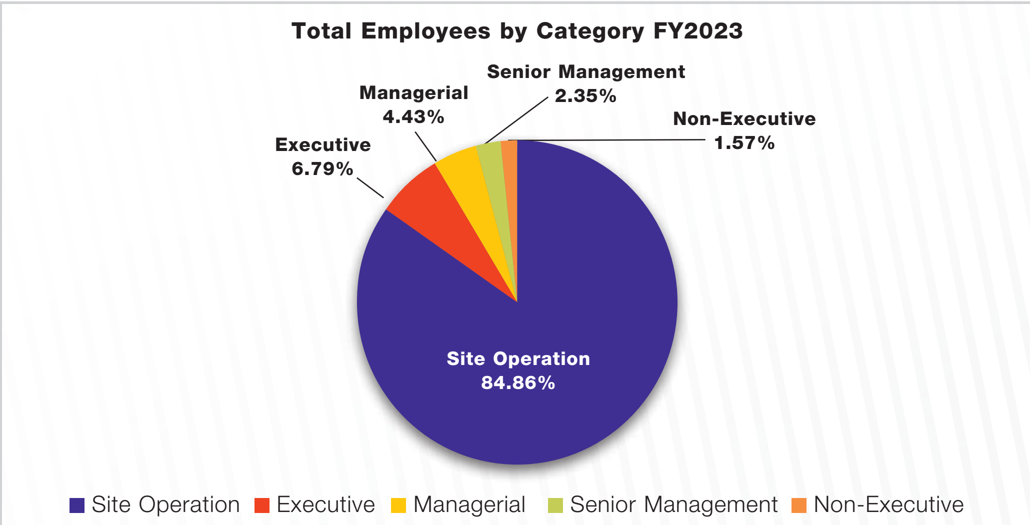


SUSTAINABILITY REPORT

Total Employees by Employee Category

In FY2023, our employees consisted of 5 categories. The senior management and managerial employees accounted for 2.35% and 4.43% of our total employees. Executive and non-executive staff took up 6.79% and 1.57%, respectively. 84.85% of our employees are site operation level, constituting the majority of our workforce.

Employee Category	No. of Employees
Senior Management	9
Managerial	17
Executive	26
Non-Executive	6
Site Operation	325
Total	383



FY2024 Target

In FY2024, our goal is to continue maintaining a record of zero reported cases of discrimination.

SUSTAINABILITY REPORT

TRAINING AND SKILL DEVELOPMENT

MATERIAL TOPIC	RELEVANT SDG
GRI 404 Training and Education • 404-1 Average hours of training per year per employee • 404-2 Programs for upgrading employee skills and transition assistance programs • 404-3 Percentage of employees receiving regular performance and career development reviews	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH

Why This Is Important

Employee development is a cornerstone of the Group's strategy for human resources, aimed at empowering staff with vital skills and knowledge for their professional growth. By fostering a workforce proficient in current technology, operations, and management, the Group is well-equipped to achieve its business targets and foster enduring, sustainable advancement.

Management Approach

The training framework provided is robust, encompassing support for advanced education, professional workshops, and informative seminars.

The Group also implements comprehensive safety orientation for every new hire, across administrative and technical roles, ensuring awareness and adherence to safety standards.

There are tailored internal training programs for two distinct groups: Administrative & Office staff, and Technical staff. Technical training covers specific skills like welding and is mandatory for employees in shipyards and workshops. New technical recruits must complete at least 10 hours of safety training, including both external and in-house orientation, before starting work on-site.

Administrative and office personnel typically receive on-the-job training. New staff in these roles must undertake 40 hours of training, combining practical job training with safety orientation, within their initial week at the Group.

FY2023 Performance

Overall Employee Training Hour

In FY2023, 7.13 average training hours were received per employee in the Group.

No. of Employees	Training Hours	Average Training Hours
383	2,731	7.13

Average hours of training per year per employee, by category

Averaged by categories, in FY2023, our site operation level workers received the longest hours of training at 7.89 hours. The executive, senior management, and managerial staff received training averaging 4.00, 3.11, and 2.12 hours, respectively, while the non-executive employees did not receive training in this financial year.

