

**BUILDING ON OUR
BRAND STRENGTH**



ANNUAL REPORT 2020

TABLE OF CONTENTS

01	COMPANY PROFILE	08	FINANCIAL REVIEW
02	MESSAGE TO SHAREHOLDERS	11	CORPORATE INFORMATION
04	BOARD OF DIRECTORS	12	FINANCIAL CONTENTS
07	KEY MANAGEMENT PERSONNEL		

QUALITY POLICY

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

OUR VISION

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

OUR MISSION

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

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

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

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

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.



HEAT EXCHANGER SERVICES

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

Our heat exchanger services include:

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

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

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

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

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



PIPING SERVICES

We perform a variety of piping services which include:

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

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

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

- procurement;
- construction;
- fabrication;
- commissioning; and
- overall project management.



CHEMICAL CLEANING SERVICES

Our 70% owned subsidiaries, Chem-Grow Pte Ltd, Chem Grow Services 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:

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



“...the focus on our brand’s quality and reliability continues to pay off, and this further entrenches our positioning in the Floating Production Storage and Offloading (FPSO) market.”

DEAR SHAREHOLDERS,

It’s been more than a year since the COVID-19 pandemic dominated the headlines all around the world. With the roll-out of vaccines in various countries, it is hoped that the global economy will begin to recover over the course of 2021. However, the recent resurgence of new infections, virus mutations, and renewed lockdowns in several countries may hamper the pace of economic recovery.

We are especially gratified with the way that our Singapore Government has been handling the COVID-19 pandemic, despite the very difficult situation with worker dormitories. This had led to labour shortages which hit many industries here, and our operations were certainly not spared. About 20% of our workers had returned to their home countries such as India and Bangladesh following Singapore’s Circuit Breaker measures as they did not want to be separated from their families amidst the uncertainties. With the border restrictions and movement controls, we expect that the labour crunch will not improve anytime soon as the Company continues to face restriction in bringing in replacement workers. As such, we expect project delays and higher labour costs which may erode our margins.

BRIGHT SPARK IN THE HORIZON

Notwithstanding, there is optimism in the horizon. Despite the decline in shipping activities and vessel arrivals in Singapore due to the COVID-19 pandemic which led to a further slowdown in the Group’s heat exchanger services business, our pipeline of orders for new projects and recurring maintenance activities has improved since the beginning of the financial year ending 31 December 2021 (“FY2021”).

In the January 2021 edition of the Oil Market Report published by the International Energy Association, a stronger growth in oil demand is expected in the later half of 2021 spurred by an acceleration of economic activities globally. This signals optimism for the Floating, Production, Storage and Offloading (“FPSO”) new-builds market, evidenced by crude oil prices having reached US\$57 per barrel at the beginning of the year, and heightened exploration activities in Brazil, Guyana and the North Sea.

Indeed, our order book for FY2021 continues to be encouraging, with the Group having secured a US\$3.3 million contract in November 2020 for the supply of various specialised heat exchangers for an existing customer who operates in the oil and gas industry. This project is expected to be completed by third quarter of 2021 and to contribute positively to the Group’s revenue in FY2021. We are gratified that the focus on our brand’s quality and reliability continues to pay off. This further entrenches our positioning in the FPSO market, which is now a growing, strategically important source of business for the Group.

FINANCIAL HIGHLIGHTS

In the financial year ended 31 December 2020, the Group posted a net profit of S\$0.2 million, reversing a net loss of S\$2.4 million in the previous financial year. This was achieved despite lower revenue, which dipped 12.3% to S\$20.8 million, due to lower contributions from the Chemical Cleaning and Piping segments, and partially offset by increased sales from the Heat Exchanger segment.

The Group’s businesses were considerably affected by the implementation of the Circuit Breaker measures from April 2020 to June 2020, as well as manpower disruptions brought about by the strict quarantine measures at foreign worker dormitories stipulated by the Singapore government.

LOOKING AHEAD

With the effects of the COVID-19 pandemic continuing to be fluid, the Group expects the overall global business environment to remain challenging. As such, we are cautiously optimistic about the prospects of the FPSO market. We will continue to actively seek new opportunities in this segment by leveraging on our proven track record and strong reputation as a one-stop centre heat exchanger solutions provider.

MESSAGE TO SHAREHOLDERS

We will take measures to enhance our competitive edge, such as through improving cost effectiveness and operational efficiencies, optimal deployment of human capital and upskilling and retraining of our employees, to better position the Group to pursue new business opportunities. We are cognizant of the potential project delays and higher labour costs due to border closures and movement controls, which may erode our margins. We will spare no effort to do everything possible to mitigate, if not eliminate, these risks.

Apart from focusing on the growing FPSO business, we will also leverage on our foray into the onshore business, such as by increasing our footprint in the numerous petrochemical plants, oil refineries and power stations on Jurong Island, to expand our businesses.

APPRECIATION

We honour our management and staff for rising to the occasion to ensure that work gets done during a global pandemic – their sacrifice and commitment are truly commendable. We are also grateful to all of our Directors on the Board for their understanding, counsel and cooperation during the most harrowing of times, and to our shareholders, customers and business partners, for their strong support. Have a safe and rewarding year ahead!

LIM SOON HOCK

Non-Executive Chairman and
Non-Independent Director

SOON JEFFREY

Executive Director and
Chief Executive Officer



BOARD OF DIRECTORS



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

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

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

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

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

Mr Lim is a Fellow of the Institution of Engineers Singapore, Academy of Engineering Singapore, Institution of Engineering & Technology, UK, Singapore Computer Society, Singapore Institute of Directors, Singapore Institute of Arbitrators, and Honorary Fellow of ASEAN Federation of Engineering Organisations.

He is also a Justice of the Peace, a Mediator at our State Courts Singapore, Singapore Mediation Centre and Singapore International Mediation Institute, an Adjunct Professor at the National University of Singapore, author and speaker.



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

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

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

BOARD OF DIRECTORS



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

Mr Ang currently serves as Singapore's Non-Resident Ambassador to the Republic of Tunisia. He is also the Chief Executive Officer of Sasseur Asset Management Pte Ltd, the manager of Sasseur REIT that is listed on the Singapore Exchange. He was previously Executive Director and the Chief Executive Officer of ARA Asset Management (Fortune) Limited, the manager of Fortune REIT that was dual listed in Hong Kong and Singapore, and a wholly owned subsidiary of the ARA Group. Prior to that, Mr Ang was the Chief Executive Officer of ARA Asia Dragon Limited, which is the flagship real estate private fund of the ARA Group. Mr Ang also previously held senior management positions at GIC Real Estate, Vertex Management, Armstrong Industrial Corporation and the Economic Development Board.

Mr Ang graduated with a Bachelor of Science (Mechanical Engineering) with First Class Honours from the Imperial College, London, and obtained a Master of Business Administration from INSEAD. Mr Ang also completed the INSEAD International Director Programme.

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



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 a Partner and head of Corporate at Kennedys Legal Solutions ("KLS"), a joint law venture between Kennedys Law LLP and Legal Solutions LLC. He is admitted as an Advocate and Solicitor in Singapore, 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 joining KLS, he was the Deputy Head of both the Capital Markets & International China practices of a local firm and the Representative for the Shanghai Representative Office of another joint law venture firm. He was also the joint Company Secretary for 3 SGX-ST main board listed companies. He is a Non-Executive and Independent Director at various SGX-ST listed companies including being the Lead Independent Director at GS Holdings Limited, KTL Global Limited, and OEL (Holdings) Limited. He is also the Joint Company Secretary for LHN Limited, a company dual listed on SGX-ST and the mainboard of the Hong Kong Stock Exchange and the Company Secretary of China Vanadium Titanium-Magnetite Mining Company Limited, a Hong Kong mainboard listed company.

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

BOARD OF DIRECTORS



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

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

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



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

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

Mr Loke 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

Financial Controller

Mr Ng joined Heatec in August 2019 and 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 the finance, accounting and auditing. He worked in various companies including international public accounting firms such as Baker Tilly Singapore and companies listed on SGX-ST 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 our Group's engineering and operations. His responsibilities include oversight of quality control and adherence to Health and Safety Policy.

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

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



FINANCIAL REVIEW

PERFORMANCE REVIEW

REVENUE BY SEGMENTS

	FY2020		FY2019		Variance	
	S\$'000	%	S\$'000	%	S\$'000	%
Heat Exchanger	14,451	69.5	13,624	57.5	827	6.1
Chemical Cleaning	2,233	10.8	2,563	10.8	(330)	(12.9)
Piping	4,097	19.7	7,522	31.7	(3,425)	(45.5)
	20,781	100.0	23,709	100.0	(2,928)	(12.3)

The Heat Exchanger, Chemical Cleaning and Piping segments accounted for 69.5%, 10.8% and 19.7% of revenue respectively in the financial year ended 31 December 2020 ("FY2020"), as compared to 57.5%, 10.8% and 31.7% in the financial year ended 31 December 2019 ("FY2019").

Overall, revenue fell by 12.3% from S\$23.7 million to S\$20.8 million in FY2020 due to lower contributions from the Chemical Cleaning and Piping segments, which was partially offset by a rise in revenue from the Heat Exchanger segment.

In FY2020, the Group's operations and projects were temporarily suspended following the implementation of the Circuit Breaker measures from April 2020 to June 2020, as well as manpower disruptions due to the movement restrictions and quarantine measures at the foreign worker dormitories put in the place by the Singapore authorities. This led to a 12.9% and 45.5% decrease in revenue from the Chemical Cleaning and Piping segments to S\$2.2 million and S\$4.1 million respectively. Revenue from the Heat Exchanger segment grew by 6.1% to S\$14.5 million as the Group was able to secure more projects during the year.

PROFITABILITY

	FY2020	FY2019	Variance	
	S\$'000	S\$'000	S\$'000	%
Gross profit	4,717	5,821	(1,104)	(19.0)
Gross profit margin	22.7%	24.6%	–	(1.9 ppt)
Other income	2,602	312	2,290	n.m.
Administrative expenses	(6,353)	(7,634)	(1,281)	(16.8)
Other operating expenses	–	(421)	(421)	(100.0)
Net impairment losses on financial assets	(309)	(27)	282	n.m.
Finance costs	(468)	(518)	(50)	(9.7)
Share of results of associates	36	44	(8)	(18.2)
Profit/(Loss) before tax	225	(2,423)	n.m.	n.m.
Income tax expense	(30)	(15)	15	100.0
Profit/(Loss) for the year	195	(2,438)	n.m.	n.m.

ppt – percentage points
n.m. – not meaningful

FINANCIAL REVIEW

Gross profit fell by 19.0% to S\$4.7 million in FY2020 while gross profit margin retreated by 1.9 percentage points year-on-year to 22.7%. This was mainly attributable to the delay in the execution of projects due to the enforcement of the Circuit Breaker measures, as well as manpower disruptions from the extended lockdown on the foreign worker dormitories during the year.

Other income was up substantially from S\$0.3 million to S\$2.6 million thanks to support grants received from the Singapore government as a result of the COVID-19 pandemic.

With the Group's continued efforts to manage its costs prudently, administrative expenses dropped by 16.8% to S\$6.4 million.

No other operating expenses were incurred in FY2020. Other operating expenses of S\$0.4 million in FY2019 relate to compensation paid to staff of a subsidiary undergoing a restructuring exercise.

Finance costs decreased by 9.7% to S\$0.5 million due to lower interest rates.

Despite the lower revenue, the Group achieved a net profit of S\$0.2 million in FY2020, reversing a net loss of S\$2.4 million a year ago.

FINANCIAL POSITION

	As at	As at	Variance	
	31 December 2020	31 December 2019	S\$'000	%
Non-current assets	11,022	11,930	(908)	(7.6)
Current assets	19,285	17,997	1,288	7.2
Non-current liabilities	8,654	2,120	6,534	n.m.
Current liabilities	5,675	11,936	(6,261)	(52.5)
Working capital	13,610	6,061	7,549	n.m.
Equity attributable to owners of the Company	13,860	13,865	(5)	n.m.
Net asset value per share (Singapore cents)	11.27	11.28	(0.01)	(0.1)

n.m. – not meaningful

As at 31 December 2020, the Group's net asset value was S\$13.9 million, which translated to a net asset value per share of 11.27 Singapore cents. The Group's liquidity position remained healthy with working capital improving from S\$6.1 million to S\$13.6 million in FY2020.

Non-current assets

Non-current assets fell by 7.6% to S\$11.0 million mainly due to depreciation charges on property, plant, and equipment.

Current assets

Current assets rose by 7.2% to S\$19.3 million, largely due to an increase in (i) inventories of S\$0.2 million arising from the purchase of materials for a project in the heat exchanger segment; (ii) contract assets of S\$2.2 million as a result of an increase in work-in-progress works; and (iii) cash and bank balances of S\$1.1 million. This rise was

partially offset by a decline in trade and other receivables of S\$2.3 million mainly due to lower revenue, as well as better collections from customers.

Non-current liabilities

Non-current liabilities increased by S\$6.5 million mainly due to (i) borrowings of S\$6.6 million reclassified from current liabilities to non-current liabilities; and (ii) repayment of lease liabilities of S\$0.1 million.

Current liabilities

Current liabilities fell by 52.5% to S\$5.7 million, mainly due to a decrease in (i) borrowings of S\$6.6 million reclassified from current liabilities to non-current liabilities; (ii) trade and other payables of S\$2.2 million as a result of payments made to suppliers towards year end. The overall decrease was partially offset by an increase in (i) borrowings of S\$1.8 million; and (ii) contract liabilities of S\$0.8 million due to advance billings to customers.

FINANCIAL REVIEW

CASH FLOW

	FY2020	FY2019	Variances	
	S\$'000	S\$'000	S\$'000	%
Net cash generated from operating activities	115	2,853	(2,738)	(96.0)
Net cash used in investing activities	(252)	(29)	n.m.	n.m.
Net cash generated from/(used in) financing activities	1,619	(2,868)	n.m.	n.m.
Cash and cash equivalents as at end of the financial year	3,823	2,340	1,483	63.4

n.m. – not meaningful

For FY2020, net cash flows from operating activities amounted to S\$0.1 million, comprising operating cash outflows before changes in working capital of S\$2.2 million, net working capital outflows of S\$2.0 million, and net interest expenses and income tax paid of S\$0.1 million.

The Group used S\$0.3 million cash for investing activities for the purchase of plant and equipment.

Net cash generated from financing activities of S\$1.6 million, was largely due to: (i) net proceeds from borrowings of S\$1.8 million; (ii) repayment of lease liabilities of S\$0.1 million; and (iii) a decrease in pledged fixed deposit of S\$0.4 million. This was partially offset by interest paid of S\$0.5 million.

Consequently, the Group's cash and cash equivalents increased from S\$2.3 million to S\$3.8 million as at year end.



CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE:

Soon Jeffrey

(Executive Director and Chief Executive Officer)

NON-EXECUTIVE:

Lim Soon Hock

(Non-Executive Chairman and Non-Independent Director)

Chong Eng Wee (Zhang Yingwei)

(Non-Executive and Lead Independent Director)

Anthony Ang Meng Huat

(Non-Executive and Independent Director)

Lie Ly @ Liely Lee

(Non-Executive and Independent Director)

ALTERNATE:

Loke Weng Seng

(Alternate Director to Mr Lim Soon Hock)

AUDIT AND RISKS MANAGEMENT COMMITTEE

Lie Ly @ Liely Lee (Chairman)

Chong Eng Wee (Zhang Yingwei)

Anthony Ang Meng Huat

NOMINATING COMMITTEE

Chong Eng Wee (Zhang Yingwei) (Chairman)

Lim Soon Hock

Soon Jeffrey

REMUNERATION COMMITTEE

Anthony Ang Meng Huat (Chairman)

Lim Soon Hock

Lie Ly @ Liely Lee

COMPANY SECRETARY

Ong Le Jing

REGISTERED OFFICE

10 Tuas South Street 15, Singapore 637076

Tel: (65) 6861 1433

Fax: (65) 6861 1347

Email: admin@heatec.com.sg

Website: <http://www.heatecholdings.com>

SHARE REGISTRAR/SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place, #32-01 Singapore Land Tower
Singapore 048623

Tel: (65) 6536 5355

Fax: (65) 6536 1360

AUDITORS

Baker Tilly TFW LLP

Public Accountants and Chartered Accountants
600 North Bridge Road, #05-01 Parkview Square
Singapore 188778

AUDIT PARTNER-IN-CHARGE

Lee Chee Sum Gilbert

(Since the financial year ended 31 December 2019)

CONTINUING SPONSOR

ZICO Capital Pte. Ltd.

8 Robinson Road, #09-00 ASO Building
Singapore 048544



FINANCIAL CONTENTS

13	CORPORATE GOVERNANCE REPORT
62	DIRECTORS' STATEMENT
67	INDEPENDENT AUDITOR'S REPORT
73	CONSOLIDATED INCOME STATEMENT
74	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
75	STATEMENTS OF FINANCIAL POSITION
76	STATEMENTS OF CHANGES IN EQUITY
79	CONSOLIDATED STATEMENT OF CASH FLOWS
81	NOTES TO THE FINANCIAL STATEMENTS
143	SUSTAINABILITY REPORT
160	STATISTICS OF SHAREHOLDINGS
162	NOTICE OF ANNUAL GENERAL MEETING PROXY FORM



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 practiced throughout the Group. 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 2020 (“**FY2020**”), with specific reference made to the Principles and the Provisions of the Code, which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”).

The Company confirms that during FY2020 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 Provisions 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 had 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 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 (“**Management**”) and reviewing the Group’s financial performance and managerial performance while considering sustainability issues as part of its strategic formulation.

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

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.

CORPORATE GOVERNANCE REPORT

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.

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 cognizant 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.

Pursuant to Section 156 of the Companies Act, Chapter 50 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 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 persons 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 insights 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.
- **Independent Directors (IDs)** are Non-Executive Directors and are unrelated to any of the Executive Directors and 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 insights 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.

CORPORATE GOVERNANCE REPORT

Appointment Letter

The newly appointed Directors will be provided a formal letter of appointment, explaining among other matters, the roles, obligations, duties and responsibilities, and the expectations of their contribution to the Company as a member of the Board.

Directors' Orientation and Training

The Company does not have a formal training program for the Directors but all new Directors will undergo an orientation in order to be provided with background information about the Group's history, strategic direction and industry-specific knowledge, corporate functions and governance practices, as well as the expected duties of a Director of a listed company. To get a better understanding of the Group's businesses, the Directors will also be given the opportunity to visit the Group's operational facilities and meet with Management. The Company did not appoint any new Directors in FY2020.

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

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

All Directors are provided with regular updates on 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 Trainings attended by Directors in FY2020

Details of updates provided to, and seminars and training programs attended by certain Directors in FY2020 include, amongst others, the following:

- * Updates on developments in financial reporting and governance standards, where relevant, by the external auditors of the Company to the Audit and Risks Management Committee and the Board;
- * SGX-SID Audit Committee Seminar 2020 organised by ACRA;
- * INSEAD International Directorship Programme;
- * Core Continuing Professional Development for Securities and Futures Act in relation to REIT Management;

CORPORATE GOVERNANCE REPORT

- * Impact of Digital Adoption for the Finance Industry organised by CPA;
- * COVID-19: Accounting and Auditing Implications organised by Mazars LLP;
- * COVID-19: Embedding Resilience – Risk Management organised by SID;
- * Singapore Governance and Transparency Forum organised by CPA; and
- * FRS and Tax Update organised by Deloitte and Singapore Shipping Association.

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

The 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 via a structured Delegation of Authority matrix, which is reviewed on a regular basis and accordingly revised when necessary.

CORPORATE GOVERNANCE REPORT

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 functions 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 the 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 were revised for alignment with the Code.

All Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. The Board Committees report 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 are regularly provided to the Board and are available to all Board members. The Board acknowledges that while these various 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 by Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or senior Management to attend their meetings.

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 (“**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 would have informal discussions on corporate events and/or actions, which would then be formally confirmed and approved by circulating resolutions in writing. The Board members also communicate frequently with Management to discuss the business operations of the Group.

Regulation 104(4) of the Company's Constitution allows Board meetings to be conducted by means of conference telephone, videoconferencing, audio visual, or other electronic means of communication by which all persons participating in the meeting can hear one another contemporaneously. Board and Board Committee meetings held in May 2020 onwards and up to the date of this report were conducted through video conference or other means of telecommunication, in line with government advisories amidst the COVID-19 pandemic. Decisions of the Board and Board Committees may also be obtained through circular resolutions.

CORPORATE GOVERNANCE REPORT

The attendance of each Director at meetings of the Board and Board Committees during FY2020 as well as the frequency of such meetings held is set out in the table below:

No. of Meetings held	Board of Directors					Audit and Risks Management Committee					Nominating Committee		Remuneration Committee		
	5					5					1		1		
	1/5	2/5	3/5	4/5	5/5	Member	1/5	2/5	3/5	4/5	5/5	Member	1/1	Member	1/1
Present Directors															
Lim Soon Hock	✓	✓	✓	✓	✓	No	✓*	✓*	✓*	✓*	✓*	Yes	✓	Yes	✓
Soon Jeffrey	✓	✓	✓	✓	✓	No	✓*	✓*	✓*	✓*	✓*	Yes	✓	No	✓*
Chong Eng Wee (Zhang Yingwei)	✓	✓	✓	✓	✓	Yes	✓	✓	✓	✓	✓	Chairman	✓	No	✓*
Anthony Ang Meng Huat	✓	✓	✓	✓	✓	Yes	✓	✓	✓	✓	✓	No	✓*	Chairman	✓
Lie Ly @ Liely Lee	✓	✓	✓	✓	✓	Chairman	✓	✓	✓	✓	✓	No	✓*	Yes	✓

* Attendance by invitation of the relevant Board Committees

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 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 each of the Directors' number of listed company board representations and other principal commitments in FY2020. In view of this, the Board does not limit the maximum number of listed company board representation its Board members may hold as long as each of the Board members is able to commit his or her time and attention to the affairs of the Company and adequately carry 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. From time to time, they 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.

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

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

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, 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 their representatives attend all the Board and Board Committees meetings and prepares minutes of meetings. The appointment and removal of the Company Secretary is decided by the Board as a whole.

As announced by the Company on 29 May 2020, Ms Ong Le Jing was appointed as the Company Secretary in place of Ms Kelly Kiar Lee Noi with effect from 29 May 2020. The foregoing change in Company Secretary was decided by the Board as a whole.

Independent Professional Advice

Should the Directors, whether as a group or individually, need independent professional advice in furtherance of their duties and responsibilities, the Company will appoint such professional adviser 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 to the Code (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 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 with a view to the best interests of the Company.

The NC, shall conduct an annual review to determine the independence of the 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 Directors before tabling its finding and recommendations to the Board for approval.

For FY2020, the Independent Directors (namely Mr Chong Eng Wee (Zhang Yingwei), Mr Anthony Ang Meng Huat and Ms Lie Ly @ Liely Lee) have confirmed that they or their immediate family members do not 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 with a view to the best interests of the Company, and do not fall under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Independent Directors did not own shares of the Company and were not in 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 said 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. Nonetheless, the independence of any Directors who has served on the Board beyond nine (9) years since the date of his or her first appointment will be subject to particularly rigorous review.

Provision 2.2

Proportion of Independent Non-Executive Directors

In view that the Chairman is not an Independent Director, the Board comprises a majority of three (3) Directors (out of a five (5) member Board) who are Independent Directors.

CORPORATE GOVERNANCE REPORT

Provision 2.3

Proportion of Non-Executive Directors

The Board comprises a majority of four (4) Directors (out of a five (5) 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 five (5) Directors, one (1) of whom is an Executive Director and four (4) of whom are Non-Executive Directors of which three (3) are Independent Directors:

Executive Director

Soon Jeffrey – Executive Director and Chief Executive Officer (“CEO”)

Non-Executive Directors

Lim Soon Hock – Non-Executive Chairman and Non-Independent Director
(Alternate Director – Mr Loke Weng Seng)
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

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

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

CORPORATE GOVERNANCE REPORT

Board Guidance

An effective and robust Board, whose members engage in open and constructive debate and challenge Management on its assumptions and proposals, is fundamental to good corporate governance. A Board should also aid in the development of strategic proposals and oversee effective implementation by Management to achieve set objectives.

The Directors, in particular the Non-Executive Directors, are kept informed of the Company's business and affairs as well as about the industry in which the Company operates in. This knowledge is essential for the Directors to engage in informed and constructive discussions. To ensure that Non-Executive Directors are well supported by accurate, complete and timely information, 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 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 are encouraged to meet, without the presence of Management, so as to facilitate a more effective check on Management. During FY2020, the Non-Executive Directors have met informally at least once without the presence of Management via video conference or other means of telecommunication, in line with government advisories amidst the COVID-19 pandemic to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of Directors and key management personnel ("**KMPs**"), and the impact of the COVID-19 pandemic on the Group's operations and affairs.

Chairman and Chief Executive Officer

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

Provision 3.1

Separation of the Role of Chairman and CEO

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

CORPORATE GOVERNANCE REPORT

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

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

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 Non-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 help the NC conduct annual performance evaluation and development of succession plans for the Chairman and CEO and the RC design and assess the Chairman's remuneration.

CORPORATE GOVERNANCE REPORT

The Lead Independent Director makes himself available at all times when Shareholders have concerns and for which contact through the normal channels of communication with the Chairman, the CEO or Management have failed to resolve or is inappropriate. While the Lead Independent Director generally makes himself available to Shareholders at the Company's general meetings, for the AGM held in FY2020, Shareholders were invited to submit their questions in advance in relation to any resolutions set out in the notice of AGM in light of the lack of physical meetings amidst the COVID-19 pandemic. There was no query or request on any matters which requires the Lead Independent Director's attention received in FY2020.

Independent Director Meetings in Absence of Other Directors

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

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

1. regularly and strategically reviewing the structure, size and composition (including the skills, gender, age, qualification, experience and diversity) of the Board and Board Committees;
2. identifying and nominating candidates to fill Board vacancies as they occur;
3. requesting nominated candidates to disclose any existing or expected future business interests that may lead to a conflict of interest. This disclosure is to be included in any recommendations to the Board;
4. sending the newly-appointed Director a formal appointment letter which clearly sets out his or her roles and responsibilities, authority, and the Board's expectations in respect of his or her time commitment as a Director of the Company;
5. recommending the membership of the Board Committees to the Board;
6. reviewing the independent status of Non-Executive Directors (in accordance with Catalist Rules 406(3) (d)(i) and (ii), and Provision 2.1 of the Code) and that of the Alternate Director, if applicable, annually, or when necessary, along with issues of conflict of interest;
7. developing the performance evaluation framework for the Board, the Board Committees and individual Directors and propose objective performance criteria for the Board, the Board Committees and individual Directors;

CORPORATE GOVERNANCE REPORT

8. recommending that the Board removes or re-appoints a Non-Executive Director at the end of his or her term, and recommend 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 decide 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 ensure 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; 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).

Provision 4.2

Nominating Committee Composition

As at the date of this report, the NC comprises three (3) members, including 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 has earlier 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 noted that the Company is required to comply with the requirement for Independent Directors to make up a majority of the NC and will consider making arrangement to reconstitute the NC composition to comply with the Code's requirements as and when appropriate. Nevertheless, the Board notes that the NC is able to effectively discharge its duties and responsibilities and exercise objective judgement on the NC's affairs independently and constructively challenge key decisions and report to the Board in all respects. Taking into account the above, 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.

CORPORATE GOVERNANCE REPORT

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 particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The search for a suitable candidate is drawn from the contacts and networks of existing Directors. The NC can also approach relevant institutions such as the SID, professional organisations or business federations to source for a suitable candidate. New Directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board and the Board approves such appointment.

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

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

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 Catalyst 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 Mr Lim Soon Hock and Ms Lie Ly @ Liely Lee, who would be retiring by rotation pursuant to Regulations 98 and 99 of the Company's Constitution at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Mr Lim Soon Hock has given his consent for re-election and he will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman and Non-Independent Director, a member of the RC and a member of the NC. Mr Loke Weng Seng, who is currently the alternate Director to Mr Lim Soon Hock, will continue in office if Mr Lim Soon Hock is re-elected as a Director of the Company at the forthcoming AGM.

Ms Lie Ly @ Liely Lee has given her consent for re-election and she will, upon re-election as a Director of the Company, remain as a Non-Executive and Independent Director, Chairman of the ARMC and a member of the RC, and will be 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 shall abstain 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 below:

Name of Director	Lim Soon Hock	Loke Weng Seng	Lie Ly @ Liely Lee
Date of Appointment	1 May 2018	28 July 2018	28 July 2018
Date of last re-appointment (if applicable)	30 April 2019	30 April 2019	30 April 2019
Age	71	72	47
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Lim Soon Hock ("Mr Lim") as the Non-Executive Chairman and Non-Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experience and overall contribution since he was appointed as a Director of the Company.	Mr Loke Weng Seng, who is currently the alternate Director to Mr Lim Soon Hock (Non-Executive Chairman and Non-Independent Director of the Company), will continue in office if Mr Lim Soon Hock is re-elected as a Director of the Company at the forthcoming AGM. The Board has considered the expertise and experience, as well as the business and financial backgrounds of Mr Loke Weng Seng and is satisfied that Mr Loke Weng Seng is appropriately qualified to serve as an alternate Director to Mr Lim Soon Hock.	The re-election of Ms Lie Ly @ Liely Lee as the Non-Executive and Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration her qualifications, expertise, past experience and overall contribution since she was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Chairman and Non-Independent Director, member of the RC and member of NC	Alternate Director to Mr Lim Soon Hock	Non-Executive and Independent Director, Chairman of the ARMC and member of the RC
Professional qualifications	Bachelor of Engineering (Hon) Diploma of Business Administration Graduate Certificate in International Arbitration	Master of Business Administration	CPA Australia Master in Accounting Bachelor of Commerce

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Lie Ly @ Liely Lee
	<p>Registered Professional Engineer(S)</p> <p>Fellow of Institution of Engineers Singapore</p> <p>Fellow of Academy of Engineering Singapore</p> <p>Chartered Engineer (UK)</p> <p>Fellow of Institution of Engineering And Technology (UK)</p> <p>Honorary Fellow of ASEAN Federation of Engineering Organizations</p> <p>Fellow of Singapore Computer Society</p> <p>Fellow of Singapore Institute of Directors</p> <p>Fellow of Singapore Institute of Arbitrators</p> <p>Member of the Singapore Mediation Centre's Family Panel of Mediators and Associate Mediators Panel</p>		
<p>Working experience and occupation(s) during the past 10 years</p>	<p>2019 – Present Mediator, Singapore International Mediation Institute/International Mediation Institute</p> <p>2018 – Present Adjunct Professor, National University of Singapore</p> <p>2017 – Present Deputy Chairman and Senior Advisor of Tru-Marine Pte Ltd</p> <p>2013 – Present Mediator, State Courts Singapore</p> <p>2015 – Present Mediator, Singapore Mediation Centre</p> <p>2010 – 2012 Deputy Chairman and Executive Director, Stratech Systems Limited</p> <p>2006 – Present Founder and Managing Director of PLAN-B ICAG Pte Ltd</p>	<p>2011 – Present Group Managing Director of Tru-Marine Pte. Ltd.</p>	<p>February 2020 – Present Executive Director and Group CFO, Marco Polo Marine Ltd</p> <p>March 2018 – February 2020 Alternate Director to the Chairman of the Board and Group CFO, Marco Polo Marine Ltd</p> <p>2006 – February 2018 Executive Director and Group CFO, Marco Polo Marine Ltd</p>

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Lie Ly @ Liely Lee
Shareholding interest in the listed issuer and its subsidiaries	None	Yes. Indirect interests in 32,030,678 shares in the Company, representing 26.05% of the issued share capital of the Company, which is held by Tru-Marine Pte. Ltd. Mr Loke Weng Seng is deemed to have an interest in the shares in the Company held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes, he is currently the Deputy Chairman and Senior Advisor of Tru-Marine Pte. Ltd., which is a substantial shareholder of the Company.	Mr Loke Weng Seng is the group managing director and shareholder of Tru-Marine Pte. Ltd., which is a substantial shareholder of the Company.	None
Conflict of interest (including any competing business)	None	Mr Loke Weng Seng is the group managing director and shareholder of Tru-Marine Pte. Ltd., which is a substantial shareholder of the Company. Tru-Marine Pte. Ltd. operates in the same general industry as the Company and its subsidiaries. However, Tru-Marine Pte. Ltd. is not a competitor of the Company and its subsidiaries as it provides different products and services as compared to the Company and its subsidiaries.	None

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Lie Ly @ Liely Lee
		<p>In the event any conflict of interest arises of which Mr Loke Weng Seng is reasonably aware in respect of himself and/or Mr Lim Soon Hock, Mr Loke Weng Seng will make such conflict known to the Board as soon as he is reasonably aware so that he may recuse himself from such related discussions and/or decisions and resolutions as most appropriate. Further, any future transactions between the Company or its subsidiaries and any company where Mr Loke Weng Seng and/or Mr Lim Soon Hock is a director of or has substantial interest in, will be done on an arms-length basis, normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.</p>	
<p>Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>
<p>Other Principal Commitments including Directorships</p>			
<p>Past (for the last 5 years)</p>	<ol style="list-style-type: none"> 1. GlobalRoam Group Ltd 2. Medibank Asia Pte Ltd 3. Medibank Health Singapore Pte Ltd 4. DasCoin (HK) Ltd 5. National Volunteer and Philanthropy Centre 6. Raffles Institution 7. The Asian Patrons of the Arts in the Vatican Museums Ltd 8. Innonix Technologies (Singapore) Pte. Ltd. 9. Invictus Group Pte Ltd 10. Solustar Pte Ltd 11. Accu Healthcare Pte Ltd 12. Halogen Foundation (Singapore) 	<p>Nil</p>	<ol style="list-style-type: none"> 1. Marco Polo Drilling Pte. Ltd. 2. Marco Polo Drilling (I) Pte. Ltd. 3. MPST Marine Pte. Ltd. 4. MPMT Pte. Ltd. 5. MPMT 1 Tankers Pte. Ltd

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Lie Ly @ Liely Lee
Present	<ol style="list-style-type: none"> 1. China Fishery Group Limited (incorporated in Cayman Islands) 2. DISA Limited 3. PLAN-B ICAG Pte Ltd 4. REDA Industrial Materials (Holding) Ltd 5. Tru-Marine Pte Ltd 6. REDA Pte Ltd 7. Archer (S) Pte Ltd 8. Verita Healthcare Group Ltd 9. Mundipharma Singapore Holding Pte. Limited 10. Institution of Engineers (Singapore) Fund Ltd <p>Other Principal Commitments</p> <ol style="list-style-type: none"> 1. Raffles Girls' Secondary School 2. Singapore Heart Foundation 3. Centre for Fathering Limited 4. Singapore Eye Foundation 5. Singapore Prison Service, Ministry of Home Affairs 6. Honour Singapore 7. National University of Singapore 8. State Courts Singapore 9. Singapore Mediation Centre 10. Singapore International Mediation Institute 11. International Mediation Institute 12. Registrar of Marriages 	<ol style="list-style-type: none"> 1. Tru-Marine Pte Ltd 2. Tru-Marine Technologies Pte Ltd 3. Tru-Marine Machinery & Engineering (S) Pte. Ltd. 4. Tru-Marine Tianjin (S) Pte Ltd 5. TurboWorld Pte Ltd 6. TruAero Pte Ltd 7. Pmax One Technologies Pte Ltd 8. Tru-Marine Houston LLC 9. Tru-Marine Turbocharger Services LLC 10. Tru-Marine Machinery & Engineering Shanghai Co., Ltd 11. Tru-Marine Machinery & Engineering Guangzhou Co., Ltd 12. Tru-Marine Cosco (Tianjin) Engineering Co Ltd 13. Tru-Marine (Myanmar) Co., Ltd 	<ol style="list-style-type: none"> 1. Marco Polo Marine Ltd 2. Marco Polo Shipyard Pte. Ltd. (F.K.A. Bina Marine Pte. Ltd.) 3. MP Marine Pte. Ltd. 4. MP Shipping Pte. Ltd. 5. MP Ventures Pte. Ltd. 6. Marco Polo Offshore Pte. Ltd. 7. Marco Polo Shipping Co Pte Ltd 8. Marcopolo Shipping (Hong Kong) Limited 9. Marco Polo Offshore (II) Pte. Ltd. 10. MP Offshore Pte. Ltd. 11. Marco Polo Offshore (III) Pte. Ltd. 12. PT. Pelayaran Nasional Bina Buana Raya TBK 13. BBR Shipping Pte. Ltd. 14. PT. Sinar Bintang Makmur 15. Marco Polo Offshore (VI) Pte. Ltd. 16. Marco Polo Offshore (VII) Pte. Ltd.
Information required pursuant to Catalyst Rules 704(6) and/or 704(7)			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Lie Ly @ Liely Lee
(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?	<p>Yes</p> <ol style="list-style-type: none"> China Fishery Group Limited, of which Mr Lim is an independent director, filed for judicial provisional liquidation in Hong Kong by its bank creditors in November 2015. The Company won the case and subsequently filed for Chapter 11 in the United States of America. Globalroam Group Ltd, of which Mr Lim was the chairman, filed for judicial management after he stepped down on 4 August 2017. The provisional liquidator and liquidator was appointed on 22 November 2017 and 5 February 2018 respectively. 	No	No
(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

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Lie Ly @ Liely Lee
(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	<p>Yes</p> <p>1. In February 2006, while Mr Lim was an independent director of Stratech Systems Limited ("Stratech"), Stratech was investigated by the Commercial Affairs Department ("CAD") in relation to a possible breach of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") in relation to a past announcement made relating to the civil litigation brought against it by a former director. The relevant announcement was released by the management without prior approval from the board of directors of Stratech. To the best of Mr Lim's knowledge, the investigation has been closed and no charges were made against any director of Stratech. However, Stratech was subsequently issued a warning by the SGX-ST for the relevant announcement.</p>	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Lie Ly @ Liely Lee
	<p>2. In August 2015, China Fishery Group Limited ("China Fishery") and its subsidiaries were investigated by the Monetary Authority of Singapore and the CAD into an offence under the SFA pursuant to the provisions of the Criminal Procedure Code (Chapter 68, 2012 Revised Edition). This investigation arose out of investigation into the parent company in Hong Kong. None of the independent directors (including Mr Lim) was investigated. In October 2019, China Fishery was informed that the investigation by the authorities had been concluded without any further action being taken with respect to China Fishery and its parent company.</p>		
(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

CORPORATE GOVERNANCE REPORT

Name of Director	Lim Soon Hock	Loke Weng Seng	Lie Ly @ Liely Lee
<p>(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,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No	No
<p>(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?</p>	No	No	No
Disclosure applicable to the appointment of Director only			
<p>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).</p>	<p>Not applicable. This is a re-election of a Director of the Company.</p>	<p>Not applicable. Mr Loke Weng Seng, who is currently the alternate Director to Mr Lim Soon Hock (Non-Executive Chairman and Non-Independent Director of the Company), will continue in office if Mr Lim Soon Hock is re-elected as a Director of the Company at the forthcoming AGM.</p>	<p>Not applicable. This is a re-election of a Director of the Company.</p>

CORPORATE GOVERNANCE REPORT

Alternate Director

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

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 Practice Guidance, and taking into consideration whether the Directors 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 reviews. In respect of the Company's current Independent Directors, namely Mr Chong Eng Wee (Zhang Yingwei), Mr Anthony Ang Meng Huat, and Ms Lie Ly @ Liely Lee, the Board is of the view that they are independent, taking into account the circumstances set forth in the Code, Rule 406(3)(d) of the Catalist Rules and any other salient factors. For FY2020, the Independent Directors have also confirmed their independence in accordance with the Code and Rule 406(3)(d) of the Catalist Rules.

Provision 4.5

Directors' Time Commitments

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

CORPORATE GOVERNANCE REPORT

Listed Company Directorship 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 or Chairmanships both present in other listed companies and other principal commitments
Mr Lim Soon Hock	30 April 2019 (shall retire and be subject to re-election at the forthcoming AGM)	Non-Executive and Non-Independent	Non-Executive Chairman and Non-Independent Director and a member of the NC and RC	<ul style="list-style-type: none"> • Bachelor of Engineering (Hon) • Diploma of Business Administration • Graduate Certificate In International Arbitration • Registered Professional Engineer(s) • Fellow of Institution of Engineers Singapore • Fellow of Academy of Engineering Singapore • Chartered Engineer (UK) • Fellow of Institution of Engineering And Technology • Honorary Fellow of Asean Federation of Engineering Organizations • Fellow of Singapore Computer Society • Fellow of Singapore Institute of Directors • Fellow of Singapore Institute Of Arbitrators • Member of the Singapore Mediation Centre's Family Panel of Mediators and Associate Mediators Panel 	<p><u>Other Principal Commitments</u></p> <ol style="list-style-type: none"> 1. Managing Director – PLAN-B ICAG Pte Ltd 2. REDA Industrial Materials (Holding) Ltd 3. Tru-Marine Pte Ltd 4. REDA Pte Ltd 5. Archer (S) Pte Ltd 6. Verita Healthcare Group Ltd 7. Mundipharma Singapore Holding Pte. Limited 8. Director – Institution of Engineers (Singapore) Fund Ltd 9. Member, Board of Governors – Raffles Girls' Secondary School 10. Singapore Heart Foundation 11. Centre for Fathering Limited 12. Council Member – Singapore Eye Foundation 13. Member Board of Visiting – Singapore Prison Service, Ministry of Home Affairs 14. Member, Panel of Community Advisors – Honour Singapore 15. Adjunct Professor – National University of Singapore 16. Mediator – State Courts Singapore 17. Mediator – Singapore Mediation Centre 18. Mediator – Singapore International Mediation Institute 19. International Mediation Institute 20. Deputy Registrar and Licensed Solemniser – Registrar of Marriages <p><u>Present Directorships</u></p> <p>China Fishery Group Limited (incorporated in Cayman Islands)</p> <p>DISA Limited</p>

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships or Chairmanships both present in other listed companies and other principal commitments
Mr Soon Jeffrey	30 April 2019	Executive	Chief Executive Officer and a member of the NC	<ul style="list-style-type: none"> Master's Degree in Business and Administration Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering) 	<u>Other Principal Commitment</u> - <u>Present Directorship</u> -
Mr Chong Eng Wee (Zhang Yingwei)	20 April 2020	Non-Executive and Independent	Lead Independent Director, Chairman of the NC and a member of the ARMC and RC	<ul style="list-style-type: none"> Advocate & Solicitor, Supreme Court of Singapore Legal Practitioner, Supreme Court of New South Wales, Australia Barrister & Solicitor, High Court of New Zealand Solicitor of the High Court of Hong Kong Bachelor of Laws 	<u>Other Principal Commitment</u> Partner and Head of Corporate, Kennedys Legal Solutions Pte Ltd <u>Present Directorships</u> GS Holdings Limited KTL Global Limited OEL (Holdings) Limited
Mr Anthony Ang Meng Huat	20 April 2020	Non-Executive and Independent	Chairman of the RC and member of the ARMC	<ul style="list-style-type: none"> Master of Business Administration from INSEAD in France Bachelor of Science (Mechanical Engineering) with First Class Honours from the Imperial College, United Kingdom 	<u>Other Principal Commitments</u> Chief Executive Officer of Sasseur Asset Management Pte Ltd Non-Resident Ambassador of the Republic of Singapore to the Republic of Tunisia, Ministry of Foreign Affairs <u>Present Directorships</u> Yong Tai Berhad
Ms Lie Ly @ Liely Lee	30 April 2019 (shall retire and be subject to re-election at the forthcoming AGM)	Non-Executive and Independent	Chairman of the ARMC and a member of the RC	<ul style="list-style-type: none"> CPA Australia Master in Accounting Bachelor of Commerce 	<u>Other Principal Commitment</u> Executive Director and Group Chief Financial Officer of Marco Polo Marine Ltd <u>Present Directorships</u> Marco Polo Marine Ltd PT. Pelayaran Nasional Bina Buana Raya TBK

CORPORATE GOVERNANCE REPORT

Information of the interests of the Directors who held office at the end of the financial year in shares, debentures and share options in the Company and its related corporations (other than the wholly-owned subsidiaries) are set out in the Directors' Statement on pages 62 to 66 of this annual report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole and that 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 effort 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 to develop a performance evaluation framework for the Board, Board Committees and individual Directors, proposed performance criteria and assist in the conduct of the evaluation, analyses the findings and reports the results to the Board.

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

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

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

For FY2020, 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 forms 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 had been discussed and reviewed by the NC.

CORPORATE GOVERNANCE REPORT

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 FY2020 together with the feedback and recommendations from each Director, the NC is satisfied that the Board as a whole had met its performance objective in FY2020.

Board Committees Evaluation Process

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

Audit and Risk Management Committee

- (a) Composition;
- (b) Meetings;
- (c) Financial reporting;
- (d) Internal audit and external audit process; and
- (e) Communication with shareholders.

Nominating Committee

- (a) Composition;
- (b) Meetings; and
- (c) Accountability.

Remuneration Committee

- (a) Composition;
- (b) Meetings; and
- (c) Accountability.

CORPORATE GOVERNANCE REPORT

Based on the summary of the evaluation for FY2020 together with the feedback and recommendations from members of the respective Board Committees, the NC is satisfied that each of the Board Committees had met its performance objective in FY2020.

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 Board procedures and processes 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 and Board Committees overall performance to-date and is of the view that the performance of the Board as a whole and Board Committees were 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 IPTs; and
- (h) Overall assessment.

Based on the summary of the evaluation for FY2020 together with the feedback and recommendations from the respective individual Directors, the NC is satisfied that each of the individual Directors has met his or her performance objective in FY2020.

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 should be involved in deciding his own remuneration.

Provision 6.1

Roles and Duties of Remuneration Committee

The Board 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 adopted for alignment with the Code and Catalist Rules, sets 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. recommending proposed Non-Executive Directors' fees for shareholders' approval;
5. monitoring the level and structure of remuneration for KMPs relative to the internal and external peers and competitors;
6. ensuring that the remuneration of the Non-Executive Directors is appropriate to the level of contribution;
7. 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;
8. 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);
9. obtaining reliable, up-to-date information on the remuneration practices of other companies and the relevant market benchmarks through the appointment of external consultants;
10. overseeing any major changes in employee benefits or remuneration structures;
11. reviewing the design of all long-term and short-term incentive schemes for approval by the Board and Shareholders;

CORPORATE GOVERNANCE REPORT

12. ensuring that the contractual terms and any termination payments are fair to the individual and the Company. Poor performance should not be rewarded;
13. setting performance measures and determine targets for any performance-related pay schemes operated by the Company;
14. 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;
15. working and liaise, as necessary, with all other Board Committees on any other matters connected with remuneration matters; and
16. 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 date of this report, the RC comprises 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 or policies for the Executive Director/ 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 RC's recommendations are submitted for endorsement by the Board.