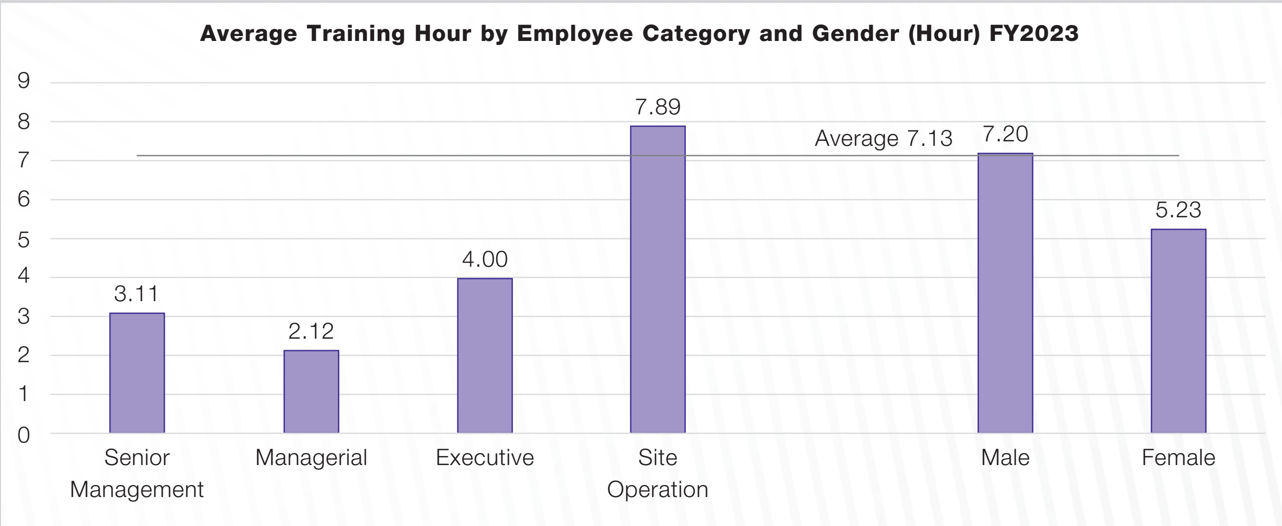
Employee Category	No. of Employees	Training Hours	Average Training Hours
Senior Management	9	28	**3.11**
Managerial	17	36	**2.12**
Executive	26	104	**4.00**
Site Operation	325	2,563	**7.89**
Total	**383**	**2,731**	**7.13**

SUSTAINABILITY REPORT

Average hours of training per year per employee, by gender

In FY2023, broken down by gender, our male employees on average received 7.20 hours of training, whereas our female employees received an average of 5.23 hours of training.

Gender	No. of Employees	Training Hours	Average Training Hours
Male	370	2,663	**7.20**
Female	13	68	**5.23**
Total	**383**	**2,731**	**7.13**



Employee Performance Review

In FY2023, all our employees hired by the company for more than 3 months have received a performance review. The performance review was only applicable for an employee who passed the provision period.

Training Programmes

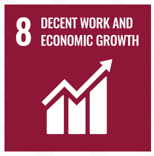
In FY2023, technical related trainings like Workforce Skills Qualifications ("**WSQ**") and workplace safety and health courses and soft skills trainings such as sustainability and ESG workshop and goods and services tax rate changes were provided to our employees.

FY2024 Target

In FY2024, our objective is to achieve an average of 8 hours of training for each employee.

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH AND SAFETY

MATERIAL TOPIC	RELEVANT SDG
GRI 403 Occupational Health and Safety • 403-1 Occupational health and safety management system • 403-2 Hazard identification, risk assessment, and incident investigation • 403-3 Occupational health services • 403-4 Worker participation, consultation, and communication on occupational health and safety • 403-5 Worker training on occupational health and safety • 403-6 Promotion of worker health • 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships • 403-9 Work-related injuries • 403-10 Work-related ill health	 

Why This Is Important

Occupational Health and Safety ("**OH&S**") is crucial for Heatec because it underpins the Group's commitment to providing a safe and healthy work environment. This commitment helps prevent work-related injuries and illnesses, aiming for zero incidents and injuries. By complying with legal requirements, eliminating hazards, reducing OH&S risks, and fostering a culture of safety, Heatec ensures the well-being of its workforce. Moreover, OH&S is integral to maintaining operational excellence, meeting customer expectations, and continually improving OH&S performance, thereby minimizing health and safety violations. These efforts not only protect employees but also enhance Heatec's reputation and efficiency.

Management Approach

The Group is dedicated to providing excellent OH&S Performance, ensuring a safe work environment to prevent injuries and illnesses, achieving a zero incident and injury target, complying with laws, reducing risks, engaging workers and their representatives, and fostering a safety culture. We also focused on continuously enhancing our OH&S performance to decrease and prevent health and safety incidents.

Our Community Engagement Stories FY2023

First Aid – CPR + AED Course

We educated employees on the correct usage of AEDs, to increase employee confidence in dealing with medical emergencies. This helped foster a sense of safety, establish a proactive approach to workplace safety, and offered the chance to workers to enhance their skillset, and create greater value.


Share A Life, Donate Blood (Blood Donation Drive)

We provided a great experience for first time donors so they would not hesitate to donate blood in the future, and contributed to stocking up of blood supplies in Singapore.


OH&S Policy

Our OH&S policy and objectives set by top management include:

- Ensuring safe and healthy working conditions to prevent work-related injury and illness.
- Providing a framework for OH&S objectives that suit the organization's size and context.
- Committing to legal compliance, hazard elimination, risk reduction, and continual improvement.
- Involving workers in consultation and participation.

We ensure that our OH&S Policy is well communicated and understood within the organization.

OH&S Management System

The establishment of the OH&S management system serves to achieve the following objectives: To consistently provide products and services that meet customers' and applicable statutory and regulatory requirements; To address risks and opportunities associated with the context and objectives; To eliminate hazards and minimize OH&S risks to employees and other interested parties; To implement, maintain and continually improve OH&S management; and to assure the Group of its conformity with its stated OH&S policy, objectives and regulatory requirements.