The RC will also review the Company's obligations under the service agreement entered into with the Executive Director 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 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 FY2020.

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 which 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 Director does not receive Directors' fees. 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, a substantial Shareholder), are governed by their respective service agreements effective 1 January 2016. To align the interests of the Executive Director and KMPs with those of the Shareholders, Mr Soon Jeffrey and Mr Soon Jenson are allowed to participate in a profit sharing incentive scheme in which the performance condition is based on the Group's profit before tax for each of the financial years. The respective service agreements of Mr Soon Jeffrey and Mr Soon Jenson expired on 31 December 2018 and their respective service agreements had been renewed in both FY2019 and FY2020 on a yearly basis. 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 Director 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, 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 Non-Executive Directors is recommended for Shareholders' approval at each AGM. Directors' fees for the Non-Executive Directors of S\$151,000 for FY2020 (with payment to be made quarterly in arrears) had been approved by Shareholders at the last AGM held on 20 April 2020. Notwithstanding the foregoing, in view of the impact of the COVID-19 pandemic on the Group's financial performance, all Directors had agreed to reduce their salary and Directors' fee (as the case may be), by 20% for the month of May 2020. Directors' fees for the Non-Executive Directors of S\$151,000 for the current financial year ending 31 December 2021 (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 Director and the KMPs comprised 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 Director 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 Director 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 FY2020 is as follows:

Name of Director	Salary⁽¹⁾ (%)	Bonus⁽¹⁾ and/or profit sharing (%)	Directors' fee (%)	Allowances and other benefits (%)	Total (%)
Below S\$250,000					
Lim Soon Hock	–	–	100	–	100
Soon Jeffrey ⁽²⁾	76	7	–	17	100
Chong Eng Wee (Zhang Yingwei)	–	–	100	–	100
Anthony Ang Meng Huat	–	–	100	–	100
Lie Ly @ Liely Lee	–	–	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 Key Management Personnel's Remuneration

A breakdown of the remuneration bands payable to the top three (3) KMPs⁽¹⁾ (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 FY2020, is as follows:

Name of Key Management Personnel	Salary ⁽²⁾ (%)	Bonus ⁽²⁾ and/or profit sharing (%)	Allowances and other benefits (%)	Total (%)
Below S\$250,000				
Soon Jenson ⁽³⁾	82	7	11	100
Ng Wei Jet	90	10	–	100
Koh Lay Cheng	89	10	1	100

Notes:

- (1) The Group had only three (3) KMPs in FY2020.
- (2) The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.
- (3) Brother of Mr Soon Jeffrey, Executive Director and CEO, and son of Mr Soon Yeow Kwee Johnny, a substantial Shareholder.

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 FY2020.

Save as disclosed above, the Code recommends that:

- (a) the Company should fully disclose the amount and breakdown of remuneration of each individual Director and the CEO on a named basis;
- (b) the Company should disclose the details of the remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a Director or the CEO or a substantial Shareholder, in incremental bands of S\$100,000; and
- (c) 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 aforementioned details as recommended by the Code, given the competitive business environment and possible negative impact on the Group's business interest, the disclosure of such detailed remuneration amongst the immediate family members of the Executive Director and the CEO of the Company as well as a substantial Shareholder could have an adverse effect on working relationships and contributions to the operations of the Group. The total remuneration of the top three (3) KMPs (who are not Directors or the CEO), including the immediate family member of a Director or CEO, was not disclosed to prevent poaching of KMPs.

After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders 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 complies with Principle 8 of the Code.

CORPORATE GOVERNANCE REPORT

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 FY2020.

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 FY2020.

Name	Salary⁽¹⁾ (%)	Bonus⁽¹⁾ and/or profit sharing (%)	Allowances and other benefits (%)	Total (%)
Yong Chin Seng ⁽²⁾	71	4	25	100

Notes:

- (1) The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.
- (2) Mr Yong Chin Seng is a Regional Sales Manager of Heatec Jietong Pte. Ltd. and is responsible for sourcing new clients and for the administrative matters and management of regional sales for the Heat Exchanger segment of the Group. He is the son of Mr Yong Yeow Sin, who is a substantial Shareholder. His remuneration was in the band of between S\$100,000 and S\$200,000 for FY2020.

Provision 8.3

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

The Company has a share option scheme known as Heatec Employee Share Option Scheme (the “**Heatec ESOS**”) and a performance share plan known as Heatec Performance Share Plan (the “**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 had 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 2020, 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 FY2020. 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 FY2020.

CORPORATE GOVERNANCE REPORT

As at 31 December 2020, the Company has granted an aggregate of 7,000,000 share options pursuant to the Heatec ESOS, of which options to subscribe for 3,000,000 shares remained outstanding. Movements in the number of unissued shares of the Company under the Heatec ESOS during FY2020 were as follows:

Exercise period		Outstanding options as at 1 January 2020	Number of options granted in FY2020	Number of options cancelled in FY2020	Outstanding options as at 31 December 2020	Exercise price (S\$)
From	To					
18 April 2017	17 April 2026	1,800,000	–	–	1,800,000	0.085
16 April 2019	15 April 2028	1,200,000	–	–	1,200,000	0.062
Total		3,000,000	–	–	3,000,000	

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

III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

Provision 9.1

Nature and Extent of Risks

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

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

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

CORPORATE GOVERNANCE REPORT

Provision 9.2

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

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

The Board has received written assurance from the CEO and Financial Controller that, as at 31 December 2020, 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 2020 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, various 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 2020 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 reasonable 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 should establish an Audit Committee which discharges its duties objectively.

Provision 10.1

Roles and Duties of Audit and Risk Management Committee

The Board 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;

CORPORATE GOVERNANCE REPORT

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 adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
6. reviewing the scope and results of the external audit function, and the independence and objectivity of the external auditors;
7. recommending to the Board the appointment, re-appointment and removal of the external auditors, and its remuneration and terms of engagement;
8. ensuring that the Company complies with the requisite laws and regulation;
9. ensuring that the Company has programmes and policies in place to identify and prevent fraud;
10. overseeing the establishment and operation of the whistleblowing process in the Company;
11. reviewing all IPTs and Related Party Transactions; and
12. 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 discharge its responsibilities properly.

Provisions 10.2 and 10.3

Audit and Risk Management Committee Composition

As at the date of this report, the ARMC comprises the following three (3) members, all of whom, including the ARMC Chairman, are Non-Executive and Independent Directors:

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

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

No former partner or Director of the Company's existing auditing firm is a member of the ARMC and the members of ARMC also confirmed that they have no financial interest in the 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 LLP, a member of the BDO network. The ARMC approves the hiring, removal, evaluation and compensation of the internal auditors.

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

The internal auditors will submit their annual audit planning for approval by the ARMC and report their findings to the ARMC. In FY2020, the internal auditors carried out the review based on BDO Internal Audit methodology 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 FY2020. The ARMC is satisfied that the outsourced internal audit function is independent, adequately resourced, effective and has the appropriate standing within the Group. The ARMC is also of the view that the outsourced internal audit function is adequately staffed with persons with the relevant qualifications and experience and adheres to BDO Internal Audit Methodology.

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 cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services. 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 re-appointment of the external auditors is always subject to Shareholders' approval at the AGM.

CORPORATE GOVERNANCE REPORT

Messrs Baker Tilly TFW LLP ("**Baker Tilly**") was re-appointed as the external auditors of the Company at the AGM held on 20 April 2020 until the conclusion of the forthcoming AGM. The aggregate amount of audit fees paid to Baker Tilly in FY2020 was S\$65,000. There were no non-audit fees paid to Baker Tilly in FY2020.

In reviewing the nomination of Baker Tilly for re-appointment for the financial year ending 31 December 2021, the ARMC has considered the adequacy of the resources, experience and competence of Baker Tilly, and has taken into account the Audit Quality Indicators relating to Baker Tilly 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 in handling the audit. The Board also considered the audit team's ability to work in a cooperative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines. Baker Tilly is registered with ACRA and approved under the Accountants Act.

On the basis of the above, the ARMC and the Board are satisfied with the standard and quality of work performed by Baker Tilly and have recommended the nomination of Baker Tilly for re-appointment as external auditors of the Company for the ensuing year be tabled for Shareholders' approval at the forthcoming AGM.

For FY2020, 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 Financial Controller, 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 for FY2020, through video conference or other means of telecommunication, in line with government advisories amidst the COVID-19 pandemic.

Whistle Blowing Policy

The Company has implemented a Whistle Blowing Policy which provides the mechanism for which staff of the Company may in confidence, raise concerns about possible improprieties of financial reporting or other matters. The ARMC oversees the administration of the policy. Where a complaint has been made, a report will be submitted to the ARMC for investigation and follow-up.

CORPORATE GOVERNANCE REPORT

Audit and Risk Management Committee Activities

In FY2020, 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 adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (c) reviewed IPTs of the Group;
- (d) reviewed and approved the annual audit plan of the external auditors;
- (e) reviewed and approved the internal audit plan of the internal auditors, having considered the scope of the internal audit procedures;
- (f) reviewed the effectiveness of the Group's internal audit function;
- (g) reviewed the audit findings of the internal auditors and Management's responses to those findings;
- (h) reviewed the independence of the external auditors;
- (i) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for the Board's approval; and
- (j) met with the internal and external auditors once without the presence of Management.

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

CORPORATE GOVERNANCE REPORT

Matter considered	How the ARMC reviewed this matter and what decisions were made
Revenue recognition	<p>The ARMC discussed with Management and the external auditor on the procedures and controls over revenue recognition and ensure that the revenue recognition policy is in accordance with SFRS (I) 15 <i>Revenue from contracts with customers</i>.</p> <p>The ARMC reviewed Management's assessment of key estimates and judgements made in determining the stage of completion and the estimated total contract costs to complete on revenue from provision of heat exchanger services. For revenue from provision of piping services, the ARMC reviewed the Management's estimates and evaluated the appropriateness of the expected settlement rate used, with comparison to the actual settlement rates during the financial year and considered the external auditors' report which outlined the audit procedures to address the key audit matter.</p> <p>As a result of the above procedures, the ARMC was of the view that the approach and methodology applied by the Management were adequate and appropriate.</p> <p>The revenue recognition on contracts was also areas of focus for the external auditor. The external auditor had included this item as a key audit matter in its audit report for FY2020. Please refer to page 67 of this annual report.</p>
Impairment assessment of cost of investment in subsidiaries (Company)	<p>The ARMC discussed with Management and the external auditor on the assessment of carrying value of cost of investment in subsidiaries, and ensured that it is in compliance with SFRS (I) 1-36 <i>Impairment of Assets</i>.</p> <p>The ARMC reviewed the recoverable amounts of the investment in subsidiaries determined by Management, based on value-in-use using the discounted cash flow method, having factored in changes in assumptions and condition arising from ongoing development of the Covid-19 pandemic. The ARMC has also evaluated the key assumptions made in determining the recoverable amounts, as well as considered the external auditors' report outlined the audit procedures to address the key audit matter.</p> <p>As a result of the above procedures, the ARMC was of the view that the assessment of recoverable amount applied by the Management was reasonable.</p> <p>The assessment of carrying value of cost of investment in subsidiaries was also areas of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for FY2020. Please refer to page 69 of this annual report.</p>

CORPORATE GOVERNANCE REPORT

VI. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

Provision 11.1

Shareholders' Participation in General Meetings

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all Shareholders. These notices are posted onto the SGXNet. The notice of AGM, together with the annual report, is distributed to all Shareholders at least fourteen (14) days before the scheduled AGM date in order to provide ample time for Shareholders to review the same. Shareholders are encouraged to attend the general meetings via live web-cast 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. On 3 January 2016, the Companies Act was amended, among other things to allow certain members, defined as a "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirements. A relevant intermediary includes corporations holding licenses in providing nominee and custodial services and 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 general meetings in FY2020 were conducted through live web-cast in light of the COVID-19 pandemic, pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 and guidance from ACRA, the Monetary Authority of Singapore, and/or SGX Regco on the conduct of general meetings. Shareholders were invited to submit any question they may have in advance in relation to any resolution set out in the notice of AGM via email to the Investor Relations team of the Company.

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

Provision 11.2

Conduct of Resolutions and Voting

The resolutions tabled at the general meetings are in respect of each substantially separate issues, 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 in the annual report.

CORPORATE GOVERNANCE REPORT

Provision 11.3

Interaction with Shareholders

As mentioned above, during FY2020, the Company invited shareholders to submit their questions in advance in relation to any resolutions set out in the notice of meeting for the AGM held on 20 April 2020. The Investor Relations Team of the Company had received a few questions from shareholders prior to the AGM which were relatively similar to the queries raised by the SGX-ST on 15 April 2020. The Company had responded to the foregoing queries via a SGXNet announcement released on 16 April 2020 and shareholders were informed to refer to such SGXNet announcement for reference.

Save for the previous AGM held on 20 April 2020, there were no other general meetings of the Company held during FY2020.

Provision 11.4

Absentia Voting

The Company had decided, for the time being, not to implement voting in absentia through mail, electronic mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. Notwithstanding the foregoing, in light of the COVID-19 pandemic, Shareholders were invited to exercise their voting rights during the AGM in FY2020 through the submission of proxy forms nominating the Chairman of the meeting to vote on their behalf.

Provision 11.5

Minutes of General Meetings

The proceeding of each of the general meetings will be properly recorded, including substantial or relevant comments or queries from Shareholders relating to the agenda of the general meetings and responses from the Board and Management. All minutes of the general meetings will be available on the Company's corporate website. In respect of the previous AGM held on 20 April 2020, the Company published the minutes of the AGM on the SGXNet within one month from the date of the AGM.

Provision 11.6

Dividend Policy

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

- (a) the level of the Group's cash and retained earnings;
- (b) the Group's actual and projected financial performance;
- (c) the Group's projected levels of capital expenditure and other investment plans;
- (d) the dividend yield of similar-sized companies with similar growth listed on the Catalist board of the SGX-ST;
and

CORPORATE GOVERNANCE REPORT

- (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 FY2020, the Board has not recommended any dividends for FY2020.

Engagement with Shareholders

Principle 12: The company communicate regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues 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 does not have an investor relations policy in place. However, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNet on an immediate basis, in line with the Group's disclosure obligations pursuant to the Catalist Rules and the Companies Act. Notwithstanding the foregoing, in light of the COVID-19 pandemic, Shareholders were invited to submit their questions in advance of the AGM held on 20 April 2020 in relation to any resolutions set out in the notice of meeting for the AGM held on 20 April 2020 to the Investor Relations Team of the Company.

Disclosures 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) annual and half-year financial statements announcements containing a summary of the financial information and affairs of the Group for the period;
- (c) notices and explanatory memoranda for general meetings;
- (d) disclosures to the SGX-ST via SGXNet; and
- (e) press/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.

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

CORPORATE GOVERNANCE REPORT

Dialogue with Shareholders

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

V. MANAGING STAKEHOLDERS RELATIONSHIPS

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 has 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 the concerns so as to improve services and products' 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 stakeholders' groups have been identified through an assessment of their significance to the business operations. They are namely, employees, investors/shareholders, customers and consumers, 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 important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

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 143 to 159 of this annual report.

Provision 13.3

Corporate Website

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

CORPORATE GOVERNANCE REPORT

VI. INTERESTED PERSON TRANSACTIONS

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

All interested person transactions are subject to review by the ARMC to ensure compliance with established procedures. The Company has not obtained a general mandate from its Shareholders in respect of interested person transactions for FY2020. The aggregate value of interested person transactions entered into during FY2020 is as follows:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920) (S\$'000)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (S\$'000)
Provision of consultancy services and allowances by the following consultants: Soon Yeow Kwee Johnny Yong Yeow Sin	A controlling Shareholder of the Company and father of Soon Jeffrey (Chief Executive Officer and Executive Director of the Company) A controlling Shareholder of the Company	204 ⁽¹⁾	–

Note:

(1) Fees paid by the Group to the consultants are disclosed as an aggregate sum, rather than on an individual basis, as the Board is of the view that disclosure of the latter may affect the working relationships amongst the stakeholders and contributions by the Consultants in relation to the operations of the Group.

VII. MATERIAL CONTRACTS

Save as disclosed above in the section entitled "Interested Person Transactions", the service agreement between the Company and the Executive Director and CEO, and 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 FY2020 or if not then subsisting, entered into since the end of the previous financial year.

CORPORATE GOVERNANCE REPORT

VIII. DEALINGS IN SECURITIES

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

- (a) The Company had devised and adopted its own internal compliance code to provide guidance to its Directors and officers with regards to dealings by the Company, its Directors and its officers in its securities, as well as to set out the implications on insider trading;
- (b) Directors and officers of the Company are discouraged from dealing in the Company's securities on short-term considerations; and
- (c) The Company, its Directors and its officers are prohibited from dealing in the Company's securities (i) during the periods commencing one month before the announcement of the Company's half-year and full-year financial statements and ending on the date of the announcement of the relevant financial results; and (ii) if they are in possession of unpublished price-sensitive information of the Group.

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

IX. NON-SPONSORSHIP FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees payable or paid to the Company's Sponsor, ZICO Capital Pte. Ltd., for FY2020.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Heatec Jietong Holdings Ltd. (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020.

In the opinion of the directors:

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 73 to 142 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Lim Soon Hock
Soon Jeffrey
Anthony Ang Meng Huat
Chong Eng Wee (Zhang Yingwei)
Lie Ly @ Liely Lee
Loke Weng Seng (alternate director to Lim Soon Hock)

Arrangement to enable directors to acquire benefits

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

DIRECTORS' STATEMENT

Directors' interest in shares or debentures

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

	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
	At 1.1.2020	At 31.12.2020	At 1.1.2020	At 31.12.2020
The Company				
Soon Jeffrey	1,400,000	1,400,000	–	–
Loke Weng Seng	–	–	32,030,678	32,030,678
Subsidiary corporation				
<u>Heatec Veslink Marine Services Corp.</u>				
Soon Jeffrey	1	1	–	–

The director, Mr Loke Weng Seng, by virtue of Section 7 of the Act, is deemed to have an interest in the shares held by the Company in its wholly-owned subsidiary corporations.

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

	Number of ordinary shares	
	At	At
	1.1.2020	31.12.2020
Chem-Grow Pte. Ltd.	266,000	266,000
Chem Grow Engineering Pte. Ltd.	70,000	70,000
Chem Grow Services Pte. Ltd.	70,000	70,000
Heatec Veslink Marine Services Corp.	5,399,997	5,399,997
Heatec Guangzhou Co., Ltd.	510,000*	–

* Represents capital injected in RMB.

The directors' interests in the shares of the Company at 21 January 2021 were the same as those as at 31 December 2020.

DIRECTORS' STATEMENT

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:
- (i) 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.
- (ii) The options vest 12 months after the grant date and expire 10 years after vesting date unless cancelled or lapsed prior to that date.
- (c) Share options outstanding at the end of the financial year, details of the options granted under the Scheme on the unissued shares 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 1.1.2020	Options granted	Cancelled/ lapsed	Options outstanding at 31.12.2020	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
Total		3,000,000	–	–	3,000,000	

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

- (d) 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.
 - 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

Audit and Risks Management Committee

The members of the Audit and Risks Management Committee during the financial year and at the date of this statement are:

Lie Ly @ Liely Lee	(Chairman)
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. Their functions are detailed in the Report on Corporate Governance.

In performing its functions, the Audit and Risks Management Committee met with the Company's independent and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit and Risks Management Committee also reviewed the following:

- (a) the audit plans and scope of audit examination of the external audit;
- (b) the Group's financial and operating results and accounting policies;
- (c) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group before submission to the Board of Directors (the "Board") for adoption;
- (d) the co-operation and assistance given by the management to the Group's external auditor;
- (e) the review of interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;
- (f) the scope of internal audit procedures and the results of the internal audit; and
- (g) the review of adequacy of the Company's internal financial controls, operational, information technology and compliance controls, and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal auditor.

The Audit and Risks Management Committee is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board that Baker Tilly TFW LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Lim Soon Hock
Director

Soon Jeffrey
Director

26 March 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Heatec Jietong Holdings Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 73 to 142, which comprise the statements of financial position of the Group and of the Company as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ["SFRS(I)"] 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 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

The Group is mainly involved in heat exchanger services as well as piping services.

- (a) Revenue from the provision of heat exchanger services is recognised over time using input method, based on the actual contract costs incurred to-date compared as a proportion of the total budgeted contract costs for the project. The assessment in determining the stage of completion and the estimated total contract costs to complete are considered to be significant to our audit as it requires application of judgement and use of estimates by management.

The details of the revenue recognition on heat exchanger services revenue are set out in Notes 2(b), 3 and 4 to the financial statements.

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)

Revenue recognition (continued)

- (b) Piping services are often provided while prices are being negotiated with the customers. Revenue is recognised at the expected settlement rates based on the labour hours delivered.

Management estimates the expected settlement rate based on historical settlement rates and actual settlement rates during the financial year, taking into consideration discounts provided to the customers. The expected settlement rate may eventually be different after negotiation. The assessment in determining the expected settlement rate is considered to be significant to our audit as it requires the use of estimates by management.

The details of the revenue recognition on piping services revenue are set out in Notes 2(b), 3 and 4 to the financial statements.

Our procedures to address the key audit matter

Heat exchanger services

We obtained an understanding of management's process in estimating total contract costs and assessed whether management's policies and processes for making these estimates continue to be appropriate and are applied consistently to all contracts of similar nature.

We evaluated the appropriateness of the stage of completion for open contracts and estimated contract costs to complete and management process for estimating costs to completion. To understand the process of estimating total contract costs and progress of significant open contracts, we reviewed source documents and records such as quotations from sub-contractors and held discussions with project managers. We also checked the subsequent progress or completion of significant projects to further corroborate the reliability of the estimations of costs.

In addition, we assessed the adequacy and appropriateness of the disclosure made in the financial statements.

Piping services

We performed a retrospective review of management's estimates and evaluated the appropriateness of the expected settlement rates used, with comparison to the actual settlement rates during the financial year.

We updated our understanding of management's process for making estimates on the expected settlement rates and assessed whether the process continues to be appropriate and is applied consistently to all contracts of similar nature. We also enquired with management on the status of their negotiation with customers.

We also assessed the adequacy and appropriateness of the disclosure made in the financial statements.

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)

Assessment of carrying value of cost of investment in subsidiaries (Company)

As disclosed in Note 13 to the financial statements, the net carrying amount of the Company's investment in subsidiaries as at 31 December 2020 amounted to \$5,502,799.

During the financial year, the Company performed an assessment to determine the recoverable amounts of the Company's cost of investment in subsidiaries. The Company has determined the recoverable amount of its investment in subsidiaries based on value-in-use of the investment in subsidiaries using the discounted cash flow method, having factored in changes in assumptions and conditions arising from ongoing development of the COVID-19 pandemic. The use of the value-in-use calculations involves significant judgement and estimates in the cash flows forecast for the next five years and terminal value. The Company adopted the Expected Cash Flow approach due to the increase in the level of uncertainty. The Expected Cash Flow approach uses multiple cash flow projections taking into consideration assumed probabilities of different future events and/or scenarios instead of a single cash flow scenario. The recoverable amount was estimated by calculating the present value of the probability weighted expected cash flows. The value-in-use calculations also include assumptions on revenue growth, gross profit margin, capital and operating expenses, discount rate and terminal year growth rate.