The Scope of the OH&S management system is applied to all our operations and covers all our workforce and contractors.

The Group has established, implemented and maintained an OH&S management system in accordance with the requirements of ISO 45001:2018 Occupational Health and Safety Management Systems.

Heatec is committed to creating and maintaining and OH&S system where the OH&S Chairman appoints a Management Representative to oversee OH&S activities. The OH&S Committee, comprising the OH&S Chairman, Operations Director, Management Representative, Safety Officer, Operations Manager, and Supervisor(s), reviews the OH&S management system's performance, OH&S activities, and internal audit results.

The Management Representative is responsible for promoting OH&S activities and report performance to the OH&S Chairman and Committee. An Internal Auditor, appointed by the Management Representative, evaluates the OH&S management system's implementation status and has the authority to make decisions for problem correction, provided they are well informed about the organization's OH&S system and have completed internal auditor training.

The OH&S Programme Leader organizes, supervises, and reports on OH&S programmes, selecting members for the Programme Management Team. OH&S Programme Members are involved in carrying out OH&S programmes and activities.

Leadership and Commitment

In Heatec, our top management gives the commitment to be fully accountable for our OH&S performance. We are accountable for preventing work-related injuries and illnesses, ensuring compatibility of OH&S policy with organizational goals, integrating OH&S requirements into business processes, and providing necessary resources. It emphasizes the need for effective communication, continual improvement, leadership across all management levels, and fostering a supportive culture for OH&S outcomes. It also addresses the protection of workers, the establishment of consultation processes, and the support for the OH&S Committee.

Hazard Identification and Risk Assessment

Heatec is dedicated to continuous hazard identification and risk assessment as part of our OH&S management. Our established procedure includes:

- Evaluating OH&S risks from existing hazards, taking current controls into account.
- Assessing risks associated with setting up, implementing, and maintaining the OH&S management system.
- Enhancing OH&S performance by considering potential changes and seeking improvements.
- Aiming to adapt work conditions, organizational procedures, and environments for the wellbeing of workers.
- Identifying opportunities to eliminate hazards and reduce OH&S risks.
- Exploring additional ways to improve the OH&S management system.

This approach reflects our commitment to a proactive and systematic management of occupational health and safety risks.

SUSTAINABILITY REPORT

Non-conformities and Incident Investigation

Heatec has documented detailed steps for Incident Investigation procedures within our OH&S Management system on how we conduct the non-conformities and incident investigation when it is necessary. The steps can be summarised as:

- Reporting the incident to the Safety Officer using a specific report form.
- Describing the investigation process, which includes determining contributing factors and recording findings.
- Identifying root causes and initiating corrective/preventive actions to prevent recurrence.
- Maintaining records of incidents and investigation findings.

Worker Participation, Consultation, and Communication on OH&S

Timely and clear communication of OH&S policies is critical at Heatec. Workers must be knowledgeable about the OH&S policy, their role in enhancing the OH&S system, and the implications of non-adherence. Awareness of incident outcomes, potential hazards, and the ability to safely withdraw from risky situations without retaliation is essential. Heatec has implemented definitive communication protocols detailing the aspects of OH&S information dissemination, ensuring that all employees understand the communication process and the individuals responsible for it.

Promotion of Worker's Health

At Heatec, we actively support our employees and concern about their health and well-being. Employees who work in noisy environments are mandated to use personal protective equipment. Those in high-risk areas must use ear muffs for added protection and undergo hearing tests as advised by our panel doctor to assess their hearing.

Worker Training on Occupational Health and Safety

Occupational Health and Safety training at our company is a continuous and core aspect of our daily operations, committed to maintaining the highest safety standards. We conduct comprehensive internal and external training, aligned with legal and regulatory guidelines, to ensure all employees master safe work practices. Our robust internal training regimen includes routine safety briefings and updated refresher courses, with meticulous documentation and retention of all training records. Each year, our operations team evaluates our functional needs to identify beneficial training for safe, compliant operations, utilizing both in-house and external expert training providers. Over the last year, our diverse course offerings, crucial for both new and seasoned employees, have included Safety Orientation and Fire Fighting training.

OH&S Impact Directly Linked by Business Relationships

Contractor management is a key focus at Heatec, where we ensure contractors meet our safety and health standards through regular assessments and weekly workplace inspections. We have initiated monthly safety meetings to address related issues and foster collaboration for improved safety outcomes. All our contractors need to submit the risk assessment for our review, they need to follow our OH&S policies when they are working in our workshops or locations.

SUSTAINABILITY REPORT

FY2023 Performance

Our Employees

Total Working Hours and Work-related Injuries

In FY2023, the total working hours of our employees totalled 1,218,933.11 hours. There was no fatality reported across the Group, while there was 1 case of major injury, and 12 cases of minor injuries, with a rate of recordable work-related injuries 10.67.