The assessment of recoverable amount of the Company's investment in subsidiaries is considered to be significant to our audit as it requires application of judgement and use of subjective assumptions by management.

Our procedures to address the key audit matter

We obtained an understanding of management's impairment assessment process.

We obtained the Company's value-in-use calculations. We evaluated the key assumptions to the value-in-use calculations and the reasonableness of the probabilities of different future events and/or scenarios, by performing retrospective review, verifying appropriate source documents and records such as order book and contracts for future works, and checking subsequent performance of the subsidiaries for consistency with the assumptions. The key assumptions tested include and are not limited to revenue growth, gross profit margin, capital and operating expenses, discount rate and terminal year growth rate.

We involved our valuation specialist in evaluating the appropriateness of the discount rate used by management.

We performed sensitivity analysis in the area of discount rate assumption.

We also assessed the adequacy and appropriateness of the disclosure made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2020 but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Audit of the Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Chee Sum Gilbert.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

26 March 2021

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group	
		2020 \$	2019 \$
Revenue	4	20,780,647	23,708,980
Cost of sales		(16,064,125)	(17,888,415)
Gross profit		4,716,522	5,820,565
Other income			
– Interest		7,613	8,258
– Others	5	2,594,796	303,621
Expenses			
Administrative expenses		(6,353,007)	(7,634,093)
Other operating expenses	6	–	(420,207)
Net impairment losses on financial assets		(309,008)	(27,277)
Finance costs	7	(467,774)	(518,003)
Share of results of associates		36,216	44,566
Profit/(loss) before tax	8	225,358	(2,422,570)
Income tax expense	10	(30,189)	(15,399)
Profit/(loss) for the financial year		195,169	(2,437,969)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group	
		2020	2019
		\$	\$
Profit/(loss) for the financial year		195,169	(2,437,969)
Other comprehensive income/(loss):			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation		16,878	(13,196)
Share of other comprehensive income/(loss) of associates		12,785	(23,035)
Other comprehensive income/(loss) for the financial year, net of tax		29,663	(36,231)
Total comprehensive income/(loss) for the financial year		224,832	(2,474,200)
(Loss) /profit attributable to:			
Equity holders of the Company		(35,196)	(2,451,276)
Non-controlling interests		230,365	13,307
Profit/(loss) for the financial year		195,169	(2,437,969)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(5,533)	(2,487,507)
Non-controlling interests		230,365	13,307
Total comprehensive income/(loss) for the financial year		224,832	(2,474,200)
Loss per share attributable to equity holders of the Company (expressed in cents per share)			
Basic	11	(0.03)	(1.99)
Diluted		(0.03)	(1.99)

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

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 \$	2019 \$	2020 \$	2019 \$
Non-current assets					
Property, plant and equipment	12	10,720,313	11,676,959	5,085,678	5,588,781
Investment in subsidiaries	13	–	–	5,502,799	5,502,799
Investment in associates	14	301,637	252,636	–	–
Total non-current assets		11,021,950	11,929,595	10,588,477	11,091,580
Current assets					
Inventories	15	557,479	321,449	–	–
Contract assets	16	6,379,156	4,137,644	–	–
Trade receivables	17	5,956,585	7,673,380	–	–
Other receivables	18	1,742,480	2,311,001	1,289,869	1,331,664
Cash and bank balances	19	4,648,838	3,554,390	362,640	15,894
Total current assets		19,284,538	17,997,864	1,652,509	1,347,558
Total assets		30,306,488	29,927,459	12,240,986	12,439,138
Non-current liabilities					
Borrowings	20	8,357,930	1,815,471	1,121,917	1,211,268
Deferred tax liabilities	21	296,638	304,714	–	–
Total non-current liabilities		8,654,568	2,120,185	1,121,917	1,211,268
Current liabilities					
Contract liabilities	16	864,185	59,569	–	–
Trade payables	22	1,277,893	1,638,438	–	–
Other payables	23	1,811,630	3,669,391	341,573	596,631
Provision for warranty	24	44,853	23,121	–	–
Borrowings	20	1,669,694	6,532,532	89,352	83,820
Tax payable		6,441	13,389	–	–
Total current liabilities		5,674,696	11,936,440	430,925	680,451
Total liabilities		14,329,264	14,056,625	1,552,842	1,891,719
Net assets		15,977,224	15,870,834	10,688,144	10,547,419
Equity					
Share capital	25	11,554,627	11,554,627	11,554,627	11,554,627
Reserves	26	2,305,186	2,310,719	(866,483)	(1,007,208)
Equity attributable to equity holders of the Company, total		13,859,813	13,865,346	10,688,144	10,547,419
Non-controlling interests		2,117,411	2,005,488	–	–
Total equity		15,977,224	15,870,834	10,688,144	10,547,419

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the Company							Total equity	
	Share capital (Note 25)	Other reserve (Note 26)	Translation reserve (Note 26)	Merger reserve (Note 26)	Share options reserve (Note 26)	Retained earnings (Note 26)	Total		Non-controlling interests
	\$	\$	\$	\$	\$	\$	\$	\$	
Group 2020									
At 1 January 2020	11,554,627	221,206	(123,490)	(3,913,614)	69,690	6,056,927	13,865,346	2,005,488	15,870,834
(Loss)/profit for the financial year	-	-	-	-	-	(35,196)	(35,196)	230,365	195,169
<i>Other comprehensive income</i>									
Currency translation differences arising on consolidation	-	-	16,878	-	-	-	16,878	-	16,878
Share of other comprehensive income of associates	-	-	12,785	-	-	-	12,785	-	12,785
Other comprehensive income for the financial year, net of tax	-	-	29,663	-	-	-	29,663	-	29,663
Total comprehensive income/(loss) for the financial year	-	-	29,663	-	-	(35,196)	(5,533)	230,365	224,832
Effects of liquidation of a subsidiary	-	-	-	-	-	-	-	1,258	1,258
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	(119,700)	(119,700)
At 31 December 2020	11,554,627	221,206	(93,827)	(3,913,614)	69,690	6,021,731	13,859,813	2,117,411	15,977,224

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the Company							Total equity	
	Share capital (Note 25)	Other reserve (Note 26)	Translation reserve (Note 26)	Merger reserve (Note 26)	Share options reserve (Note 26)	Retained earnings (Note 26)	Total		Non-controlling interests
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Group									
2019									
At 1 January 2019	11,554,627	221,206	(87,259)	(3,913,614)	69,690	8,508,203	16,352,853	2,036,641	18,389,494
(Loss)/profit for the financial year	-	-	-	-	-	(2,451,276)	(2,451,276)	13,307	(2,437,969)
<i>Other comprehensive loss</i>									
Currency translation differences arising on consolidation	-	-	(13,196)	-	-	-	(13,196)	-	(13,196)
Share of other comprehensive loss of associates	-	-	(23,035)	-	-	-	(23,035)	-	(23,035)
Other comprehensive loss for the financial year, net of tax	-	-	(36,231)	-	-	-	(36,231)	-	(36,231)
Total comprehensive (loss)/income for the financial year	-	-	(36,231)	-	-	(2,451,276)	(2,487,507)	13,307	(2,474,200)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	(44,460)	(44,460)
At 31 December 2019	11,554,627	221,206	(123,490)	(3,913,614)	69,690	6,056,927	13,865,346	2,005,488	15,870,834

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Share capital (Note 25) \$	Share options reserve (Note 26) \$	Retained earnings/ (accumulated losses) (Note 26) \$	Total equity \$
Company				
At 1 January 2019	11,554,627	69,690	756,959	12,381,276
Loss and total comprehensive loss for the financial year	–	–	(1,833,857)	(1,833,857)
At 31 December 2019	11,554,627	69,690	(1,076,898)	10,547,419
Profit and total comprehensive income for the financial year	–	–	140,725	140,725
At 31 December 2020	11,554,627	69,690	(936,173)	10,688,144

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group	
		2020	2019
		\$	\$
Cash flows from operating activities			
Profit/(loss) before tax		225,358	(2,422,570)
Adjustments for:			
Interest income		(7,613)	(8,258)
Interest expenses		467,774	518,003
Net impairment losses on financial assets		309,008	27,277
Depreciation of property, plant and equipment		1,209,786	1,211,453
Loss on disposal of property, plant and equipment		3,006	38,222
Share of results of associates		(36,216)	(44,566)
Provision for warranty		21,732	–
Gain on liquidation of a subsidiary		(6,139)	–
Operating cash flows before movements in working capital		2,186,696	(680,439)
Trade and other receivables and contract assets		(326,943)	3,477,773
Inventories		(236,030)	845,697
Trade and other payables and contract liabilities		(1,471,651)	(744,546)
Currency translation adjustments		24,243	(13,866)
Cash generated from operations		176,315	2,884,619
Interest received		7,613	8,258
Interest paid		(23,306)	(28,620)
Income tax paid		(45,213)	(11,036)
Net cash generated from operating activities		115,409	2,853,221
Cash flows from investing activities			
Purchases of property, plant and equipment	A	(268,704)	(224,354)
Proceeds from disposal of property, plant and equipment		16,998	123,682
Dividends received from an associate		–	71,650
Net cash used in investing activities		(251,706)	(29,022)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group	
		2020	2019
		\$	\$
Cash flows from financing activities			
Interest paid		(444,468)	(489,383)
Decrease/(increase) in pledged fixed deposit		388,585	(1,164,313)
Dividend paid to non-controlling shareholders	B	–	(44,460)
Proceeds from bank loans		3,000,000	–
Repayments of bank loans		(1,018,652)	(613,082)
Repayments of revolving credit loans		(200,000)	(400,000)
Repayments of lease liabilities		(106,135)	(157,138)
Proceeds from shareholders' loan		–	450,000
Repayments of shareholders' loan		–	(450,000)
Net cash generated from/(used in) financing activities		1,619,330	(2,868,376)
Net increase/(decrease) in cash and cash equivalents		1,483,033	(44,177)
Cash and cash equivalents at beginning of the financial year		2,340,238	2,384,415
Cash and cash equivalents at end of the financial year	19	3,823,271	2,340,238
<u>Note A – Purchases of property, plant and equipment (“PPE”)</u>			
Aggregate cost of PPE acquired	12	273,112	224,354
Less: Addition of right-of-use asset		(4,408)	–
Net cash outflows for purchases of PPE		268,704	224,354
<u>Note B</u>			

During the financial year, a subsidiary of the Group declared dividends amounted to \$399,000 (2019: \$148,200), out of which \$119,700 (2019: \$44,460) is attributable to non-controlling shareholders. As at 31 December 2020, \$119,700 (2019: \$Nil) has not been paid to the non-controlling shareholders.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

1 CORPORATE INFORMATION

The Company (Co. Reg. No. 200717808Z) is incorporated and domiciled in Singapore. The address of its registered office is at 10 Tuas South Street 15, Singapore 637076.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are presented in Singapore Dollars (“\$”), which is the Company’s functional currency. The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) [“SFRS(I)”]. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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

Use of estimates and judgements

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

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

The carrying amounts of cash and bank balances, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New and revised standards

In the current financial year, the Group has adopted all the new and revised SFRS(I) and SFRS(I) Interpretations ["SFRS(I) INT"] that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INT.

The adoption of these new and revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial results or position of the Group and the Company.

New and revised standards not yet effective

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2020 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

b) Revenue recognition

The Group recognises revenue from the following major sources:

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

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

Revenue from fabrication and servicing of heat exchangers

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Revenue recognition (continued)

Revenue from fabrication and servicing of heat exchangers (continued)

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

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 a performance obligation 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 that the stage of completion determined based on the labour hours delivered is an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

Payment for piping services is not due from the customer until the services are complete and therefore a contract asset is recognised over the period in which the piping services are performed representing the 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 a performance obligation satisfied over time. Due to the short term nature of these services, management is of the view that the effect of recognising revenue from the provision of chemical cleaning services at a point in time is not materially different from recognising revenue over time. Accordingly, management recognises revenue from provision of chemical cleaning services at a point in time, upon completion of the services rendered to the customer.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Revenue recognition (continued)

Interest income

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

Dividend income

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

c) Subsidiaries

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

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

d) Basis of consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Basis of consolidation (continued)

Pursuant to this:

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

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

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(f). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Basis of consolidation (continued)

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

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

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

e) Associates

An associated company 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.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investments in associated companies are 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.

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 associated companies is adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, 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 associated company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Associates (continued)

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 associated company 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.

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

Upon loss of significant influence over the associated company, 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 associated companies are carried at cost less accumulated impairment loss, if any. On disposal of investment in associated companies, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

f) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

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 the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary or an associated company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associated company is described in Note 2(e).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property, plant and equipment

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

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

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

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

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

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

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

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

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

h) Impairment of non-financial assets excluding goodwill

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment of non-financial assets excluding goodwill (continued)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

i) 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.

j) Leases

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

When the Group is the lessee:

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

Lease liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Leases (continued)

When the Group is the lessee (continued):

Lease liabilities (continued)

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

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

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

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

Right-of-use assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Income taxes

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

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

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

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

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

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

l) Financial assets

Recognition and derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) Financial assets (continued)

Classification and measurement

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

The Group classifies its financial assets at amortised cost.

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

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

Subsequent measurement

Debt instruments

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

Amortised cost

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

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

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

Impairment

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial assets (continued)

Impairment (continued)

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

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

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

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

Offset

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

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

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

n) Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Financial liabilities (continued)

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

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

o) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are measured at the higher of the initial fair value less cumulative amortisation and the expected loss computed using the impairment methodology under SFRS(I) 9 *Financial Instruments* ["SFRS(I) 9"]. Financial guarantee contracts are amortised in profit or loss over the period of the guarantee.

p) 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.

q) 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.

r) 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 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) 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.

s) Borrowing costs

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

t) Employee benefits

Employee leave entitlements

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

Defined contribution plans

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

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Employee benefits (continued)

Share-based compensation

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

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

u) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Foreign currencies (continued)

Translation of Group entities' financial statements

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

- (i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in the translation reserve within equity.

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

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

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

v) Dividends

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

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

w) Government grants

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Segment reporting

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

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

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions with consideration on the impact of COVID-19 pandemic and how these conditions will affect the Group's ECL assessment. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

Critical judgements in applying the Group's accounting policies (continued)

Key sources of estimation uncertainty (continued)

Revenue and costs of contracts

Heat exchanger services

Revenue from the provision of heat exchanger services is recognised over time based on 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, the estimated total contract costs to complete as well as the recoverability of the contracts. In making these estimates, the Group relied on past experience, knowledge of the project managers, as well as appropriate source documents and records such as quotations from sub-contractors.

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

Some of the Group's contracts with customers contain liquidated damages for non-compliance with key milestones. Finalisation of the liquidated damages can take some time and management has to exercise judgement in estimating the extent of liquidated damages.

Piping services

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

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

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

Critical judgements in applying the Group's accounting policies (continued)

Key sources of estimation uncertainty (continued)

Impairment of non-financial assets (continued)

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

The continually evolving situation due to COVID-19 pandemic has resulted in inherent uncertainty in the impairment assessment. In performing the impairment assessment of non-financial assets, the Group adopted the Expected Cash Flow approach due to the increase in the level of uncertainty. The Expected Cash Flow approach uses multiple cash flow projections taking into consideration assumed probabilities of different future events and/or scenarios instead of a single cash flow scenario. The use of the Expected Cash Flow approach also aligns with management's internal forecasts. The recoverable amount was estimated by calculating the present value of the probability weighted expected cash flows.

4 REVENUE

	Group	
	2020	2019
	\$	\$
Segment revenue		
Heat exchanger	14,450,947	13,623,986
Piping	4,097,027	7,521,967
Chemical cleaning	2,232,673	2,563,027
	20,780,647	23,708,980

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4 REVENUE (CONTINUED)

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

	Group	
	2020	2019
	\$	\$
<u>Timing of revenue recognition</u>		
At a point in time:		
Chemical cleaning	2,232,673	2,563,027
Over time:		
Heat exchanger	14,450,947	13,623,986
Piping	4,097,027	7,521,967
	20,780,647	23,708,980

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about its remaining performance obligation if:

- The performance obligation is part of a contract that has an original expected duration of one year or less; or
- The Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

5 OTHER INCOME

	Group	
	2020	2019
	\$	\$
Government grant income	2,466,621	99,843
Sundry income	111,729	203,778
Net foreign exchange gain	10,307	–
Gain on liquidation of a subsidiary	6,139	–
	2,594,796	303,621

Government grant income of \$996,197 (2019: \$Nil) was recognised during the financial year under the Jobs Support Scheme (the "JSS"). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objective of helping employers retain local employees during the period of economic uncertainty. In determining the recognition of the JSS grant income, management has evaluated and concluded that the period of economic uncertainty commenced in April 2020 when the COVID-19 pandemic started affecting the Group's operations.

Government grant income of \$1,199,040 (2019: \$Nil) 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.

In July 2020, the Group has liquidated a subsidiary, Heatec Guangzhou Co., Ltd. Accordingly, the Group recorded a gain on liquidation of a subsidiary amounting to \$6,139.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

6 OTHER OPERATING EXPENSES

	Group	
	2020	2019
	\$	\$
Loss on disposal of property, plant and equipment	–	38,222
Net foreign exchange loss	–	62,410
Termination benefits	–	296,208
Others	–	23,367
	–	420,207

7 FINANCE COSTS

	Group	
	2020	2019
	\$	\$
Interest on:		
– Term loans	324,240	339,566
– Revolving credit loans	1,032	18,538
– Lease liabilities	119,196	127,617
– Loan from shareholders	–	3,662
– Others	23,306	28,620
	467,774	518,003

8 PROFIT/(LOSS) BEFORE TAX

	Group	
	2020	2019
	\$	\$
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	1,209,786	1,211,453
Audit fees paid/payable to the auditors of the Company	65,000	65,000
Staff costs (Note 9)	9,700,207	13,486,322
Provision for warranty	21,732	–
Rental expenses (Note 34)	1,005,836	1,032,439
Foreign Worker Levy waivers	(817,982)	–

In 2020 and 2019, there is no non-audit fees paid to the auditors of the Company.

Foreign Worker Levy waivers of \$817,982 (2019: \$Nil) relates to support received from the Singapore Government for firms in the Construction, Marine Shipyard and Process sectors. The waivers were provided with the objective of providing financial assistance to employers in these affected sectors facing financial difficulties, arising from restrictions on operations due to COVID-19 pandemic measures. These incentives were granted in the form of waiver of Foreign Worker Levies from March 2020 to November 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9 STAFF COSTS

	Group	
	2020	2019
	\$	\$
Key management personnel		
– Directors' fees	148,483	151,000
– Salaries, bonuses and other benefits	616,039	617,692
– Contribution to defined contribution plans	56,661	58,375
Other personnel		
– Salaries, bonuses and other benefits	8,510,834	12,242,614
– Contribution to defined contribution plans	368,190	416,641
	9,700,207	13,486,322

10 INCOME TAX EXPENSE

	Group	
	2020	2019
	\$	\$
Tax expense attributable to profit/(loss) is made up of:		
– Current income tax provision	–	10,000
– Underprovision in respect of previous financial years	33,785	1,081
Deferred tax (Note 21)	(8,076)	(8,076)
Withholding tax	4,480	12,394
Tax expense	30,189	15,399

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

	Group	
	2020	2019
	\$	\$
Profit/(loss) before tax	225,358	(2,422,570)
Notional tax expense on profit/(loss) before tax, calculated at the domestic rates applicable in the tax jurisdictions concerned	56,110	(471,416)
Tax effect of share of results of associates	(6,157)	(7,576)
Effect of income not subject to tax	(214,005)	(12,308)
Effect of tax concessions	(3,907)	(7,689)
Effect of expenses that are not deductible for tax purpose	173,637	194,772
Effect of partial tax exempt income	(31,727)	(18,745)
Deferred tax assets not recognised	93,296	363,395
Utilisation of previously unrecognised deferred tax assets	(47,305)	(53,473)
Underprovision of income tax in respect of previous financial years	33,785	1,081
Withholding tax	4,480	12,394
Others	(28,018)	14,964
Total income tax expense	30,189	15,399

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

10 INCOME TAX EXPENSE (CONTINUED)

The income tax applicable to the Company is 17% (2019: 17%). The corporate income tax rate applicable to the subsidiaries in Singapore and People's Republic of China are 17% (2019: 17%) and 25% (2019: 25%) respectively.

As at 31 December 2020, the Group has deferred tax assets in respect of tax losses of \$7,935,000 (2019: \$7,886,000), available for carry-forward to set-off against future taxable income arising from trade source subject to the agreement of the tax authorities and compliance with relevant provisions of the tax legislation of the respective countries in which the Group operate. The potential deferred tax assets have not been recognised in the financial statements as it is not probable that future taxable profit will be sufficient to allow to related tax benefits to be utilised. The unutilised tax losses do not expire under current tax legislation.