Business Entity		Heatec Whole Group
Total Working Hours		1,218,933.11
No. of Occurrence	Fatality(1)	0
	Major Injury(2)	1
	Minor Injury(3)	12
No. of Lost Days		70
Rate of High-consequence Work-related Injuries(4)		0.82
Rate of Recordable Work-related Injuries(5)		10.67

(1) Fatality: Fatalities as a result of work-related injury.
(2) Major injury: High-consequence work-related injuries (excluding facilities), including injuries where the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.
(3) Minor injury: Recordable work-related injuries, including medical treatment beyond first aid, restricted work or days away from work.
(4)(5) The injury rate is based on per 1,000,000 working hours.

Work-related Ill Health

In FY2023, there were 6 cases of Noise-Induced Deafness ("NID") reported across the group.

Type of Work-related Health Disease	No. of Occurrences	Hazard
NID	6	Noise

Our Contractors

Total Working Hours and Work-related Injuries

In FY2023, the total working hours of our contractors were 6,240 hours. There were zero injury cases and zero man-day losses reported from our contractors.

FY2024 Target

For FY2024, the Group has established ambitious HSE targets, aiming for zero fatalities arising from work-related injuries and zero major work-related injuries. These targets underscore our commitment to creating the safest possible work environment for our employees.

SUSTAINABILITY REPORT

CUSTOMER HEALTH AND SAFETY

MATERIAL TOPIC	RELEVANT SDG
GRI 416 Customer Health and Safety • 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	

Why This Is Important

At Heatec, we understand that the foundation of our success lies in the trust and well-being of our customers. Ensuring the health and safety of those who use our chemical products is not just a regulatory mandate; it is a core value and an essential aspect of our corporate responsibility. Our rigorous health and safety protocols are designed to protect our customers from potential hazards associated with chemical usage. We aim to provide not only the highest quality products but also the peace of mind that comes with knowing that these products are safe and reliable. By maintaining strict adherence to safety standards, we foster a culture of care that permeates every level of our operation, from product development to customer service.

Management Approach

At Heatec, the health and safety of our customers stand at the forefront of our business operations, especially when it comes to the handling and distribution of chemical products. We rigorously adhere to all pertinent rules and regulations concerning the labelling of our chemical products. This commitment ensures that every item we sell is accompanied by clear, comprehensive information regarding its use, potential hazards, and safety measures. Our dedication to these standards is more than regulatory compliance – it's a reflection of our unwavering commitment to our customers' well-being.

FY2023 Performance

In FY2023, Heatec is proud to report that we achieved an exemplary record of customer satisfaction with no complaints received regarding health and safety incidents related to our products in the workplace.

FY2024 Target

We strive to maintain zero complaints from our customers regarding health and safety incidents related to our products in the workplace.

CUSTOMER AND EMPLOYEE DATA PRIVACY

MATERIAL TOPIC	RELEVANT SDG
GRI 418 Customer Privacy • 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	8 DECENT WORK AND ECONOMIC GROWTH

Why This Is Important

At Heatec, we regard the privacy of our customers and employees with the utmost seriousness. Data privacy is the cornerstone of our trust-based relationship with all our stakeholders. By safeguarding personal information, we not only comply with stringent regulatory standards but also foster a secure and respectful environment that values the confidentiality and integrity of every individual associated with our company. Protecting this data is not just a legal obligation but a critical aspect of our ethical commitment to the individuals who place their trust in us. Our dedication to data privacy is a reflection of our dedication to the people we serve and employ.

Management Approach

In compliance with Singapore's Personal Data Protection Act ("**PDPA**"), the Group has enforced a Data Protection Policy since 2021, ensuring the proper handling of personal data. This policy, overseen by a designated Data Protection Officer, outlines the principles for collecting, using, and disclosing personal data for employees and job applicants. It applies to all personal data managed by the Group or third-party organisations on its behalf. To enhance data privacy and cybersecurity, we've launched key initiatives, including employee training on data management and maintaining transparency about our data protection practices. Our efforts aim to not only meet but exceed PDDA requirements, thereby securing and respecting all personal data under our stewardship.

FY2023 Performance

In FY2023, the Group sustained its strong performance standards, meeting its objective of recording zero complaints concerning privacy breaches, data leaks, thefts, or losses of personal data.

FY2024 Target

Looking ahead to FY2024, the Group is committed to upholding the exemplary standard of zero complaints related to privacy breaches, continuing our steadfast dedication to data security and customer trust.

SUSTAINABILITY REPORT

GLOBAL REPORTING INITIATIVE INDEX

Statement of Use
Heatec Jietong Holdings Ltd. has reported the information cited in this GRI content index for the period from 1 January 2023 to 31 December 2023 with reference to the GRI standards.
GRI Foundation 2021 Revision have been used.

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2-3 Reporting period, frequency and contact point	Pg.146
2-4 Restatements of information	Pg.146
2-5 External assurance	Nil
2-6 Activities, value chain and other business relationships	Pg.01
2-7 Employees	Pg.168
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SUSTAINABILITY REPORT

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SUSTAINABILITY REPORT

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403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pg.180
403-9 Work-related injuries	Pg.181
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GRI 404 Training and Education	
404-1 Average hours of training per year per employee	Pg.176
404-2 Programs for upgrading employee skills and transition assistance programs	Pg.177
404-3 Percentage of employees receiving regular performance and career development reviews	Pg.177
GRI 405 Diversity and Equal Opportunity	
405-1 Diversity of governance bodies and employees	Pg.172
GRI 406 Non-discrimination	
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GRI 416 Customer Health and Safety	
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GRI 418 Customer Privacy	
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STATISTICS OF SHAREHOLDINGS

AS AT 20 MAY 2024

Issued and fully paid-up share capital	:	S$14,892,447
Number of issued shares	:	204,777,526 (excluding treasury shares and subsidiary holdings)
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote for each ordinary share

Zero per centum (0%) of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares (excluding treasury shares and subsidiary holdings).

ANALYSIS OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	20	7.12	12,845	0.01
1,001 – 10,000	59	21.00	396,900	0.19
10,001 – 1,000,000	190	67.61	22,487,623	10.98
1,000,001 and above	12	4.27	181,880,158	88.82
	281	100.00	204,777,526	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of shares (Direct Interest)	Percentage (%)	No. of shares (Deemed Interest)	Percentage (%)
Megane Marine Pte. Ltd.	81,818,181	39.95	–	–
Soon Jeffrey(1)	1,400,000	0.68	81,818,181	39.95
Mo Jingxiong, Nicholas(2)	–	–	81,818,181	39.95
Tru-Marine Pte. Ltd.	32,030,678	15.64	–	–
Loke Weng Seng(3)	–	–	32,030,678	15.64
Loke Yuen Kong(4)	–	–	32,030,678	15.64
Chan Hon Sing(5)	–	–	32,030,678	15.64
Johnny Soon Yeow Kwee(6)	17,640,399	8.61	4,816,078	2.35
Yong Yeow Sin	27,214,599	13.29	–	–

Notes:

(1) Mr Soon Jeffrey is deemed to have an interest in the 81,818,181 shares in the capital of the Company which are held by Megane Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967.

(2) Mr Mo Jingxiong, Nicholas is deemed to have an interest in the 81,818,181 shares in the capital of the Company which are held by Megane Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967.

(3) Mr Loke Weng Seng is deemed to have an interest in the 32,030,678 shares in the capital of the Company which are held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967.

(4) Mr Loke Yuen Kong is deemed to have an interest in the 32,030,678 shares in the capital of the Company which are held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967.

(5) Mr Chan Hon Sing is deemed to have an interest in the 32,030,678 shares in the capital of the Company which are held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act 1967.

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

STATISTICS OF SHAREHOLDINGS

AS AT 20 MAY 2024

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MEGANE MARINE PTE LTD	81,818,181	39.95
2	TRU-MARINE PTE LTD	32,030,678	15.64
3	YONG YEOW SIN	27,214,599	13.29
4	SOON YEOW KWEE JOHNNY	17,640,399	8.61
5	DBS NOMINEES (PRIVATE) LIMITED	5,373,145	2.62
6	NG GUICK KIM	4,816,078	2.35
7	OW AH FOONG JASMINE	4,816,078	2.35
8	GOH GUAN SIONG (WU YUANXIANG)	2,387,900	1.17
9	MOHAMED ABDUL JALEEL S/O MUTHUMARICAR SHAIK MOHAMED	2,000,000	0.98
10	SOON JEFFREY	1,400,000	0.68
11	ROMIEN CHANDRASEGARAN	1,382,100	0.67
12	SEOW JING YI JONAH	1,001,000	0.49
13	SOON JANICE	1,000,000	0.49
14	SOON JENSON	1,000,000	0.49
15	SOON JEREMY	1,000,000	0.49
16	SOON JI LING JACQUELINE (SUN JIELING)	1,000,000	0.49
17	PHILLIP SECURITIES PTE LTD	967,900	0.47
18	WANG JIAN GUO	928,000	0.45
19	TAN ENG CHUA EDWIN	783,500	0.38
20	ESTATE OF LEOW SAU CHING HELENA, DECEASED	770,000	0.38
	TOTAL	**189,329,558**	**92.44**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 20 May 2024, approximately 17.51% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Heatec Jietong Holdings Ltd. (the "**Company**") will be held at Raffles Marina, Chartroom, 10 Tuas West Drive, Singapore 638404 on Thursday, 27 June 2024, 10.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2023, together with the Independent Auditor's Report thereon. **[Resolution 1]**

2. To re-elect Mr. Soon Jeffrey as a Director of the Company who is retiring pursuant to Regulations 98 and 99 of the Company's Constitution and being eligible, offers himself for re-election. **[Resolution 2]**
[See Explanatory Note (i)]

3. To re-elect Mr. Anthony Ang Meng Huat as a Director of the Company who is retiring pursuant to Regulations 98 and 99 of the Company's Constitution and being eligible, offers himself for re-election. **[Resolution 3]**
[See Explanatory Note (ii)]

4. To re-elect Mr. Chua Siong Kiat as a Director of the Company who is retiring pursuant to Regulations 98 and 99 of the Company's Constitution and being eligible, offers himself for re-election. **[Resolution 4]**
[See Explanatory Note (iii)]

5. To approve the payment of Directors' fees of S$191,000 for the financial year ending 31 December 2024, to be paid quarterly in arrears (FY2023: S$191,000). **[Resolution 5]**