11 LOSS PER SHARE

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

	Group	
	2020	2019
	\$	\$
Net loss attributable to equity holders of the Company	(35,196)	(2,451,276)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share	122,959,345	122,959,345
Basic and diluted loss per share (cents per share)	(0.03)	(1.99)

The diluted loss per share is equivalent to the basic loss per share as the share options outstanding during the financial year do not have a dilutive effect as at 31 December 2020 and 31 December 2019.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Leasehold improvements	Plant and equipment	Motor vehicles	Renovation	Total
	\$	\$	\$	\$	\$	\$
Group						
2020						
Cost						
Balance at 1 January 2020	11,739,610	116,042	4,309,472	362,276	344,879	16,872,279
Additions	4,408	61,200	158,212	49,292	–	273,112
Disposals/written off	–	–	(58,150)	(47,816)	–	(105,966)
Currency translation differences	–	–	(1,504)	(295)	–	(1,799)
Balance at 31 December 2020	11,744,018	177,242	4,408,030	363,457	344,879	17,037,626
Accumulated depreciation						
Balance at 1 January 2020	3,022,113	33,444	1,804,767	95,789	198,438	5,154,551
Depreciation charge	566,807	8,483	482,942	109,660	41,894	1,209,786
Disposals/written off	–	–	(42,927)	(43,035)	–	(85,962)
Currency translation differences	–	–	(1,963)	132	–	(1,831)
Balance at 31 December 2020	3,588,920	41,927	2,242,819	162,546	240,332	6,276,544
Accumulated impairment loss						
Balance at 1 January 2020 and 31 December 2020	–	–	40,769	–	–	40,769
Net carrying value						
Balance at 31 December 2020	8,155,098	135,315	2,124,442	200,911	104,547	10,720,313

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties \$	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Renovation \$	Total \$
Group						
2019						
Cost						
Balance at 1 January 2019	9,760,184	116,042	4,663,701	666,940	614,567	15,821,434
Recognition of right-of-use assets on initial application of SFRS(I) 16 <i>Leases</i>	1,979,426	–	–	–	–	1,979,426
Additions	–	–	180,354	40,000	4,000	224,354
Disposals	–	–	(537,939)	(346,770)	(273,688)	(1,158,397)
Currency translation differences	–	–	3,356	2,106	–	5,462
Balance at 31 December 2019	11,739,610	116,042	4,309,472	362,276	344,879	16,872,279
Accumulated depreciation						
Balance at 1 January 2019	2,455,307	26,229	1,760,890	264,077	428,296	4,934,799
Depreciation charge	566,806	7,215	480,510	113,092	43,830	1,211,453
Disposals	–	–	(439,560)	(283,245)	(273,688)	(996,493)
Currency translation differences	–	–	2,927	1,865	–	4,792
Balance at 31 December 2019	3,022,113	33,444	1,804,767	95,789	198,438	5,154,551
Accumulated impairment loss						
Balance at 1 January 2019 and 31 December 2019	–	–	40,769	–	–	40,769
Net carrying value						
Balance at 31 December 2019	8,717,497	82,598	2,463,936	266,487	146,441	11,676,959

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties \$	Leasehold improvements \$	Plant and equipment \$	Total \$
Company				
2020				
Cost				
Balance at 1 January 2020	7,410,593	116,042	968,818	8,495,453
Additions	–	61,200	15,851	77,051
Balance at 31 December 2020	7,410,593	177,242	984,669	8,572,504
Accumulated depreciation				
Balance at 1 January 2020	2,323,010	33,442	550,220	2,906,672
Depreciation charge	467,856	8,483	103,815	580,154
Balance at 31 December 2020	2,790,866	41,925	654,035	3,486,826
Net carrying value				
Balance at 31 December 2020	4,619,727	135,317	330,634	5,085,678
2019				
Cost				
Balance at 1 January 2019	6,036,700	116,042	968,818	7,121,560
Recognition of right-of-use assets on initial application of SFRS(I) 16	1,373,893	–	–	1,373,893
Balance at 31 December 2019	7,410,593	116,042	968,818	8,495,453
Accumulated depreciation				
Balance at 1 January 2019	1,855,155	26,226	447,123	2,328,504
Depreciation charge	467,855	7,216	103,097	578,168
Balance at 31 December 2019	2,323,010	33,442	550,220	2,906,672
Net carrying value				
Balance at 31 December 2019	5,087,583	82,600	418,598	5,588,781

- (a) As at 31 December 2020, the net carrying value of the Group's and the Company's property, plant and equipment under right-of-use assets were \$1,722,046 (2019: \$1,848,532) and \$1,144,911 (2019: \$1,259,402) respectively (Note 34).
- (b) The Group's and the Company's leasehold properties with carrying amount of \$6,433,053 (2019: \$6,868,966) and \$3,474,816 (2019: \$3,828,181) respectively are pledged to secure certain banking facilities granted to the Group (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2020	2019
	\$	\$
Unquoted equity shares, at cost		
Balance at beginning of financial year	16,083,928	6,623,614
Deemed capital contributions during financial year	–	9,460,314
Balance at end of financial year	16,083,928	16,083,928
Impairment allowances:		
Balance at beginning of financial year	10,581,129	–
Allowance made during financial year	–	10,581,129
Balance at end of financial year	10,581,129	10,581,129
Net carrying amount		
Balance at end of financial year	5,502,799	5,502,799

(a) Details of subsidiaries:

Name of subsidiaries (Country of incorporation)	Principal activities	Group's effective equity interest	
		2020	2019
		%	%
<i>Held by the Company</i>			
Heatec Jietong Pte. Ltd. ⁽¹⁾ (Singapore)	Servicing and fabrication of heat exchanger.	100	100
JJY Engineering & Construction Pte. Ltd. ⁽¹⁾ (Singapore)	To carry on the businesses of repairing ships, tankers and other ocean-going vessels.	100	100
HJT Engineering & Construction Pte. Ltd. ⁽¹⁾ (Singapore)	To carry on the businesses of repairing ships, tankers and other ocean-going vessels.	100	100
<i>Held by Heatec Jietong Pte. Ltd.</i>			
Heatec (Shanghai) Co., Ltd. ⁽²⁾ (People's Republic of China)	Sales and repair of air cooler(s) evaporator, heat exchanger and related auxiliaries.	100	100
Chem-Grow Pte. Ltd. ⁽¹⁾ (Singapore)	Provide chemical cleaning services to ships and tankers.	70	70

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**(a) Details of subsidiaries: (continued)**

Name of subsidiaries (Country of incorporation)	Principal activities	Group's effective equity interest	
		2020 %	2019 %
<i>Held by Heatec Jietong Pte. Ltd. (continued)</i>			
Chem Grow Engineering Pte. Ltd. ⁽¹⁾ (Singapore)	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers.	70	70
Heatec Veslink Marine Services Corp. ⁽³⁾ (Philippines)	To engage in the business of trading, selling, servicing, manufacturing, distributing, marketing, maintenance, export and import.	60	60
Heatec Guangzhou Co., Ltd. ⁽⁴⁾ (People's Republic of China)	Provide repairs and services for heat exchangers and to design, sell and fabricate heat exchangers.	–	51
<i>Held by Chem-Grow Pte. Ltd.</i>			
Chem Grow Services Pte. Ltd. ⁽¹⁾ (Singapore)	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers.	70	70

(1) Audited by Baker Tilly TFW LLP.

(2) Audited by Shanghai Zhong Chuang Haijia CPA Co., Ltd.

(3) Subsidiary is not material to the Group.

(4) Liquidated on 6 July 2020.

(b) Significant restrictions

Cash and bank balances of \$99,472 (2019: \$194,654) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Summarised financial information of subsidiary with material non-controlling interests (“NCI”)

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

Name of subsidiary	Principal place of business/Country of incorporation	Ownership interests held by NCI
31 December 2020		
Chem-Grow Pte. Ltd.	Singapore	30%
31 December 2019		
Chem-Grow Pte. Ltd.	Singapore	30%

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

Summarised Statement of Financial Position

	Chem-Grow Pte. Ltd.	
	2020	2019
	\$	\$
Non-current assets	4,705,271	4,962,953
Current assets	2,481,481	2,571,645
Non-current liabilities	(991,659)	(991,960)
Current liabilities	(562,671)	(760,292)
Net assets	5,632,422	5,782,346
Net assets attributable to NCI	1,689,727	1,734,703

Summarised Income Statement

	Chem-Grow Pte. Ltd.	
	2020	2019
	\$	\$
Revenue	2,495,828	2,742,396
Profit/(loss) before tax	253,560	(60,618)
Income tax expense	(4,480)	(10,230)
Profit/(loss) after tax and total comprehensive income/(loss)	249,080	(70,848)
Profit/(loss) after tax and total comprehensive income/(loss) allocated to NCI	74,724	(21,254)
Dividends to NCI	119,700	44,460

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**(c) Summarised financial information of subsidiary with material non-controlling interests (“NCI”) (continued)***Summarised Cash Flows*

	Chem-Grow Pte. Ltd.	
	2020	2019
	\$	\$
Cash flows generated from operating activities	296,798	383,376
Cash flows used in investing activities	(51,026)	(114,274)
Cash flows used in financing activities	(137,098)	(224,609)
Net increase in cash and cash equivalents	108,674	44,493

(d) Company level – Assessment of carrying value of cost of investment in subsidiaries*Heatec Jietong Pte. Ltd. and its subsidiaries (“HJPL Group”)*

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

During the financial year, management performed a review for the carrying value of the Company’s investments in HJPL Group, in view of the improvement in financial results of HJPL Group. The recoverable amounts of certain subsidiaries within HJPL Group were determined based on value-in-use calculations using cash flow projections from forecast approved by management covering a five-year period, having factored in changes in assumptions and conditions arising from ongoing development of the COVID-19 pandemic. The pre-tax discount rate applied to the cash flow projections are between 11% to 13% (2019: 11% to 12%) and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period is 2% (2019: 2%). Based on the review, no adjustment was made to the carrying amount as 31 December 2020.

Due to the inherent uncertainty arising from the continually evolving situation as it was challenging to predict the full extent and duration of the COVID-19 pandemic impact on Heatec Jietong Pte. Ltd. (“HJPL”), uncertainties about future outcomes are reflected through multiple probability-weighted cash flows scenarios. The significant inputs and probability of each scenario for HJPL as at 31 December 2020 is set out below:

	Case A	Case B	Case C
	%	%	%
Probability weightage	75.0	12.5	12.5
Gross margin	24.5	25.0	25.5
Revenue growth rate			
– For financial year ending 31 December 2021	30	30	30
– For financial year ending 31 December 2022 to 2025	2	2	2
Pre-tax discount rate	11	11	11
Terminal value growth rate	2	2	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**(d) Company level – Assessment of carrying value of cost of investment in subsidiaries (continued)***Heatec Jietong Pte. Ltd. and its subsidiaries (“HJPL Group”) (continued)*

Case A reflects a return to the pre-crisis level of gross margin in 2021. Case C reflects the historical average of gross margin while case B reflects a more cautious approach to gross margin based on less efficient cost-saving measures by the Group.

Sensitivity analysis

Management has considered the most significant assumption used in the value-in-use calculation 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:

	Estimated recoverable amount	Increase in/ (write back of) impairment charge
	\$	\$
HJPL Group		
2020		
1% higher than the management’s projection	4,557,799	845,000
1% lower than the management’s projection	7,419,799	(2,017,000)
2019		
1% higher than the management’s projection	3,929,799	1,473,000
1% lower than the management’s projection	7,375,799	(1,973,000)

HJT Engineering & Construction Pte. Ltd.

In the previous financial year, an impairment loss of \$3,057,482 was recognised for the financial year ended 31 December 2019 to write down the cost of investment in HJT Engineering & Construction Pte. Ltd. (“HJT”) to its recoverable amount of \$100,000.

During the financial year, management performed a review for the carrying value of the Company’s investment in HJT to determine if an impairment or reversal of impairment loss may be necessary. The recoverable amount of the investment was determined based on value-in-use calculations using cash flow projections from forecast approved by management covering a five-year period, having factored in changes in assumptions and conditions arising from ongoing development of the COVID-19 pandemic. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 11% (2019: 11%) and 2% (2019: 2%) respectively. Based on the review, no adjustment was made to the carrying amount as 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**(d) Company level – Assessment of carrying value of cost of investment in subsidiaries (continued)***HJT Engineering & Construction Pte. Ltd. (continued)*

Due to the inherent uncertainty arising from the continually evolving situation as it was challenging to predict the full extent and duration of the COVID-19 pandemic impact on HJT, uncertainties about future outcomes are reflected through multiple probability-weighted cash flows scenarios. The significant inputs and probability of each scenario for HJT as at 31 December 2020 is set out below:

	Scenario A	Scenario B
	%	%
Probability weightage	50	50
Gross margin	25.0	25.0
Revenue growth rate		
– For financial year ending 31 December 2021	203	250
– For financial year ending 31 December 2022 to 2025	2	2
Pre-tax discount rate	11	11
Terminal value growth rate	2	2

Sensitivity analysis

Management has considered the most significant assumption used in the value-in-use calculations is the discount rate applied.

Had the discount rate varied from the management's estimation, the estimated recoverable amount of the investment in HJT and the impairment charge would be as follows:

	Estimated recoverable amount	Increase in/ (write back of) impairment charge
	\$	\$
HJT		
2020		
1% higher than the management's projection	–	100,000
1% lower than the management's projection	872,000	(772,000)
2019		
1% higher than the management's projection	80,000	20,000
1% lower than the management's projection	127,000	(27,000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**(d) Company level – Assessment of carrying value of cost of investment in subsidiaries (continued)***HJT Engineering & Construction Pte. Ltd. (continued)**Sensitivity analysis (continued)*

Had the probability weightage varied from the management's estimation, the estimated recoverable amount of the investment in HJT and the impairment charge would be as follows:

	Estimated recoverable amount \$	Increase in/ (write back of) impairment charge \$
HJT		
2020		
100% Scenario A	–	100,000
100% Scenario B	1,130,000	(1,030,000)

14 INVESTMENT IN ASSOCIATES

	Group	
	2020 \$	2019 \$
Unquoted equity shares, at cost	687,616	687,616
Share of post-acquisition reserves, net of dividend received	(318,135)	(367,136)
Impairment loss	(67,844)	(67,844)
	301,637	252,636

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 2020 and 2019.

Movements in allowance for impairment loss are as follows:

	Group	
	2020 \$	2019 \$
At beginning and ending of financial year	67,844	67,844

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

14 INVESTMENT IN ASSOCIATES (CONTINUED)**(a) Details of associates:**

Name of associates (Country of incorporation)	Principal activities	Group's effective equity interest	
		2020 %	2019 %
<i>Held by Heatec Jietong Pte. Ltd.</i>			
Zhoushan Heatec IMC-YY Engineering Co., Ltd. (People's Republic of China)	Service and repair all kinds of heat exchangers and piping works.	45	45
Heatec Marine Phils Construction Inc. (Philippines)	Dormant.	39.97	39.97
Karnot Technology Pte. Ltd. (Singapore)	Dormant.	20	20

Management has evaluated and concluded that the associates are not individually and collectively material to the Group. Therefore, the information required by SFRS(I) 12 *Disclosure of Interests in Other Entities* ["SFRS(I) 12"] on the associates has not been disclosed.

15 INVENTORIES

	Group	
	2020 \$	2019 \$
Raw materials and supplies	449,907	321,449
Goods-in-transit	107,572	–
	<u>557,479</u>	<u>321,449</u>

In 2020, cost of inventories included as cost of sales amounted to \$7,782,517 (2019: \$5,510,791).

16 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 and piping businesses. Contract liabilities relate to advance consideration received from customers and billings in-excess of revenue recognised to-date. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

16 CONTRACT ASSETS AND LIABILITIES (CONTINUED)

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

	Group		
	2020	31.12.2019	1.1.2019
	\$	\$	\$
Trade receivables from contract with customers	5,956,585	7,673,380	8,153,801
Contract assets	6,379,156	4,137,644	8,619,478
Contract liabilities	864,185	59,569	–

Contract assets balance increased significantly due to services performed ahead of milestone payments.

Contract liabilities balance increased significantly due to advances received, excluding amounts recognised as revenue during the financial year.

17 TRADE RECEIVABLES

	Group	
	2020	2019
	\$	\$
Third parties	6,386,797	7,762,326
Controlling shareholder	–	30,786
Less: Allowance for impairment loss (Note 31)	(430,212)	(119,732)
	5,956,585	7,673,380

Impairment loss on trade receivables recognised as an expense amounted to \$309,008 (2019: \$27,277).

18 OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Non-controlling shareholders of subsidiaries	–	8,035	–	–
Subsidiaries	–	–	1,259,242	1,287,042
Other receivables	354,309	243,929	–	–
Grant receivable	185,136	–	–	–
GST recoverable	208,949	126,934	–	–
Deposits	187,864	203,738	7,410	14,310
Prepayments	188,276	138,241	23,217	30,312
Advance payment to supplier	617,946	1,590,124	–	–
Associates	–	486,238	–	–
Less: Allowance for impairment loss (Note 31)	–	(486,238)	–	–
	–	–	–	–
	1,742,480	2,311,001	1,289,869	1,331,664

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

19 CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Cash at bank	3,410,046	1,879,107	362,640	15,894
Fixed deposits	1,238,792	1,675,283	–	–
Total cash and bank balances	4,648,838	3,554,390	362,640	15,894
Less: Pledged fixed deposits	(825,567)	(1,214,152)	–	–
Cash and cash equivalents for presentation on the consolidated statement of cash flows	3,823,271	2,340,238	362,640	15,894

Short-term fixed deposits have original maturity of 12 months or less and are readily convertible to cash. The carrying amounts of these assets approximate their fair values.

Short-term fixed deposits bear average interest rates ranging from 0% to 1.92% (2019: 0% to 1.95%) per annum and mature in approximately 1 to 12 months (2019: 1 to 12 months), without significant risk of changes in value.

As at 31 December 2020, fixed deposits of \$825,567 (2019: \$1,214,152) are pledged to secure banking facilities granted to the Group (Note 20).

20 BORROWINGS

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
<i>Non-current</i>				
Term loans (a)	6,637,445	–	–	–
Lease liabilities	1,720,485	1,815,471	1,121,917	1,211,268
	8,357,930	1,815,471	1,121,917	1,211,268
<i>Current</i>				
Term loans (a)	1,575,633	6,231,730	–	–
Revolving credit loans (b)	–	200,000	–	–
Lease liabilities	94,061	100,802	89,352	83,820
	1,669,694	6,532,532	89,352	83,820
Total borrowings	10,027,624	8,348,003	1,211,269	1,295,088

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20 BORROWINGS (CONTINUED)

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

(i) A loan raised on 27 July 2000 has carrying amount of \$Nil at reporting date (2019: \$92,382). Repayment commenced on 1 September 2000 and was repayable over 20 years. The loan was fully repaid in 2020. The loan was secured by:

(a) a first legal mortgage over the Group's leasehold property (Note 12); and

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

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

(ii) A loan raised on 18 October 2018 has carrying amount of \$2,601,273 at reporting date (2019: \$3,139,348). Repayment commenced on 19 November 2018 and is repayable over 7 years. The loan is secured by:

(a) a first legal mortgage over the Group's leasehold property (Note 12); and

(b) a corporate guarantee by the Company.

The loan carries interest at 1.75% plus 3 months Swap Offer Rate ("SOR") per annum.

(iii) A loan raised on 16 May 2018 has carrying amount of \$2,611,805 at reporting date (2019: \$3,000,000). Repayment commenced on 18 June 2020 and is repayable over 6 years. The loan is secured by:

(a) a first legal mortgage over the Group's leasehold property (Note 12); and

(b) a corporate guarantee by the Company.

The loan carries fixed interest at 6.75% per annum.

(iv) A loan raised on 14 July 2020 has carrying amount of \$1,500,000 at reporting date (2019: \$Nil). Repayment will commence on 14 July 2021 and is repayable over 4 years. The loan is secured by:

(a) a first legal mortgage over the Group's leasehold property (Note 12); and

(b) a corporate guarantee by the Company.

The loan carries fixed interest at 2.50% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20 BORROWINGS (CONTINUED)

- (a) The Group's term loans are as follows: (continued)
- (v) A loan raised on 15 September 2020 has carrying amount of \$1,500,000 at reporting date (2019: \$Nil). Repayment will commence on 14 July 2021 and is repayable over 4 years. The loan is secured by:
- (a) a first legal mortgage over the Group's leasehold property (Note 12); and
- (b) a corporate guarantee by the Company.
- The loan carries fixed interest at 2.50% per annum.
- (b) The revolving credit facilities carry interest at 2% (2019: 2%) plus cost of fund per annum, are repayable on demand and are secured by:
- (i) proceeds from certain of the Group's projects in the Heat Exchanger segment; and
- (ii) a corporate guarantee by the Company.

In the financial year ended 31 December 2019, the Group did not fulfil certain financial covenants on its loans with a carrying amount of \$6,139,348. Accordingly, the outstanding balance was presented as a current liability in the Group's statement of financial position as at 31 December 2019.

On 20 February 2020, the Group obtained a confirmation from the bank to accommodate the breach for financial year ended 31 December 2019 on a one-off basis. The bank will not request accelerated repayment of the loans and the terms of the loans were not changed.

Fair values*Fixed-rate term loans*

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

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

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Term loans	5,611,805	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20 BORROWINGS (CONTINUED)***Fair values (continued)****Fixed-rate term loans (continued)*

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

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Term loans	5,516,000	–	–	–

The fair values are determined from discounted cash flow analysis using a discount rate based upon the market borrowing rates of an equivalent instrument or market lending rate for similar types of lending arrangement which the directors expect would be available to the Group at the end of the reporting period as follows:

	Group		Company	
	2020	2019	2020	2019
	%	%	%	%
Term loans	5.25	–	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20 BORROWINGS (CONTINUED)**Fair values (continued)***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.

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

	Term loans	Revolving credit loans	Loan from shareholders	Lease liabilities	Total
	\$	\$	\$	\$	\$
Group					
Balance at 1 January 2019	6,844,812	600,000	–	–	7,444,812
Reclassification from finance lease liabilities	–	–	–	93,985	93,985
Adoption of SFRS(I) 16	–	–	–	1,979,426	1,979,426
Changes from financing cash flows:					
– Proceeds	–	–	450,000	–	450,000
– Repayment	(613,082)	(400,000)	(450,000)	(157,138)	(1,620,220)
– Interest paid	(339,566)	(18,538)	(3,662)	(127,617)	(489,383)
Non-cash changes:					
– Interest expense	339,566	18,538	3,662	127,617	489,383
Balance at 31 December 2019	6,231,730	200,000	–	1,916,273	8,348,003
Changes from financing cash flows:					
– Proceeds	3,000,000	–	–	–	3,000,000
– Repayment	(1,018,652)	(200,000)	–	(106,135)	(1,324,787)
– Interest paid	(324,240)	(1,032)	–	(119,196)	(444,468)
Non-cash changes:					
– Interest expense	324,240	1,032	–	119,196	444,468
Addition due to lease modification	–	–	–	4,408	4,408
Balance at 31 December 2020	8,213,078	–	–	1,814,546	10,027,624

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20 BORROWINGS (CONTINUED)

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

	Lease liabilities	
	2020	2019
	\$	\$
Company		
Balance at 1 January	1,295,088	–
Adoption of SFRS(I) 16	–	1,373,893
Changes from financing cash flows:		
– Repayment	(83,819)	(78,805)
– Interest paid	(80,572)	(85,761)
Non-cash changes:		
– Interest expense	80,572	85,761
Balance at 31 December	<u>1,211,269</u>	<u>1,295,088</u>

21 DEFERRED TAX LIABILITIES

The movements in the deferred tax account are as follows:

	Group	
	2020	2019
	\$	\$
Balance at 1 January	304,714	312,790
Tax credited to profit or loss (Note 10)	(8,076)	(8,076)
Balance at 31 December	<u>296,638</u>	<u>304,714</u>
Presented on the statements of financial position:		
<i>Non-current</i>		
Deferred tax liabilities	<u>296,638</u>	<u>304,714</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21 DEFERRED TAX LIABILITIES (CONTINUED)

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
	\$	\$	\$
Group			
Balance at 1 January 2019	325,225	(12,435)	312,790
Credited to profit or loss for the financial year (Note 10)	(8,076)	–	(8,076)
Balance at 31 December 2019	317,149	(12,435)	304,714
Credited to profit or loss for the financial year (Note 10)	(8,076)	–	(8,076)
Balance at 31 December 2020	309,073	(12,435)	296,638

22 TRADE PAYABLES

	Group	
	2020	2019
	\$	\$
Third parties	1,277,893	1,638,438

23 OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Subsidiaries	–	–	69,452	223,130
Non-controlling shareholder of a subsidiary	119,700	65,540	–	–
Accruals	1,127,049	1,239,561	226,131	299,329
Other payables	161,988	202,459	15,408	24,591
GST payables	213,991	379,961	30,582	49,581
Advances from customer	3,766	1,781,870	–	–
Deferred grant income	185,136	–	–	–
	1,811,630	3,669,391	341,573	596,631

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

24 PROVISION FOR WARRANTY

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

Movements in provision for warranty are as follows:

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Balance at beginning of financial year	23,121	23,121	–	–
Provision made	21,732	–	–	–
Balance at end of financial year	44,853	23,121	–	–

25 SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of issued shares	Total share capital \$	Number of issued shares	Total share capital \$
Issued and fully paid up				
– Ordinary shares with no par value				
Balance at 1 January and 31 December	122,959,345	11,554,627	122,959,345	11,554,627

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

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

26 RESERVES

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Other reserve ^(a)	221,206	221,206	–	–
Translation reserve ^(b)	(93,827)	(123,490)	–	–
Merger reserve ^(c)	(3,913,614)	(3,913,614)	–	–
Share options reserve ^(d)	69,690	69,690	69,690	69,690
Retained earnings/(accumulated losses)	6,021,731	6,056,927	(936,173)	(1,076,898)
	2,305,186	2,310,719	(866,483)	(1,007,208)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

26 RESERVES (CONTINUED)**a) Other reserve**

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

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

b) Translation reserve

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

Movement in translation reserve:

	Group	
	2020	2019
	\$	\$
Balance at 1 January	(123,490)	(87,259)
Changes during the financial year in other comprehensive income/(loss)	29,663	(36,231)
Balance at 31 December	<u>(93,827)</u>	<u>(123,490)</u>

c) Merger reserve

Merger reserve represents the difference between the amount of the share capital of the subsidiaries at the date on which it was acquired by the Group and the amount of the share capital issued as consideration for the acquisition. The merger reserve amounted to a debit balance of \$3,913,614 as at 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

26 RESERVES (CONTINUED)

d) Share options reserve

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

Further information about share-based payments to employees is disclosed in Note 27.