6. To re-appoint Foo Kon Tan LLP as auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company and to authorise the Directors of the Company to fix their remuneration. **[Resolution 6]**

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

AS SPECIAL BUSINESS

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

8. **AUTHORITY TO ALLOT AND ISSUE SHARES AND CONVERTIBLE SECURITIES** **[Resolution 7]**

That pursuant to Section 161 of the Companies Act 1967 (the "**Companies Act**") and Rule 806 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), the Directors of the Company be authorised and empowered to:

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

provided that:

(1) the aggregate number of shares (including Shares to be issued 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 shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

(b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

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

Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(3) in exercising the 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 Companies Act and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See Explanatory Note (iv)]

9. **AUTHORITY TO OFFER AND GRANT OPTIONS AND TO ALLOT AND ISSUE SHARES UNDER THE HEATEC EMPLOYEE SHARE OPTION SCHEME** **[Resolution 8]**

That approval be and is hereby given to the Directors of the Company:

(i) to offer and grant options from time to time in accordance with the provisions of the Heatec Employee Share Option Scheme (the "**Heatec ESOS**");

NOTICE OF ANNUAL GENERAL MEETING

(ii) pursuant to Section 161 of the Companies Act, to allot and issue from time to time such Shares as may be required to be issued pursuant to the exercise of options granted under the Heatec ESOS, as the case may be, and to do all such acts and things as may be necessary or expedient to carry the same into effect, provided always that the number of Heatec ESOS Shares to be issued, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the Heatec ESOS and any other existing share schemes of the Company, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time; and

(iii) (unless revoked or varied by the Company in a general meeting), such authority conferred by this Resolution shall continue in full force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (v)]

10. **AUTHORITY TO OFFER AND GRANT AWARDS AND TO ALLOT AND ISSUE SHARES UNDER THE HEATEC PERFORMANCE SHARE PLAN** **[Resolution 9]**

That approval be and is hereby given to the Directors of the Company:

(i) to offer and grant awards from time to time in accordance with the provisions of the Heatec Performance Share Plan (the "**Heatec PSP**");

(ii) pursuant to Section 161 of the Companies Act, to allot and issue from time to time such Shares as may be required to be issued pursuant to the vesting of awards granted under the Heatec PSP, as the case may be, and to do all such acts and things as may be necessary or expedient to carry the same into effect, provided always that the number of Heatec PSP Shares to be issued, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the Heatec PSP and any other existing share schemes of the Company, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time; and

(iii) (unless revoked or varied by the Company in a general meeting), such authority conferred by this Resolution shall continue in full force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (vi)]

On Behalf of the Board

Soon Jeffrey
Executive Director and Chief Executive Officer

12 June 2024

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr. Soon Jeffrey will, upon re-election as a Director of the Company, remain as an Executive Director and Chief Executive Officer and member of the Nominating Committee.

Detailed information on Mr. Soon Jeffrey of the Company as required pursuant to Rule 720(5) of the Catalist Rules is on page 25 to page 36 of the annual report.

(ii) Mr. Anthony Ang Meng Huat will, upon re-election as a Director of the Company, remain as a Non-Executive and Independent Director, chairman of the Remuneration Committee and member of the Audit and Risks Management Committee. The Board of Directors of the Company considers Mr. Anthony Ang Meng Huat to be independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr. Anthony Ang Meng Huat and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.

Detailed information on Mr. Anthony Ang Meng Huat as required pursuant to Rule 720(5) of the Catalist Rules is on page 25 to page 36 of the annual report.

(iii) Mr. Chua Siong Kiat will, upon re-election as a Director of the Company, remain as a Non-Executive and Independent Director and chairman of the Audit and Risks Management Committee. The Board of Directors of the Company considers Mr. Chua Siong Kiat to be independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr. Chua Siong Kiat and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.

Detailed information on Mr. Chua Siong Kiat as required pursuant to Rule 720(5) of the Catalist Rules is on page 25 to page 36 of the annual report.

(iv) Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders of the Company.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares in the capital of the Company shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution 7 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, or share options or vesting of share awards which were issued and outstanding or subsisting at the time when this Ordinary Resolution 7 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(v) Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant options under the Heatec ESOS (which were approved at the extraordinary general meeting of the Company held on 18 June 2009 and extended at the annual general meeting of the Company held on 30 April 2019) and to allot and issue Heatec ESOS Shares, pursuant to the exercise of options granted under the Heatec ESOS, provided that the number of Heatec ESOS Shares to be issued under the Heatec ESOS, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the Heatec ESOS and any other existing share schemes of the Company does not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company for the time being.

(vi) Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards under the Heatec PSP (which was approved at the extraordinary general meeting of the Company held on 18 June 2009 and extended at the annual general meeting of the Company held on 30 April 2019) and to allot and issue Heatec PSP Shares, pursuant to the vesting of awards granted under the Heatec PSP, provided that the number of Heatec PSP Shares to be issued under the Heatec PSP, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the Heatec PSP and any other existing share schemes of the Company does not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company for the time being.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTICE:

No Virtual Attendance

1. The Annual General Meeting (the "**AGM**") will be held by way of physical means at Raffles Marina, Chartroom, 10 Tuas West Drive, Singapore 638404. **Shareholders and their duly appointed proxy (or proxies) will not be able to attend the AGM by way of electronic means.**

Voting at the AGM and voting by proxy

2. Shareholders of the Company (the "**Shareholders**" and each a "**Shareholder**") may attend, speak and vote for the resolution at the AGM or appoint proxy or proxies to attend, speak and vote on their behalf at the AGM. A proxy need not be a member of the Company.