27 SHARE-BASED PAYMENTS

Equity-settled share option scheme

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

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

	Group and Company			
	2020		2019	
	Number of share options	Weighted average exercise price \$	Number of share options	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 6.80 (2019: 7.80) years.

28 CORPORATE GUARANTEES

The Company has provided corporate guarantees of \$8,750,000 (2019: \$15,485,060) to banks for borrowings of \$8,213,078 (2019: \$6,339,348) and letters of guarantee of \$2,212,098 (2019: \$4,945,629) taken by its subsidiaries. At the end of the reporting period, the directors are of the opinion that no material losses is expected under these financial guarantees.

The financial effects of SFRS(I) 9 *Financial Instruments* relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

29 RELATED PARTY TRANSACTIONS

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

	Group	
	2020 \$	2019 \$
With associated companies		
Purchases from	71,856	–
With non-controlling shareholder of subsidiary		
Dividend	119,700	44,460
With shareholders		
Rendering of services	17,122	372,124
Provision of consultancy services	203,628	226,536

(b) Key management personnel compensation

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

The amounts do not include compensation of any of the key management personnel and Directors who received compensation from related corporations outside the Group in their capacity as Directors and/or Executives of those related corporations.

30 CONTINGENT LIABILITIES

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

Pursuant to the Letter of Demand, the Vessel Owners made a claim for damages amounting to the sums of United States Dollar ("USD") 14,703,716, Euro 5,350 and British Pound sterling 3,729 against JJY in respect of damages allegedly caused by the Works carried out by JJY. In August 2020, JJY was also informed by the Shipyard Owner that the Vessel Owners have made similar claims against the Shipyard Owner, and that the Shipyard Owner is seeking *inter alia* an indemnity against JJY in respect of such claims.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

30 CONTINGENT LIABILITIES (CONTINUED)

JJY has denied the claims made by both the Vessel Owners and the Shipyard Owner. No legal proceedings have been commenced to-date. Based on the legal advice obtained, it is difficult to assess at this juncture whether JJY will be found liable for the claims, and if so, the percentage of liability that may be attributable to JJY (if any). However, the solicitors representing JJY are of the view that there are good arguable defences in law that JJY may raise. The directors are of the view that no material losses have arisen in respect of the claims as at the date of these financial statements and accordingly, no provision for any liability has been made in these financial statements.

31 FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
<i>Financial assets</i>				
At amortised cost	11,147,596	11,683,472	1,629,292	1,317,246
<i>Financial liabilities</i>				
At amortised cost	12,714,254	11,494,001	1,522,260	1,842,138

Financial risk management

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

Foreign exchange risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (continued)***Foreign exchange risk (continued)**Denominated in:*

	USD
	S\$
At 31 December 2020	
<i>Financial assets</i>	
Cash and bank balances	920,695
Trade receivables	1,994,405
	<u>2,915,100</u>
<i>Financial liabilities</i>	
Trade payables	572,859
Net financial assets denominated in USD	<u>2,342,241</u>
At 31 December 2019	
<i>Financial assets</i>	
Cash and bank balances	921,220
Trade receivables	2,023,457
	<u>2,944,677</u>
<i>Financial liabilities</i>	
Trade payables	223,545
Net financial assets denominated in USD	<u>2,721,132</u>

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

	Group	
	Increase/(decrease) in profit	
	after tax	
	2020	2019
	\$	\$
USD/SGD – strengthened 10% (2019: 10%)	194,406	225,854
– weakened 10% (2019: 10%)	(194,406)	(225,854)
	<u>194,406</u>	<u>(225,854)</u>

Interest rate risk

The Group's exposure to interest rate risk arises primarily from their borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates). Borrowings at fixed rates expose the Group to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates). The Group's policy is to obtain most favourable interest rate available whenever the Group obtains additional financing through bank borrowings. The interest rates and terms of maturity and repayment of borrowings of the Group are disclosed in Note 20. The Group does not utilise derivatives to mitigate its interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Interest rate risk (continued)

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

Sensitivity analysis for interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings at the end of reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of borrowings that have floating rates.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in Singapore Dollars ("SGD"). If the SGD interest rates increase/decrease by 50 (2019: 50) basis points with all other variables including tax rate being held constant, the profit after tax of the Group will be lower/higher by \$13,006 (2019: \$17,159) as a result of higher/lower interest expense on these borrowings.

Credit risk

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

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

Concentration of credit risk and maximum exposure

The Group does not have significant credit exposure except that the Group's 5 (2019: 5) largest trade receivables represented 56% (2019: 79%) of total trade receivables.

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 \$10,425,176 (2019: \$11,284,977) (Note 28) relating to corporate guarantees given by the Company to banks for the subsidiaries' credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (continued)***Credit risk (continued)*Concentration of credit risk and maximum exposure (continued)

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

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

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Significant increase in credit risk (continued)

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.

Definition of default

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (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, except for the consideration of impact of COVID-19 pandemic.

Movements in credit loss allowance are as follows:

	Trade receivables and contract assets	Other receivables	Total
	\$	\$	\$
Group			
Balance at 1 January 2019	253,291	489,868	743,159
Loss allowance measured:			
Lifetime ECL			
– simplified approach	45,964	–	45,964
Receivables recovered	(45,001)	–	(45,001)
Receivables written off as uncollectable	(134,522)	(3,630)	(138,152)
Balance at 31 December 2019	119,732	486,238	605,970
Loss allowance measured:			
Lifetime ECL			
– simplified approach	309,008	–	309,008
Receivables written off as uncollectable	(1,174)	(486,238)	(487,412)
Currency translation difference	2,646	–	2,646
Balance at 31 December 2020	430,212	–	430,212

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.

The contract assets relate to unbilled work-in-progress, which have substantially the same risk characteristics as the 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (continued)***Credit risk (continued)*Trade receivables and contract assets (continued)

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions with consideration of the impact of COVID-19 pandemic on the ability of the customers to settle the receivables.

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

The Group has recognised a loss allowance of 100% against all trade receivables over more than 5 years past due 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 2020 and 2019 are set out in the provision matrix below:

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

	Debts category:						
	Category A	Category B	Category C	Category D	Category E	Others ⁽¹⁾	Total
	\$	\$	\$	\$	\$	\$	\$
2020							
Expected credit loss rate	0%	0.5%	1%	1.5%	100%	100%	
Estimated total gross carrying amount at default	9,635,514	2,787,729	202,430	52,681	87,599	–	12,765,953
Lifetime ECL	–	(153,580)	(150,763)	(38,270)	(87,599)	–	(430,212)
							<u>12,335,741</u>
2019							
Expected credit loss rate	0%	0.5%	1%	1.5%	100%	100%	
Estimated total gross carrying amount at default	9,093,921	2,584,863	142,813	3,837	1,830	103,492	11,930,756
Lifetime ECL	–	(12,924)	(1,428)	(58)	(1,830)	(103,492)	(119,732)
							<u>11,811,024</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (continued)***Credit risk (continued)*Other financial assets at amortised cost

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

	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
2020		\$	\$	\$
Group				
Other receivables (excluding prepayments, GST recoverable, grant receivable and advance payment to supplier)	12-month ECL	542,173	–	542,173
Cash and bank balances	N.A. Exposure Limited	4,648,838	–	4,648,838
Company				
Other receivables (excluding prepayments)	12-month ECL	1,266,652	–	1,266,652
Cash and bank balances	N.A. Exposure Limited	362,640	–	362,640
2019				
Group				
Amount due from associates (non-trade)	Lifetime ECL	486,238	(486,238)	–
Other receivables (excluding prepayments and GST recoverable)	12-month ECL	455,702	–	455,702
Cash and bank balances	N.A. Exposure Limited	3,554,390	–	3,554,390
Company				
Other receivables (excluding prepayments)	12-month ECL	1,301,352	–	1,301,352
Cash and bank balances	N.A. Exposure Limited	15,894	–	15,894

The credit loss exposure for cash and bank balances are immaterial as at 31 December 2020 and 2019.

Financial guarantee

The Company has issued financial guarantees to banks for borrowings of its subsidiaries (Note 28). These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have the financial capacity to meet the contractual cash flow obligations and does not expect significant credit losses arising from these guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (continued)***Liquidity risk*

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

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

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

	1 year or less	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
Group				
2020				
Trade payables	1,277,893	–	–	1,277,893
Other payables	1,408,737	–	–	1,408,737
Borrowings (excluding lease liabilities)	1,852,027	7,069,642	–	8,921,669
Lease liabilities	207,626	830,828	2,117,637	3,156,091
	<u>4,746,283</u>	<u>7,900,470</u>	<u>2,117,637</u>	<u>14,764,390</u>
2019				
Trade payables	1,638,438	–	–	1,638,438
Other payables	1,507,560	–	–	1,507,560
Borrowings (excluding lease liabilities)	7,297,799	–	–	7,297,799
Lease liabilities	220,285	834,912	2,315,560	3,370,757
	<u>10,664,082</u>	<u>834,912</u>	<u>2,315,560</u>	<u>13,814,554</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (continued)***Liquidity risk (continued)*

	1 year or less	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
Company				
2020				
Other payables	310,991	–	–	310,991
Lease liabilities	164,391	657,566	821,783	1,643,740
Financial guarantees *	10,425,176	–	–	10,425,176
	<u>10,900,558</u>	<u>657,566</u>	<u>821,783</u>	<u>12,379,907</u>
2019				
Other payables	547,050	–	–	547,050
Lease liabilities	164,391	657,566	986,349	1,808,306
Financial guarantees *	11,284,977	–	–	11,284,977
	<u>11,996,418</u>	<u>657,566</u>	<u>986,349</u>	<u>13,640,333</u>

* At the end of the reporting period, the maximum exposure of the Company in respect of the intra-group financial guarantees (Note 28) based on facilities drawn down by the subsidiaries is \$10,425,176 (2019: \$11,284,977). The Company does not consider it probable that a claim will be made against the Company under the intragroup financial guarantees.

32 FAIR VALUE OF ASSETS AND LIABILITIES**(a) Fair value hierarchy**

The Group analyses the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

- a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and
- c) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of the financial assets and financial liabilities recorded in the financial statements of the Group and the Company approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

(c) Determination of fair values

Borrowings

The basis of determining fair value for disclosure at end of the financial period is disclosed in Note 20.

33 SEGMENT INFORMATION

The Group is organised into business units based on its services for management purposes. The reportable segments are piping, heat exchanger and chemical cleaning. Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment.

The segment information provided to management for the reportable segments are as follows:

	Piping \$	Heat exchanger \$	Chemical cleaning \$	Unallocated \$	Consolidated \$
2020					
Segment revenue:					
Sales to external customers, representing total revenue	4,097,027	14,450,947	2,232,673	–	20,780,647
Segment results	(590,601)	803,631	383,989	59,897	656,916
Other significant non-cash expenses					
Depreciation of property, plant and equipment	43,366	224,951	361,315	580,154	1,209,786
Net impairment losses on financial assets	(92)	309,235	(135)	–	309,008
Share of results of associates	–	–	–	36,216	36,216
Segment assets	4,628,908	13,050,902	5,509,268	7,117,410	30,306,488
<i>Segment assets includes</i>					
Additions to non-current assets	10,080	129,297	56,684	77,051	273,112
Segment liabilities	527,158	10,875,080	1,443,637	1,483,389	14,329,264

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

33 SEGMENT INFORMATION (CONTINUED)

	Piping \$	Heat exchanger \$	Chemical cleaning \$	Unallocated \$	Consolidated \$
2019					
Segment revenue:					
Sales to external customers, representing total revenue	7,521,967	13,623,986	2,563,027	–	23,708,980
Segment results	(445,069)	(1,114,588)	(422,408)	32,932	(1,949,133)
Other significant non-cash expenses					
Depreciation of property, plant and equipment	44,172	235,529	353,585	578,167	1,211,453
Net impairment losses on financial assets	(4,337)	67,385	(15,127)	(20,644)	27,277
Share of results of associates	–	–	–	44,566	44,566
Segment assets	5,742,360	11,588,589	5,265,742	7,330,768	29,927,459
<i>Segment assets includes</i>					
Additions to non-current assets	–	110,082	114,272	–	224,354
Segment liabilities	638,861	10,395,152	1,354,023	1,668,589	14,056,625

Segment results

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

A reconciliation of segment results to the consolidated profit/(loss) before tax is as follows:

	2020 \$	2019 \$
Segment results	656,916	(1,949,133)
Share of results of associates	36,216	44,566
Finance costs	(467,774)	(518,003)
Profit/(loss) before tax	225,358	(2,422,570)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

33 SEGMENT INFORMATION (CONTINUED)

Segment liabilities

The amounts provided to the management with respect to total liabilities are measured in a manner consistent with that of the financial statements.

Geographical information

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

Information about major customer

Revenue is derived from 3 external customers who individually contributed 10% or more of the Group's revenue and are attributable to the segments as detailed below:

		Group	
		2020	2019
Attributable segments		\$	\$
Customer A	Piping segment	2,765,685	6,251,008
Customer B	Heat exchanger segment	3,521,692	2,565,022
Customer C	Heat exchanger segment	5,216,951	–
		11,504,328	8,816,030

34 LEASES

Nature of the Group's leasing activities

The Group's activities comprise the following:

- i) The Group leases leasehold land from non-related parties. The leases have an average tenure of between 18 to 60 years.
- ii) In addition, the Group leases staff accommodation and equipment with contractual terms of an average of one year. These leases are short-term. The Group has elected not to recognised right-of-use assets and lease liabilities for these leases.

The maturity analysis of the lease liabilities is disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34 LEASES (CONTINUED)**Nature of the Group's leasing activities (continued)**

Information about leases for which the Group is a lessee is presented below:

Carrying amount of right-of-use assets

The carrying amount of right-of-use assets are as follows:

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
<u>Classified within property, plant and equipment</u>				
Leasehold properties	1,722,046	1,848,532	1,144,911	1,259,402

Amounts recognised in profit or loss

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Depreciation charge for the financial year of right-of-use assets	130,894	130,894	114,491	114,491
<u>Lease expense not included in the measurement of lease liabilities</u>				
Lease expense – short-term leases	999,836	1,026,439	–	–
Lease expense – low value assets leases	6,000	6,000	–	–
Total	1,005,836	1,032,439	–	–
Interest expense on lease liabilities	119,196	127,617	80,572	85,761

During the financial year, total cash flows for the Group's and the Company's leases amounted to \$1,231,167 (2019: \$1,317,194) and \$164,391 (2019: \$164,566) respectively.

As at 31 December 2020, the Group and the Company are committed to \$181,060 (2019: \$167,460) and \$Nil (2019: \$Nil) respectively for short-term leases and low value leases.

35 CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

35 CAPITAL MANAGEMENT (CONTINUED)

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net debt	8,513,162	10,124,563	1,190,202	1,875,825
Total equity	15,977,224	15,870,834	10,688,144	10,547,419
Total capital	24,490,386	25,995,397	11,878,346	12,423,244
Gearing ratio	35%	39%	10%	15%

The Group is required to maintain net worth of a specified amount in order to comply with covenants in loan agreements with banks. The Group breached a loan covenant for the financial year ended 31 December 2019 and details of the breach is disclosed in Note 20.

36 AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors dated 26 March 2021.

SUSTAINABILITY REPORT

INTRODUCTION

WHAT IS THIS REPORT ABOUT?

We are pleased to present Heatec Jietong Holdings Ltd.'s ("**Heatec**") annual Sustainability Report, for our financial year ended 31 December 2020 ("**FY2020**"). This report is set out on a "comply or explain" basis in accordance with Rule 711B and Practice Note 7F of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist on Continuing Listing Obligations. We are guided by the Global Reporting Initiative ("**GRI**") Standards reporting guidelines, at Core level. Heatec has chosen the GRI framework as it is the most established international sustainability reporting standard. In accordance with the Standard's emphasis on materiality, the report highlights key environmental, social and governance related initiatives carried out throughout FY2020, from 1 January to 31 December 2020.

In defining our reporting content, we applied GRI's principles defining report content by considering the Group's activities, impact and substantive expectations and interests of its stakeholders. We observed a total of four principles, including materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed principles of balance, comparability, accuracy, timeliness, clarity and reliability.

The environmental, social and governance data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy.

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems and results. Please send your comments and suggestions to info@heatec.com.sg because engaging with each of you is essential to operate our business responsibly.

BOARD STATEMENT ON SUSTAINABILITY

The Chief Executive Director of the Company ("**CEO**") leads sustainability efforts of the Group to recognise the importance of sustainability. The CEO reports directly to the Board of Directors (the "**Board**") to consider sustainability issues as part of its strategic formulation, determine the material environmental, social and governance ("**ESG**") factors and oversee the management and monitoring of these factors.

Companies are increasingly aware of the impact on ESG issues affecting long-term continuation of businesses, hence sustainability reporting has gained greater significance to investors. Today it is widely accepted that good ESG practices contributes to the overall long-term success of the company and plays an important part in the competition for investment.

Businesses must be quick to adapt to key stakeholders' concerns, close any potential gaps and capitalise on given opportunities. Amid today's rapid business environment, Heatec's Board is fully committed in supporting the management to uphold governance and sustainability practices to achieve long-term success and value for stakeholders.

26 March 2021

SUSTAINABILITY REPORT

“Doing the Right Thing Right, First Time, Everytime”

OUR APPROACH TO SUSTAINABILITY

WHAT IS HEATEC’S APPROACH?

SUSTAINABILITY VISION

At Heatec, we believe that sustainability coupled with innovative and economical initiatives implemented will ensure the growth of the company and protect the environment in the long term.

Maintain safety

Safety is paramount and this is reflected in our safety policy which begins by saying, “Safety is the responsibility of everyone.” The company expects a high level of integrity from all our staff at all levels and a clearly defined whistleblowing policy is in place. A confidential contact point is available to anyone who wishes to express their concerns.

Product and market diversification

Heatec’s strategy focuses on overall business diversification through product diversification and market diversification.

Establish Sustainability Committee

Heatec has built up in-house expertise to run sustainability reporting capabilities.

“Doing the Right Thing Right, First Time, Everytime”

Our company motto, “Doing the Right Thing Right, First Time, Everytime”, is displayed prominently on a banner across the entire workshop and embedded in processes as an integral part of our working culture.

Manage costs effectively

Heatec strives to reduce costs while maintaining quality. We will continually carry out cost reduction initiatives through use of multiple suppliers and through finding new vendors to continue to provide ever higher quality services at reasonable prices.

As a good and responsible corporate citizen, we have a strong commitment in sustainability and a part of that is to ensure the commitment is conveyed to our stakeholders in terms of Economic, Social and Governance criteria.

Heatec has a clearly defined whistleblowing policy for staff to raise concerns in confidence with financial reporting or other matters. The whistleblowing telephone number are maintained by Heatec’s internal auditors. Any issues, if required, are elevated to the Audit and Risks Management Committee, Board of Directors, forensic professionals or law enforcement as appropriate. While the current policy focuses primarily on economic and safety issues, going forward, the whistleblowing policy will be revised to explicitly include issues of sustainability.

SUSTAINABILITY REPORT

Heatec sets out to meet and exceed all legal requirements and industry expectations and have implemented a number of benchmarks and Key Performance Indicators (KPIs) to achieve that goal.

The following are Heatec's initiatives which we intend to work on:

1. Enhancing safety standards of operations
2. Continued training of workers
3. HR-related processes such as training, payroll and recruitment
4. Further enhancing its Enterprise Risk Management (ERM) framework and processes.

KPIs which are tracked monthly, quarterly and annually are as follows:

1. Get the basics right by establishing better safety and risk management practices
2. Drive higher productivity in all our staff
3. Promote environmental sustainability in our business
4. Lead in setting industry standards
5. Ensure adequate safety infrastructure
6. Ensure a conducive environment for all employees
7. Strengthen relationship with customers and suppliers
8. Ensure effective implementation of relevant regulations
9. Enhance strategic outreach and engagement.

SUSTAINABILITY REPORTING PROCESS

A summary of our sustainability reporting process is as set out below:



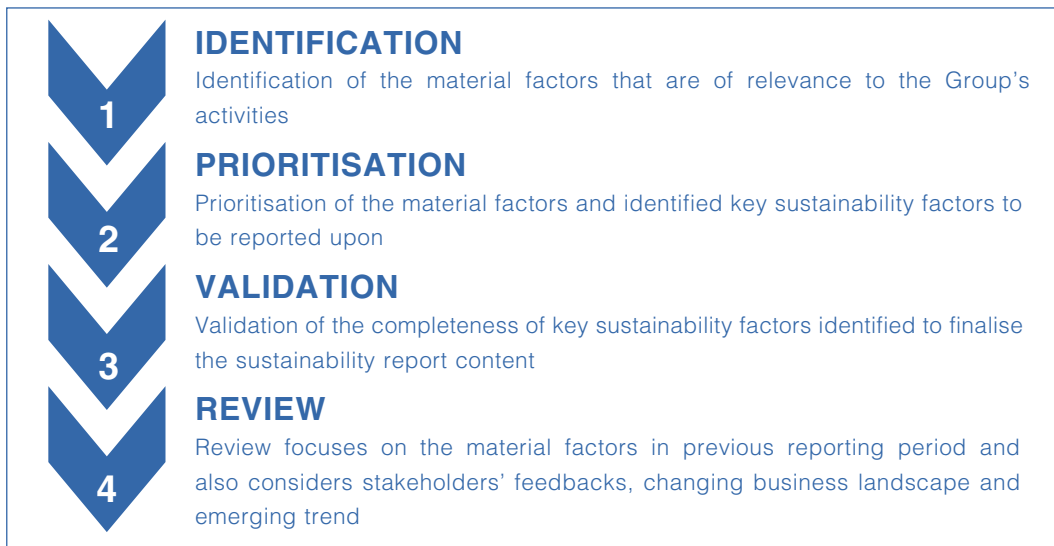
SUSTAINABILITY REPORT

MATERIAL ASPECTS ASSESSMENT

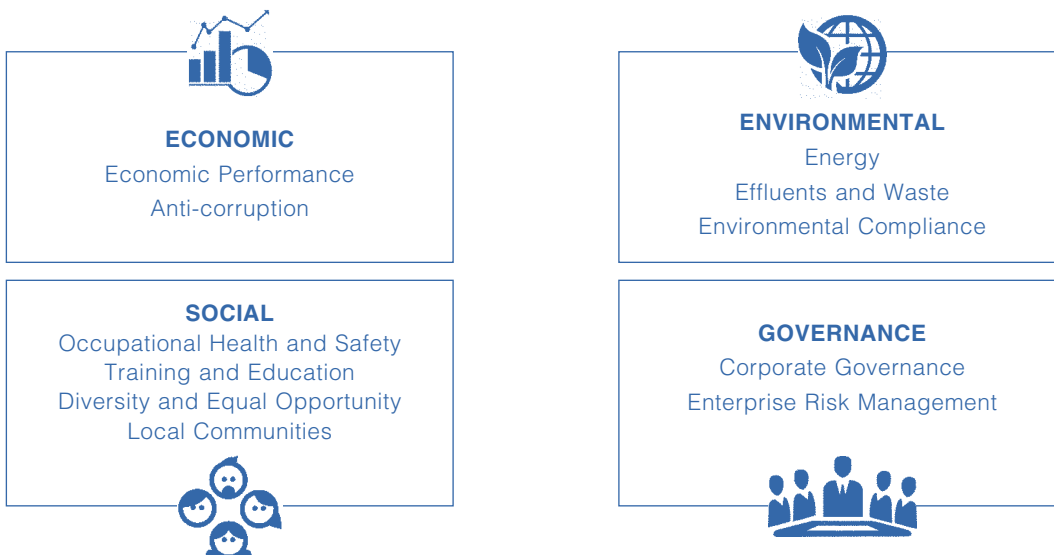
Our sustainability process begins with the identification of relevant aspects. Relevant aspects are then prioritised as material factors which are then validated. The end result of this process is a list of material factors disclosed in the sustainability report.

We conducted a materiality assessment during the year and adopts a matrix-based approach based on likelihood and impact to address the Company’s sustainability risk profile and priorities issues. We used this method to monitor our risk profile on regular basis. We reviewed the materiality reported last year incorporating inputs from stakeholder engagements.

In order to determine if an aspect is material, we will assess its potential impact on the economy, environment and society and the influence on the stakeholders.



Material aspects were identified and prioritised through internal workshops together with senior management. Peer reviews and social impact assessments were performed at site level. Applying the guidance from GRI Standards, we have identified the following material aspects:



SUSTAINABILITY REPORT

ECONOMIC

HOW DOES HEATEC OPERATE IN A COMPETITIVE ENVIRONMENT?

ECONOMIC PERFORMANCE

Heatec's core business activities are in the provision of piping services, and heat exchanger servicing and fabrication with a focus on the marine and oil & gas industries.

Our extensive experience in these fields gives us the edge in offering our customers high quality products and timely delivery of services. For detailed financial results, please refer to the Financial Review section in our Annual Report for FY2020, pages 08 to 10.

Our objective is to establish ourselves to be a market leader with high quality products and timely delivery of services.

Market Presence

Heatec provides piping services for all types of process pipes and systems to shipyards in Singapore, specialising in exotic materials and high-pressure systems used on-board FPSO and oil rigs. Our scope of works includes turnkey project management, ranging from engineering, procurement, fabrication, installation to commissioning. Over the years, our piping division have been receiving multiple accolades by major shipyards in Singapore.

Under our Heat Exchangers segment, our Design & Build Division designs and manufactures heat exchangers from our headquarter in Singapore. Our products are deployed in operations on-board FPSOs and in refineries, petrochemical plants and power stations etc situated all over the world, including Europe, Middle East, Australia, Asia, South America etc.

Heatec also services various types of heat exchangers that are utilised on board marine vessels. Our heat exchanger services include on-site inspection, engineering, consultancy, fabrication and restoration of main engine charge-air coolers, condensers, heaters, fresh water generators and other heat transfer applications.

In FY2020, 96% of our Group's senior management are Singaporeans or PRs (Singapore permanent resident), a slight increase from 95% in FY2019.

Overview of Supply Chain

While our major materials commonly purchased and used, such as tubes, plates, gaskets, forging materials, remain the same; in FY2020, as part of our efforts in the enterprise risk management, we have reviewed our Approved Vendors List and decreased our suppliers to a total of 328, as compared to 480 in FY2019. This is to ensure that our vendors list remains up to date and that our vendors maintain a good standard of quality, delivery and competitiveness. Depending on specific requirement, quantity required and pricing, we decide on the supplier on a project to project basis.

Given the nature of our job and our industry, our procurement team practices "Just in time" purchasing. We categorise our vendors into Critical & Non-Critical accordingly, based on their specific characteristic of supply. Critical material & services are related to our products for they are subject to stringent requirement of any Third-party certification or International Standards.

ANTI-CORRUPTION

Similar to FY2019, there were no significant fines or non-monetary sanctions for non-compliance with laws and regulations in FY2020. Here at Heatec, we do not tolerate corruption in any form. This has been made clear to all of our employees, our suppliers and our business partners. Any reports of corruption are escalated to the attention of the Board. There have also been no reported incidents of corruption during the reporting period. We will regularly review policies on whistleblowing and anti-corruption.

SUSTAINABILITY REPORT

“Safety is the Responsibility of Everyone”

SAFETY

HOW DOES HEATEC MAINTAIN SAFETY IN A COMPETITIVE ENVIRONMENT?

OCCUPATIONAL HEALTH AND SAFETY

The Company has established an Occupational Health and Safety (OH&S) policy in accordance with the requirement of OHSAS 18001:2007 and ISO 9001 QMS. Heatec is certified OHSAS 18001:2007 compliant.

Heatec is committed to creating and maintaining an OH&S system where management and staff work together to ensure a safe and healthy workplace for all employees, contractors, visitors and relevant interested parties.

The Company aims to continually improve OH&S performance by reducing, minimising, and preventing health and safety breaches associated with work-related injury and ill health.

In FY2020, 5 cases (FY2019: 4) of Ministry of Manpower (“**MOM**”) reportable incidents were recorded and majority of the incidents originated from our subsidiary companies. Moving forward, the Company will build up the safety awareness in our subsidiary companies by getting them involved in our safety related programs and training. As a Group, we will work towards a safer working environment for everyone.

We are in the process of implementing ISO45001, on schedule to replace OHSAS18001 in FY2021.

Target: To achieve not more than 3 MOM reportable incidents for FY2021.

FY2020 Workplace Incidents
– Total Man Hours 883,795

5 MOM REPORTABLE CASES

HUMAN RIGHTS

DO YOU ADHERE TO THE HUMAN RIGHTS POLICY TO DO BUSINESS?

LABOUR PRACTICES

At Heatec, we recognise that our employees are one of our most valued assets. The continuous training and development of our employees helps them grow professionally and achieve our business goals in return.

LABOUR-MANAGEMENT RELATIONS

The importance of business ethics is communicated to all our heads of business units regularly and they fully understand that compliance with rules and regulations is a key part of running a responsible business. The company regularly updates key staff with developments in international and local regulations. Heatec complies with all applicable environmental rules and regulations, anti-competitive behaviour laws and requirements on health and safety. We prohibit corruption in all forms, including extortion and bribery.

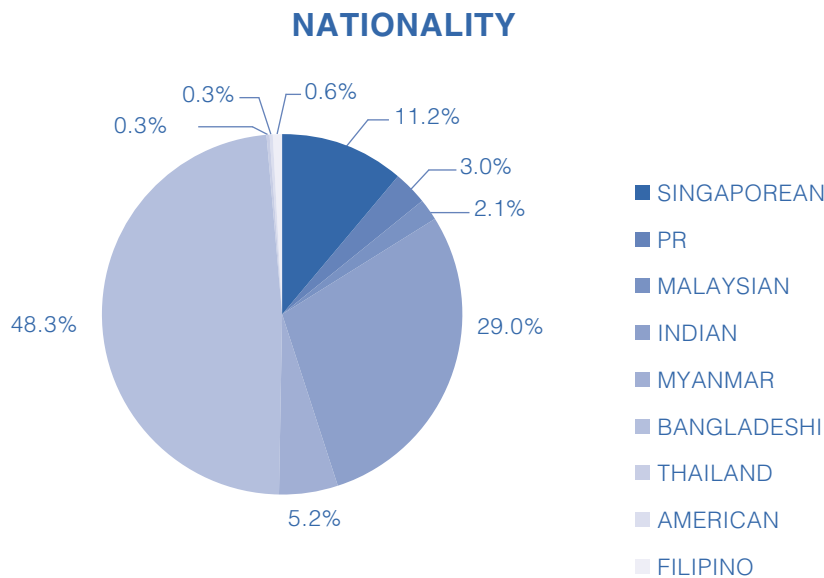
SUSTAINABILITY REPORT

HUMAN RIGHTS

Heatec provides competitive remuneration based on merit to our employees. Our employees are not covered by collective bargaining agreements, but are given the right to exercise freedom of association. Employees are given a minimum of one month's notice prior to any implementation of significant operational changes that could substantially affect them.

NON-DISCRIMINATION

When it comes to hiring, we take seriously any possibility of conflict of interest. Our code of conduct clearly spells out Heatec's expectations from our staff and the consequences, if any, if the rules are violated or standards are not met. We also have clear and fair grievance procedures.



CHILD LABOUR/FORCED OR COMPULSORY LABOUR

We respect human rights, support the elimination of all forms of forced and compulsory labour, especially child labour, and do not tolerate any discrimination in respect of employment and occupation.

PRODUCT RESPONSIBILITY

Heatec has set a target of 85% partner customer satisfaction and no more than one customer reject a month. In FY2020, our customer satisfaction has dropped to 75% which is below our target as the Group faces shortage of manpower that caused delay in completion dateline of some projects. However we will still strive to achieve 85% customer satisfaction for FY2021.

For FY2020, the Company had recorded 10 non-compliance cases. The same figure was recorded for FY2019. Internally, the Company has set a target of no more than 2 non-compliance incident a month which has also been met. We will continue to do our best by minimising the noncompliance rate.

Target:

To achieve 85% customer satisfaction.

To achieve not more than 2 non-compliance cases per month for FY2021.

SUSTAINABILITY REPORT

INFORMAL SESSIONS WITH STAFF

HR conducts informal sessions with staff on a regular basis to determine the level of satisfaction and to gather feedback. Employees' inputs are taken into account in the formulation of human resource practices and programmes such as Corporate Social Responsibility (CSR) or Workplace Health Promotion (WHP) activities.

In view of the COVID situation, virtual communication channels such as WhatsApp, Webex and Zoom were created to facilitate communications with employees from different levels. Regular virtual meetings at the management and department level were held to ensure smooth flow of information. Multiple Whatsapp groups were set up for staffs staying in dormitories to allow feedbacks from the ground.

SUPPLIER ASSESSMENT FOR ENVIRONMENTAL ASSESSMENT

Heatec has a 9-step supplier pre-assessment procedure which currently focuses on economic criteria as well as an internal survey to rate suppliers. Going forward, labour practices will be included in the criteria so that we only do business with partners who share our commitment to the environment.

OUR PEOPLE AND ETHICS

WHAT IS HEATEC DOING TO DEVELOP SKILLS OF OUR EMPLOYEES?

TRAINING AND EDUCATION

In order to enable the company to attract and retain talent, Heatec offers educational sponsorship, job related workshops, training sessions and seminars. All employees are subject to annual performance review and performance target setting sessions with their superiors.

For FY2020, we were restricted by the safety management measures and had not managed to offer our existing staff additional inhouse training courses as what we had practiced in FY2019. Moving forward, we will source for more additional training online for all staff.

Existing employees received an average of 8 hours (2019: 8 hours) of training in FY2020. New employees received 44 hours (2019: 44 hours) of training before they could commence work in FY2020.

Target: To provide 44 hours of training to new employees before commencing work and 8 hours of training to existing employees. Heatec targets to provide more management training programs in FY2021.

DIVERSITY AND EQUAL OPPORTUNITY

At Heatec, we offer workplace diversity and equal opportunities to our employees. For workplace diversity, we value everyone's differences. We learn from each other regardless of cultural background and bring those differences into the workplace to broaden experience and knowledge. Diversity includes not only race but gender ethnicity, personality, age, education and background.

For equal opportunities, all employees are treated equally and not disadvantaged by prejudices or bias. The well performing employees will qualify for promotion or rewards regardless of their race, gender, ethnicity, personality, age, education and background.

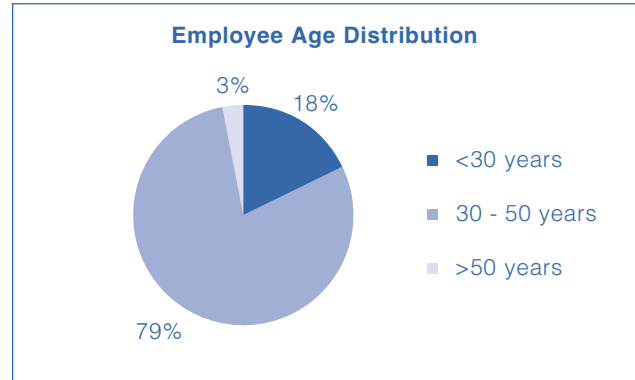
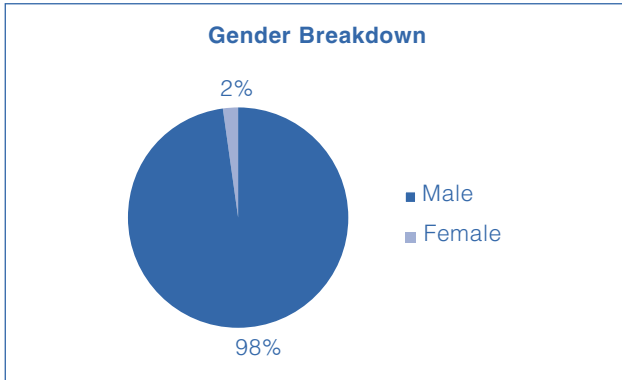
The Board of Heatec continues to practice gender diversity with Ms Lie Ly @ Liely Lee being part of the Board of Directors.

Heatec employs staff and provides equal opportunity to staff based on merit and performances.

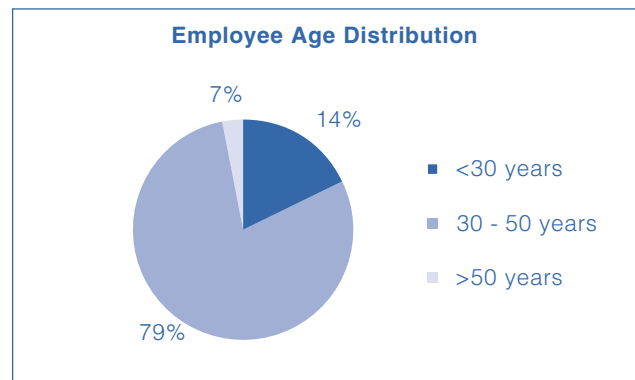
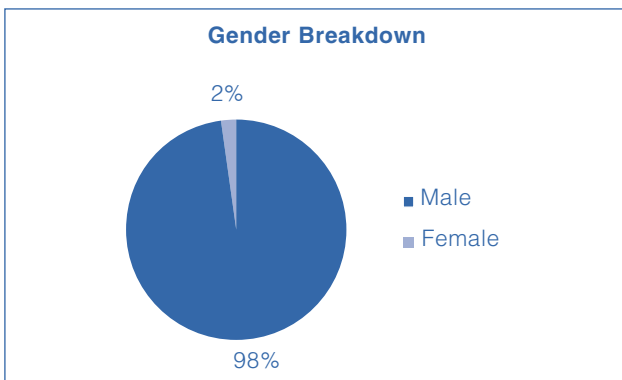
The number of employees decreased from 450 employees in FY2019 to 329 employees in FY2020.

SUSTAINABILITY REPORT

FY2019



FY2020



There is a high percentage of male compared to female due to the nature of the job and the industry.

VALUE TO SOCIETY

WHAT DO YOU BRING TO THE LOCAL COMMUNITIES?

LOCAL COMMUNITIES

At Heatec, we assume the responsibility to ensure that our company's activities positively impact communities in and around the areas in which we operate. We aim to develop training programmes in all locations we operate to transfer knowledge to local communities.

Our Group offers Industrial Attachment opportunities to students from tertiary institutions. In 2020, the Group has provided 1 student from Ngee Ann Polytechnic the chance to work with the Group.

Heatec aims to continue the relationship with Ngee Ann Polytechnic and the internship program provided by them as the internship programme is beneficial to both the company and the students. As a company, we provide training road maps and their supervisors are required to review on their work every three months. This not only helps facilitate the students' learning curve, it also provides feedback to the students on their progress; and thus get them mentality prepared for their future career.

SUSTAINABILITY REPORT

In FY2020, the Company completed the following activities:

- Workers challenge in room dormitory (Best room photo and video)
Activities for workers during the lockdown period in May & June 2020
- During the lockdown period in Dormitory from March till August, the Company had provided some snacks for all of our workers from Dormitory and Temporary Living Quarters
- During Deepavali Festival, the Company shared their joy with a dinner treat to all workers in Dormitory and Temporary Living Quarters
- Frequent communication with all workers through Whatsapp groups for updates on their well being and monthly teleconference via Webex and Zoom with all Heads Of Departments



In rooms (Best room photo challenge)



In rooms (Best room photo challenge)



In rooms (Best room photo challenge)



Activities in rooms (Photo of Items in rooms and posing challenge)

SUSTAINABILITY REPORT



Activities in rooms (Posing challenge)

Special Occasion "Company Dinner treat to all workers" (Saturday)

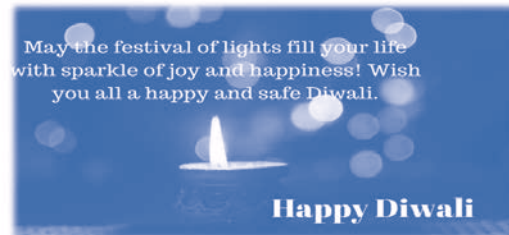
Dear All,

On behalf of the Management, we would like to take this opportunity to wish all our Hindu employees, *Happy Deepaval*.

On this special occasion, the Company have arranged for a dinner treat to all of our workers with a packet of Beriani. Food will be delivered tomorrow by 6pm to Dormitory and Heatec workshop by 7pm.

May this auspicious occasion light up your life with happiness, joy and peace. *"Happy Diwali"!!*

Thank you and to stay safe always. 🙏



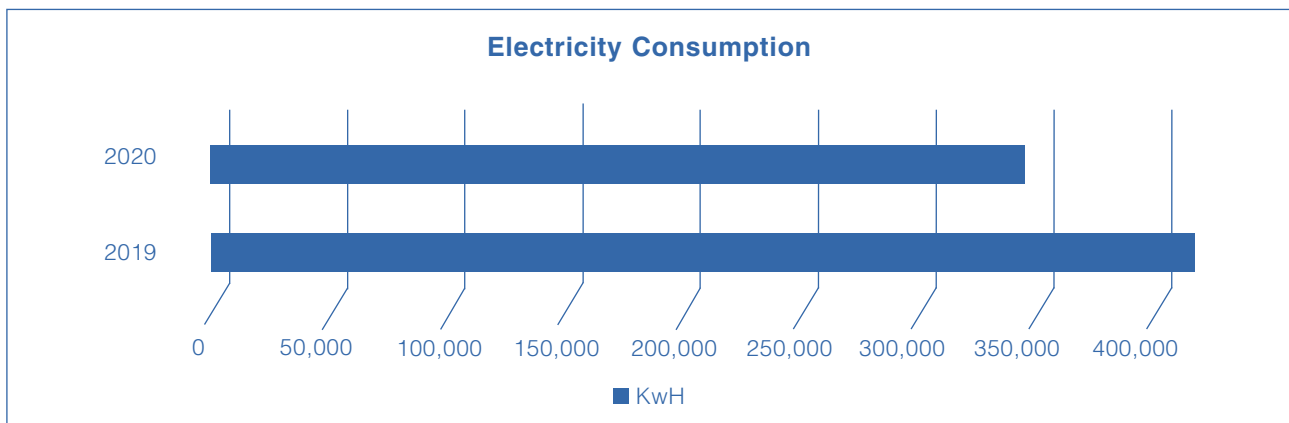
Target: To organize more events for all staff, local & workers in FY2021 with Safe Management Measures in place.

ENVIRONMENT

WHAT ARE YOUR TOP ENVIRONMENT ISSUES AT A LOCAL LEVEL?

ENERGY

As electricity consumption is extensive in our operations, the Group is fully aware of its responsibility for nurturing the environment and lessening negative environmental consequences at our worksites and the environment where we operate. We monitor our energy at our work places to ensure that we use our resources economically, meaningfully and responsibly.



Decrease in usage compared to last year as we are unable to operate for about a month, as instructed by the Ministry of Manpower. The government had implemented stringent measures as part of a nation-wide circuit breaker to break the chain of COVID-19 transmissions.

For office operations, Heatec has consolidated from three to two floors with corresponding savings in energy use.

Target: To maintain not more than 10% increase in our electric consumption in FY2021.

SUSTAINABILITY REPORT

EFFLUENTS AND WASTE

Our Group has round-the-clock monitoring through a National Environmental Agency-approved waste affluent system. Chemical waste as a byproduct of operations are recycled where possible. Whatever left over is responsibly treated by our waste affluent system before safe disposal.

The Company uses a 3-R approach advocating minimisation of segregation of production waste to minimise resource use, using them again and again instead of passing it on to the waste stream as recycling the materials goes a long way in achieving the goals of sustainability. It reduces pressure on our resources as well as reduces waste generation and pollution.

Office operations have implemented two-sided printing to save paper.

ENVIRONMENTAL COMPLIANCE

In FY2020, there were no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions, and we endeavor to maintain this track record.

GOVERNANCE AND RISK

WHAT ROLE DOES YOUR BOARD PLAY IN LEADING HEATEC TOWARDS A SUSTAINABLE FUTURE?

SUSTAINABILITY COMMITTEE

In order to achieve sustainability, the Company has formed a Sustainability Committee for better management and direction. The Sustainability Committee's members comprise of the Chief Executive Officer (“**CEO**”), Financial Controller (“**FC**”), and various Heads of Departments.

We aim to develop some effective programs in reduction of resource usage to promote sustainability in progressive milestones over the next 3 years. Committee members will assist in data collection for reporting and dissemination of the Sustainability Reporting to stakeholders. We aim to have a monthly Sustainability Committee Member's meeting to discuss, review and set targets for the Company's sustainability issues. Any targets behind schedule will be closely monitored and will be brought to the attention of all members to resolve any such issues.

SUSTAINABILITY GOVERNANCE

At Heatec, we believe that strong governance is key to a sustainable business. Throughout FY2020, we continue to comply with the Code of Corporate Governance. Please refer to the Annual Report for FY2020, pages 13 to 61 on the details of the Code of Corporate Governance we adhere to.

It is a continual challenge to successfully manage environmental and social issues. Heatec is working continuously to incorporate these issues into our business model and infuse it into our company culture. Our products and services meet all the requirements demanded by our customers and the regulatory bodies. We meet all environmental and safety standards to operate effectively.

SUSTAINABILITY REPORT

Heatec pays close attention to enforce good labour practices in all our operations. The company provides many training opportunities for continued employee development and this is reflected in the quality and delivery of our products and solutions. We value our relationships with our clients and the wider community in which we operate as these relationships have helped us through challenging times in the past and see us into the future. Heatec strongly believes that in the long run, these efforts will have a positive impact on our economic performance.

ENTERPRISE RISK MANAGEMENT (ERM)

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

CUSTOMER PRIVACY

Cyber security and data privacy are important not just for compliance but to safeguard both our data and that of our customers. Heatec takes measures to guard against cyber risks for both our internal and external stakeholders. We comply with the Personal Data Protection Act Policy. This policy also applies to our employment process where the privacy of all applicants is safeguarded, securely backed-up and access to personal data is restricted to authorised persons and senior management on a need-to-know basis.

STAKEHOLDERS

STAKEHOLDER ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material aspects relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to, customers, suppliers, employees, investors, and regulators. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

Heatec currently engages with our shareholders regularly via multiple channels such as annual general meetings, SGX-ST announcements, press releases and the company website.