   (a) If a Shareholder wishes to appoint a proxy or proxies to vote on their behalf at the AGM, duly executed proxy forms, must be submitted in hard copy form or electronically via email: if submitted by post, to be deposited at the registered office of the Company at 10 Tuas South Street 15, Singapore 637076; or

   (b) if submitted by way of electronic means, to be submitted via email in Portable Document Format (PDF) to the Company, at finance@heatec.com.sg,

   in either case, not less than seventy-two (72) hours before the time appointed for the holding of the AGM and/or any adjournment thereof and in default the proxy form shall be treated as invalid. The completion and return of a proxy form by a Shareholder does not preclude him/her from attending and voting in person at the AGM should he/she subsequently decide to do so, although the appointment of the proxy or proxies shall be deemed to be revoked by such attendance.

3. In appointing the Chairman of the AGM as proxy, Shareholders should specifically indicate in the proxy form how they wish to vote for or vote against (or abstain from voting on) the resolution set out in the notice of AGM, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

4. The proxy form must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a proxy form is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

6. Supplementary Retirement Scheme ("**SRS**") investors:

   (a) may vote at the AGM if they are appointed as proxies by their SRS Operators, and should contact their SRS Operators if they have any queries regarding their appointment as proxies; or

   (b) may appoint the Chairman of the AGM as proxy, in which case they should approach their respective SRS Operators to submit their votes by 10.00 a.m. on Friday, 14 June 2024, being at least seven (7) working days before the AGM.

7. A Shareholder who is not a Relevant Intermediary (as defined below) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM. Where such Shareholder's proxy form appoints more than one (1) proxy, the proportion of his/her/its shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or, at the Company's option, to treat this proxy form as invalid.

   A Shareholder who is a Relevant Intermediary (as defined below) is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Shareholder. Where such Shareholder's proxy form appoints more than two (2) proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the proxy form.

8. A "**Relevant Intermediary**" is:

   (a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

Shareholders' Questions and Answers

9. Shareholders and duly appointed proxy or proxies will be able to ask questions relating to the resolution to be tabled for approval at the AGM. The Company will endeavour to respond to and address substantial and relevant questions as far as reasonably practicable during the AGM. Where there are substantially similar questions, the Company will consolidate such questions and consequently not all questions may be individually addressed.

10. Alternatively, Shareholders can submit their questions in advance relating to the resolution to be tabled for approval at the AGM in advance of the AGM:

    (a) if submitted by post, to be deposited at the registered office of the Company at 10 Tuas South Street 15, Singapore 637076; or

    (b) if submitted by way of electronic means, to be submitted via email to the Company, at finance@heatec.com.sg,

    in either case, by Wednesday, 19 June 2024, being seven (7) calendar days from the publication of this notice of AGM.

    Shareholders who submit questions in advance of the AGM should identify themselves by stating his/her/its full name as it appears on his/her/its CDP/SRS share records, contact number and NRIC/Passport/company registration number and state the manner in which he/she/it holds his/her/its Shares in the Company (e.g. via CDP or SRS) for verification purposes.

11. Shareholders are encouraged to submit their questions via one of the foregoing means as soon as possible so that they may have the benefit of the answers to their questions (where substantial and relevant to the agenda of the AGM) prior to submitting their proxy forms. Please note that substantial and relevant questions (as may be determined by the Company at its sole discretion) from Shareholders submitted in advance and received by the Company would be addressed by the Company and published on the SGX website no later than 48 hours before the deadline for submission of the proxy forms. The Company will also address any subsequent clarifications sought, or follow-up questions, prior to, or at, the AGM in respect of substantial and relevant matters.

AGM Documents

12. The annual report, this notice of AGM, proxy form and request form have been published on the SGX website accessible at the URL https://www.sgx.com/securities/company-announcements and on the Company's website accessible at the URL http://www.heateccholdings.com/. Please note that only printed copies of this notice of AGM, proxy form and request form (on how to request for a copy of the annual report) will be despatched to Shareholders as the Company had opted for electronic dissemination.

PERSONAL DATA PRIVACY

"**Personal data**" in this notice has the meaning ascribed to it pursuant to the Personal Data Protection Act 2012 of Singapore, which includes your name, address and NRIC/Passport number. By submitting (a) details for the registration to observe or participate in the proceeding of the AGM, or (b) an instrument appointing the Chairman of the AGM (or any person other than the Chairman of the AGM) as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, (c) any questions prior to the AGM in accordance with this notice of AGM, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM (or any person other than the Chairman of the AGM) as proxy for the AGM, processing the registration for purpose of granting access to members (or their appointed proxies) to observe and participate in the proceedings of the AGM, addressing relevant and substantial questions from members received before the AGM and if necessary, following-up with the relevant members in relation to such questions, and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM, and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings at the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his/her name, his/her presence at the AGM and any questions he/she may raise or motions he propose/second) may be recorded by the Company for such purpose.

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

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

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 7 Temasek Boulevard, #04-02 Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.

HEATEC JIETONG HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200717808Z)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT

1. The annual general meeting ("**AGM**" or "**Meeting**") is being convened, and will be held, by physical means. Shareholders and their duly appointed proxy (or proxies) will not be able to attend the AGM by way of electronic means.
2. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting (or any person other than the Chairman) as a shareholder's proxy to vote on his/her/its behalf at the AGM.
3. This proxy form shall be read together with the notice of AGM and the annual report of the Company dated 12 June 2024 (the "**Annual Report**").

I/We* ________________________________ (Name) ____________________ (NRIC/Passport No./Company Registration No.)

of ____ (Address)

being a member/members* of **HEATEC JIEONG HOLDINGS LTD.** (the "**Company**") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholding	
			No. of Shares	%

and/or*

Name	Address	NRIC/Passport No.	Proportion of Shareholding	
			No. of Shares	%

or failing whom, the Chairman of the Meeting as my/our* proxy to attend, speak and vote for me/us* on my/our* behalf at the AGM of the Company to be held at Raffles Marina, Chartroom, 10 Tuas West Drive, Singapore 638404 on Thursday, 27 June 2024 at 10.00 a.m., and at any adjournment thereof.

I/We* direct my/our proxy/proxies* to vote for, against or to abstain from voting in respect of the ordinary resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, my/our proxy/proxies* may vote or abstain from voting at his or her discretion. Where the Chairman of the AGM is appointed as proxy and in the absence of specific directions as to voting, the appointment of the Chairman of the Meeting as my/our proxy* for that resolution will be treated as invalid.

Please indicate your vote "For", "Against" or "Abstain" with an "X" within the boxes provided below. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

No.	Ordinary Resolutions	For	Against	Abstain
1.	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2023, together with the Independent Auditor's Report thereon			
2.	Re-election of Mr. Soon Jeffrey as a Director of the Company			
3.	Re-election of Mr. Anthony Ang Meng Huat as a Director of the Company			
4.	Re-election of Mr. Chua Siong Kiat as a Director of the Company			
5.	Approval of Directors' fees of S$191,000 for the financial year ending 31 December 2024, payable quarterly in arrears			
6.	Appointment of Foo Kon Tan LLP as auditors of the Company and authority to Directors to fix their remuneration			
7.	Authority to allot and issue new shares or convertible securities pursuant to Section 161 of the Companies Act 1967			
8.	Authority to offer and grant options and to allot and issue shares under the Heatec Employee Share Option Scheme			
9.	Authority to offer and grant awards and to allot and issue shares under the Heatec Performance Share Plan			

* *Delete whichever not applicable.*

Dated this __________ day of ______________________ 2024

Total number of Shares	No. of Shares
(a) Depository Register	
(b) Register of Members	

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

IMPORTANT NOTES

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the Meeting (or any person other than the Chairman of the Meeting) as proxy shall be deemed to relate to all the shares held by you.

2. A shareholder who is not a Relevant Intermediary (as defined below) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM. Where such shareholder's proxy form appoints more than one (1) proxy, the proportion of his/her/its shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

   A shareholder who is a Relevant Intermediary (as defined below) is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Where such shareholder's proxy form appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

   A proxy need not be a member of the Company.

3. If a shareholder wishes to appoint a proxy or proxies to vote on their behalf at the AGM, duly executed proxy forms must be submitted in hard copy form or electronically via email:

   (a) if submitted by post, to be deposited at the registered office of the Company at 10 Tuas South Street 15, Singapore 637076; or

   (b) if submitted by way of electronic means, to be submitted via email in Portable Document Format (PDF) to the Company, at finance@heatec.com.sg,

   in either case, not less than seventy-two (72) hours before the time appointed for the holding of the AGM and/or any adjournment thereof. A shareholder who wishes to submit the proxy form must first complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it via email to the email address provided above.

4. SRS investors may attend and vote at the AGM if they are appointed as proxies by their SRS Operators and should contact their SRS Operators if they have any queries regarding their appointment as proxies. SRS investors who wish to appoint the Chairman of the AGM as their proxy should approach their respective SRS Operators to submit their votes at least seven (7) working days before the AGM.

5. The proxy form must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a proxy form is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its constitution and Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

A "**Relevant Intermediary**" is:

(a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

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 12 June 2024.

GENERAL

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting (or any person other than the Chairman of the Meeting) as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting (or any person other than the Chairman of the Meeting) as proxy (including any related attachment) (such as in the case where the appointor submits more than one instrument appointing the Chairman of the Meeting (or any person other than the Chairman of the Meeting) as proxy). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting (or any person other than the Chairman of the Meeting) as proxy lodged if the shareholder being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

HEATEC JIETONG HOLDINGS LTD.

HEATEC JIETONG HOLDINGS LTD.
Company Registration Number: 200717808Z

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