Internally, strategies and initiatives are disseminated through the hierarchy through meetings such as our monthly management meeting, project meetings, safety meetings and daily toolbox meetings. Internal memos are also circulated via email and hard copies posted on noticeboards.

Key external suppliers are also audited annually for quality and quality performance as we recognise the importance of stakeholders' engagement and strive for continual improvement.

Heatec looks forward to more suggestions and improvements during the sustainability reporting implementation process, especially with the advice of professional consultants. We have ensured all necessary compliance with regulators such as the BCA, SCDF, MPA, MTI and NEA. We regularly engage with MOM on manpower related issues including foreign workers' documentation and keeping up to date with regulatory changes. We work with the NEA and have implemented a 24-hour monitoring system for waste effluent system. We are also active members of a number of trade associations and work closely with agencies such as Enterprise Singapore, Singapore Business Federation, ASMI and ASPRI.

SUSTAINABILITY REPORT

Our engagement with our stakeholders is set out below:

Stakeholders	Engagement Platforms	Frequency of Engagement	Key concerns raised
EMPLOYEES	Townhall sessions Open dialogues among teams Induction and orientation program Comprehensive trainings Staff appraisal Employee survey	Once a year	Company's plans and goals for next 3 years Benefits of employees
INVESTORS/ SHAREHOLDERS	Annual Report Annual General Meeting Investor meetings/Roadshows for investors Teleconferences SGX Corporate Announcements Press releases Company website	Once a year	Financial performance
CUSTOMERS AND CONSUMERS	Frontline interaction by Sales staff Hotline Email queries Customer feedback Customer surveys	Often	Value to society Risk assessment
LOCAL COMMUNITIES	Donations Face-to-face meetings Participate in Ngee Ann Polytechnic's Mentoring programme Collaborate with Ngee Ann Polytechnic for industrial attachment internship program with the school of Marine and Offshore Technology	Every six months	How the Group's operations impact the society Working hours
SUPPLIERS AND SERVICE PROVIDERS	Face-to-face meetings Annual audit review on quality and feedback sessions	Often	Prompt payment
GOVERNMENT AND REGULATORS	Face-to-face meetings Regular contradicts Participation in discussions	As needed	Compliance

SUSTAINABILITY REPORT

To promote for sustainability, we aim to commit the following to our various stakeholders:

Stakeholders	Commitments
Shareholders	To maximise the return on investment for shareholders.
Employees	To provide training for staff development and safe working environment.
Customers	To achieve and enhance customer satisfaction through on-time delivery of quality products, services and solutions.
Suppliers	To collaborate with the suppliers to ensure that they have met the Sustainability standard in the industry.
Community	To contribute to the community.

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure	Reference/Description	
GRI 101: Foundation 2016			
GENERAL DISCLOSURE			
GRI 102: General Disclosures	102-1	Name of organisation	Heatec Jietong Holdings Ltd
	102-2	Activities, brands, products and services	Annual Report for FY2020 (AR): 01
	102-3	Location of headquarters	AR: 81
	102-4	Location of operations	AR: 108-115
	102-5	Ownership and legal form	AR: 108-115
	102-6	Markets served	AR: 02-03
	102-7	Scale of the organisation	AR: 08-10, 150-151
	102-8	Information on employees and other workers	Sustainability Report for FY2020 (SR): 149-151
	102-9	Supply chain	SR: 147
	102-10	Significant changes to the organisation and its supply chain	None
	102-11	Precautionary Principle or approach	Heatec supports the intent of the Precautionary Principle, but has not expressed a specific commitment.
	102-12	External initiatives	None
102-13	Membership of associations	SR: 155	
102-14	Statement from senior decision maker	SR: 02-03, 143	
102-16	Values, principles, standards and norms of behaviour	Content Page	

SUSTAINABILITY REPORT

GRI Standard	Disclosure	Reference/Description
	102-18	Governance structure AR: 13-61
	102-40	List of stakeholder groups SR: 155-156
	102-41	Collective bargaining agreements None
	102-42	Identifying and selecting stakeholders SR: 155-156
	102-43	Approach to stakeholder engagement SR: 155-156
	102-44	Key topics and concerns raised SR: 146-154
	102-45	Entities included in the consolidated financial statements AR: 108-115
	102-46	Defining report content and topic boundaries SR: 143
	102-47	List of material topics SR: 146
	102-48	Restatement of information Not applicable
	102-49	Changes in reporting None
	102-50	Reporting period SR: 143
	102-51	Date of most recent previous report 18 March 2020
	102-52	Reporting cycle Annual
	102-53	Contact point for questions about the report SR: 143
	102-54	Claims if reporting in accordance with the GRI Standards This report has been guided by the GRI Standards (Core option)
	102-55	GRI content index SR: 157-159
	102-56	External Assurance We may seek external assurance in the future.
MATERIAL TOPICS		
GRI 201: Economic performance	103-1	Explanation and reporting boundary SR: 147
	201-1	Direct economic value generated and distributed SR: 08-10, 73-80 & 147
Anti-corruption		
GRI 302: Energy	103-1	Explanation and reporting boundary SR: 153
	302-1	Energy consumption within the organisation SR: 153
GRI 306: Effluents and Waste	103-1	Explanation and reporting boundary SR: 154
	306-2	Waste by type and disposal method SR: 154
GRI 307: Environmental compliance	103-1	Explanation and reporting boundary SR: 154
	307-1	Non-compliance with environmental laws and regulations SR: 154

SUSTAINABILITY REPORT

GRI Standard	Disclosure	Reference/Description
GRI 404: Training and Education	103-1	Explanation and reporting boundary
	404-1	Average hours of training per year per employee
GRI 403: Occupational health and safety	103-1	Explanation and reporting boundary
	403-2	Types of injury and rates of injury: occupational diseases: lost
GRI 405: Diversity and equal opportunity	103-1	Explanation and reporting boundary
	405-1	Diversity of governance bodies and employees
GRI 406: Non-discrimination	103-1	Explanation and reporting boundary
	406-1	Incidents of discrimination and corrective actions taken
GRI 413: Local Communities	103-1	Explanation and reporting boundary
	413-2	Operations with local community engagement, impact assessments, and development programs

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2021

Issued and fully paid-up share capital	:	S\$12,192,447
Number of issued shares (excluding treasury shares and subsidiary holdings)	:	122,959,345
Number of treasury shares	:	Nil
Number of subsidiary holdings held	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote for each ordinary share

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	16	5.70	11,445	0.01
1,001 – 10,000	55	19.57	374,000	0.30
10,001 – 1,000,000	201	71.53	21,428,523	17.43
1,000,001 and above	9	3.20	101,145,377	82.26
	281	100.00	122,959,345	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 (%)
Tru-Marine Pte. Ltd.	32,030,678	26.05	–	–
Loke Weng Seng ⁽¹⁾	–	–	32,030,678	26.05
Loke Yuen Kong ⁽²⁾	–	–	32,030,678	26.05
Chan Hon Sing ⁽³⁾	–	–	32,030,678	26.05
Johnny Soon Yeow Kwee ⁽⁴⁾	22,273,599	18.11	4,816,078	3.92
Yong Yeow Sin ⁽⁵⁾	27,214,599	22.13	4,816,078	3.92

Notes:

- (1) Mr Loke Weng Seng is deemed to have an interest in the 32,030,678 shares in the capital of the Company which is held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.
- (2) Mr Loke Yuen Kong is deemed to have an interest in the 32,030,678 shares in the capital of the Company which is held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.
- (3) Mr Chan Hon Sing is deemed to have an interest in the 32,030,678 shares in the capital of the Company which is held by Tru-Marine Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.
- (4) Mr Johnny Soon Yeow Kwee is deemed to have an interest in the 4,816,078 shares in the capital of the Company which is held by his spouse, Madam Jasmine Ow Ah Foong.
- (5) Mr Yong Yeow Sin is deemed to have an interest in the 4,816,078 shares in the capital of the Company which is held by his spouse, Madam Ng Guick Kim.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2021

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NUMBER OF SHARES	%
1.	Tru-Marine Pte Ltd	32,030,678	26.05
2.	Yong Yeow Sin	27,214,599	22.13
3.	Soon Yeow Kwee Johnny	22,273,599	18.11
4.	Ng Guick Kim	4,816,078	3.92
5.	Ow Ah Foong Jasmine	4,816,078	3.92
6.	DBS Nominees (Private) Limited	4,226,245	3.44
7.	Goh Guan Siong (Wu Yuanxiang)	2,368,100	1.93
8.	Mohamed Abdul Jaleel s/o Muthumaricar Shaik Mohamed	2,000,000	1.63
9.	Soon Jeffrey	1,400,000	1.14
10.	Soon Janice	1,000,000	0.81
11.	Soon Jenson	1,000,000	0.81
12.	Soon Jeremy	1,000,000	0.81
13.	Soon Ji Ling Jacqueline (Sun Jieling)	1,000,000	0.81
14.	Wang Jian Guo	928,000	0.75
15.	Estate of Leow Sau Ching Helena, Deceased	770,000	0.63
16.	Raffles Nominees (Pte.) Limited	611,400	0.50
17.	Wee Teow Heng Albert	604,600	0.49
18.	Low Chee Wee	560,965	0.46
19.	Maybank Kim Eng Securities Pte. Ltd.	545,000	0.44
20.	Cheah Hee Chong Robin or Lau Lai Chan	455,400	0.37
	TOTAL	109,620,742	89.15

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 15 March 2021, approximately 21.49% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Heatec Jietong Holdings Ltd. (the “**Company**”), will be convened and held by way of electronic means on Monday, 26 April 2021, at 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 2020, together with the Independent Auditor’s Report thereon. **[Resolution 1]**
2. To re-elect Mr Lim Soon Hock as a Director of the Company who is retiring pursuant to Regulations 98 and 99 of the Company’s Constitution and being eligible, offers himself for re-election. **[Resolution 2]**
[See Explanatory Note (i)]
3. To re-elect Ms Lie Ly @ Liely Lee as a Director of the Company who is retiring pursuant to Regulations 98 and 99 of the Company’s Constitution and being eligible, offers herself for re-election. **[Resolution 3]**
[See Explanatory Note (ii)]
4. To approve the payment of Directors’ fees of S\$151,000 for the financial year ending 31 December 2021, to be paid quarterly in arrears (FY2020: S\$151,000). **[Resolution 4]**
5. To re-appoint Messrs Baker Tilly TFW 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 5]**
6. To transact any other business which may be properly be 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:

7. **AUTHORITY TO ISSUE SHARES** **[Resolution 6]**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and Rule 806 of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the 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,

NOTICE OF ANNUAL GENERAL MEETING

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

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

provided that:

- (1) the aggregate number of shares (including Shares to be issued pursuant of the Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued pursuant of the Instruments made or granted pursuant to this Resolution) to be issued other than on a *pro-rata* basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares 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 Constitution of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See Explanatory Note (iii)]

8. **AUTHORITY TO OFFER AND GRANT OPTIONS AND TO ALLOT AND ISSUE SHARES UNDER THE HEATEC EMPLOYEE SHARE OPTION SCHEME**

Resolution 7

That approval be and is hereby given to the Directors of the Company:

- (i) to offer and grant options from time to time in accordance with the provisions of the Heatec Employee Share Option Scheme (the "**Heatec ESOS**");
- (ii) pursuant to Section 161 of the Companies Act, to allot and issue from time to time such Shares as may be required to be issued pursuant to the exercise of options granted under the Heatec ESOS, as the case may be, and to do all such acts and things as may be necessary or expedient to carry the same into effect, provided always that the number of Heatec ESOS Shares to be issued, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the Heatec ESOS and any other existing share schemes of the Company, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time; and
- (iii) (unless revoked or varied by the Company in a general meeting), such authority conferred by this Resolution shall continue in full force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

9. **AUTHORITY TO OFFER AND GRANT AWARDS AND TO ALLOT AND ISSUE SHARES UNDER THE HEATEC PERFORMANCE SHARE PLAN**

Resolution 8

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

NOTICE OF ANNUAL GENERAL MEETING

- (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)]

On Behalf of the Board

Soon Jeffrey
Executive Director and Chief Executive Officer

9 April 2021

Explanatory Notes:

- (i) Mr Lim Soon Hock will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman and Non-Independent Director, a member of the Remuneration Committee and a member of the Nominating Committee.

Mr Loke Weng Seng, the Alternate Director appointed by Mr Lim Soon Hock will continue in office if Mr Lim Soon Hock is re-elected at the Annual General Meeting.

Detailed information on each of the abovementioned Directors of the Company as required pursuant to Rule 720(5) of the Catalist Rules is on page 27 to page 36 of the annual report.

- (ii) Ms Lie Ly @ Liely Lee will, upon re-election as a Director of the Company, remain as a Non-Executive and Independent Director, Chairman of the Audit and Risks Management Committee and a member of the Remuneration Committee, and has been considered by the Board of Directors of the Company to be independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Ms Lie Ly @ Liely Lee and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect her independence.

Detailed information on Ms Lie Ly @ Liely Lee as required pursuant to Rule 720(5) of the Catalist Rules is on page 27 to page 36 of the annual report.

- (iii) The Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to 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 6 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 6 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

- (iv) The 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 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.

NOTICE OF ANNUAL GENERAL MEETING

- (v) The 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 awards under the Heatec PSP (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 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.

IMPORTANT:

HOLDING OF THE ANNUAL GENERAL MEETING OF THE COMPANY ON 26 APRIL 2021 (THE “AGM”) THROUGH ELECTRONIC MEANS

In view of the ongoing COVID-19 situation, the AGM is being convened, and will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Company will **not** accept any physical attendance by shareholders of the Company (“Shareholders”).

1. Alternative Arrangements for Participation in the AGM

Shareholders may participate in the AGM by:

- (a) observing and/or listening to the AGM proceedings via “live” audio-visual webcast of the AGM (“Live Webcast”) or “live” audio-only stream (via telephone) of the AGM (“Audio-Only Means”);
- (b) submitting questions in advance of the AGM; and/or
- (c) appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM.

Details of the steps for pre-registration, pre-submission of questions and voting at the AGM by Shareholders are set out below.

Persons who hold shares of the Company through Relevant Intermediaries (as defined below), including Supplementary Retirement Scheme (“SRS”) investors, and who wish to participate in the AGM by:

- (a) observing and/or listening to the AGM proceedings via Live Webcast or Audio-Only Means;
- (b) submitting questions in advance of the AGM; and/or
- (c) appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM,

should contact the Relevant Intermediary (which would include, in the case of SRS investors, their respective SRS Operators) through which they hold such shares of the Company as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

2. Pre-registration for the Live Webcast or Audio-Only Means (collectively, “Electronic Means”)

Please see below for the information on the pre-registration process for the Live Webcast or Audio-Only Means:

- (a) the Company has arranged for (i) a Live Webcast of the AGM, which allows Shareholders to observe and listen to the AGM proceedings, and (ii) Audio-Only Means, which allows Shareholders to listen to the AGM proceedings, as Shareholders may elect at their discretion;
- (b) Shareholders who wish to access the AGM proceedings via Electronic Means must register online at the URL: <https://globalmeeting.bigbangdesign.co/heatecholdings/> for the Company to verify their status as Shareholders and provide their particulars as follows:–
 - (i) Full name as per the Central Depository (Pte) Limited (“CDP”) Account records;
 - (ii) National Registration Identity Card Number;
 - (iii) Postal Code;
 - (iv) Contact Number; and
 - (v) Email Address,

no later than **10.00 a.m. on Friday, 23 April 2021** (the “Registration Deadline”) (being not less than seventy-two (72) hours before the time appointed for the holding of the AGM) to enable the Company to verify the Shareholders’ status. Authenticated Shareholders will receive an email confirmation by **12.00 p.m. on Sunday, 25 April 2021** which contains the instructions to access the Electronic Means of the AGM proceedings. Shareholders may observe and listen to the AGM proceedings through the Live Webcast via their mobile phones, tablets or computers. Shareholders must not forward the instructions to other persons who are not Shareholders and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Electronic Means;

NOTICE OF ANNUAL GENERAL MEETING

- (c) corporate Shareholders must also submit the Corporate Representative Certificate to the Company at finance@heatec.com.sg, in addition to the registration procedures as set out in paragraph (b) above, by the Registration Deadline, for verification purposes;
- (d) Shareholders who register by the Registration Deadline but do not receive an email response by **12.00 p.m. on Sunday, 25 April 2021** may contact the Company's Investor Relations team at finance@heatec.com.sg or (65) 9620 2448 for assistance; and
- (e) Shareholders whose shares in the Company are not held under CDP and/or SRS, and are registered under Depository Agents ("DAs"), must also contact their respective DAs to indicate their interest in order for their DAs to make the necessary arrangements for them to participate in the AGM via Electronic Means.

3. Submission of Questions prior to the AGM

Shareholders who have any questions in relation to any resolution set out in the Notice of AGM, shall send their questions to the Company in advance, by **10.00 a.m. on Friday, 23 April 2021** (being not less than seventy-two (72) hours before the time appointed for the holding of the AGM) via email to the Company's Investor Relations team at finance@heatec.com.sg. Shareholders will not be able to speak and/or raise questions during the AGM (via Electronic Means), and therefore it is important for Shareholders who wish to ask questions to submit such questions in advance of the AGM.

The Company will provide responses to substantial and relevant questions from Shareholders, so submitted by the Shareholders in advance, prior to the AGM by publishing the responses to these questions on the SGX's website at the URL: www.sgx.com/securities/company-announcements and the Company's corporate website at the URL: www.heatecholdings.com. Where substantial and relevant questions submitted by Shareholders are unable to be addressed prior to the AGM, the Company will address them during the AGM through the Electronic Means. Alternatively, Shareholders may also refer to the Company's Annual Reports and Financial Results published on SGXNet and in the "Investor Relations" section of the Company's corporate website at the URL: www.heatecholdings.com for information. 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.

The Company will publish the minutes of the AGM (including the Company's responses to the substantial and relevant questions received from Shareholders, which are addressed during the AGM) on the SGX's website at the URL: www.sgx.com/securities/company-announcements and the Company's corporate website at the URL: www.heatecholdings.com within one (1) month after the date of the AGM.

4. Submission of Proxy Forms to Vote

A Shareholder will not be able to vote through the Electronic Means and voting is only through submission of Proxy Form (as defined below). If a Shareholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a Shareholder (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

A member of the Company (including a Relevant Intermediary) entitled to vote at the AGM must appoint Chairman of the AGM to act as proxy and direct the vote at the AGM in his/her stead. The Chairman of the AGM, as proxy, need not be a member of the Company.

The instrument appointing the Chairman of the AGM as proxy, duly executed ("**Proxy Form**"), must be submitted to the Company in the following manner:

- (a) if submitted by post, to be mailed to the registered office of the Company at 10 Tuas South Street 15, Singapore 637076; or
- (b) if submitted electronically, be submitted via email to the Company, at finance@heatec.com.sg,

in either case by **10.00 a.m. on Friday, 23 April 2021** (being not less than seventy-two (72) hours before the time appointed for the holding of the AGM) and in default the Proxy Form for the AGM shall not be treated as valid.

A Shareholder who wishes to submit a Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures, members are strongly encouraged to submit completed Proxy Forms electronically via email.

The Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing and where such Proxy Form 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 the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

Members who hold shares under SRS, who wish to appoint the Chairman of the AGM as their proxy, should approach their SRS Operators to submit their votes to the Company's registered office at 10 Tuas South Street 15, Singapore 637076 or email to finance@heatec.com.sg at least seven (7) working days before the Company's AGM.

NOTICE OF ANNUAL GENERAL MEETING

A "Relevant Intermediary" is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289 of Singapore) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

FY2020 ANNUAL REPORT

The FY2020 Annual Report (including the Notice of AGM and the accompanying Proxy Form for the AGM) of the Company has been uploaded by the Company on 9 April 2021 and is available for access and download from:

- (i) the SGX's website at the URL: www.sgx.com/securities/company-announcements; and
- (ii) the Company's corporate website at the URL: www.heatechholdings.com.

Important Reminder: In view of the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Shareholders are advised to regularly check the Company's corporate website or announcements released on the SGX's website at the URL: www.sgx.com/securities/company-announcements for updates on the status of the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company 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 as proxy for the AGM 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.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second, if applicable) may be recorded by the Company for such purpose.

This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("Sponsor"), in accordance with Rule 226(2)(b) of the Catalist Rules.

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

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

HEATEC JIETONG HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200717808Z)

ANNUAL GENERAL MEETING

PROXY FORM

IMPORTANT

1. The Annual General Meeting of the Company to be held on Monday, 26 April 2021, at 10.00 a.m. ("**AGM**" or "**Meeting**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Notice of AGM dated 9 April 2021 which has been uploaded on SGXNet and the Company's website on the same day.
3. A shareholder will not be able to attend the AGM in person. If a shareholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a shareholder (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
4. Supplementary Retirement Scheme ("**SRS**") investors who wish to appoint the Chairman of the Meeting as their proxy should approach their SRS Operators to submit their votes at least seven (7) working days before the AGM.
5. By submitting an instrument appointing the Chairman of the Meeting as proxy, the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 April 2021.
6. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a shareholder's proxy to vote on his/her/its behalf at the AGM.

I/We* _____ (Name) _____ (NRIC/Passport No./Company Registration No.)

of _____ (Address)

being a member/members of **HEATEC JIEONG HOLDINGS LTD.** (the "**Company**") hereby appoint 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 through electronic means on Monday, 26 April 2021, at 10.00 a.m.

I/We* direct the Chairman of the Meeting 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, the appointment of the Chairman of the Meeting as 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 for a particular resolution, you are directing the Chairman of the Meeting, as your proxy, not to vote on that resolution. Alternatively, please indicate the number of shares in respect of which the Chairman of the Meeting is to abstain from voting.

No.	Ordinary Resolutions Relating To:	For	Against	Abstain
1.	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2020, together with the Independent Auditor's Report thereon			
2.	Re-election of Mr Lim Soon Hock as a Director of the Company			
3.	Re-election of Ms Lie Ly @ Liely Lee as a Director of the Company			
4.	Approval of Directors' fees of S\$151,000 for the financial year ending 31 December 2021, payable quarterly in arrears			
5.	Re-appointment of Messrs Baker Tilly TFW LLP as auditors of the Company and authority to Directors to fix their remuneration			
6.	Authority to issue new shares or convertible securities pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore			
7.	Authority to offer and grant options and to allot and issue shares under the Heatec Employee Share Option Scheme			
8.	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 _____ 2021

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



NOTES:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the Meeting as proxy shall be deemed to relate to all the shares held by you.
2. A shareholder will not be able to vote through the live webcast stream or audio-only means and voting is only through submission of proxy form. If a shareholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a shareholder (whether individual or corporate) should give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
3. A member of the Company (including a Relevant Intermediary (as defined below)) entitled to vote at the Meeting must appoint Chairman of the Meeting to act as proxy and direct the vote at the Meeting in his/her stead. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy, duly executed, must be submitted to the Company in the following manner:
 - (a) if submitted by post, to be mailed to the registered office of the Company at 10 Tuas South Street 15, Singapore 637076; or
 - (b) if submitted electronically, be submitted via email to the Company, at finance@heatec.com.sg,

in either case by **10.00 a.m. on Friday, 23 April 2021** (being not less than seventy-two (72) hours before the time appointed for the holding of the AGM).

A shareholder who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures, shareholders are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the Meeting as proxy 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 an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
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 Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
7. SRS investors who wish to appoint the Chairman of the Meeting as their proxy should approach their SRS Operators to submit their votes at least seven (7) working days before the AGM.

A "Relevant Intermediary" is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289 of Singapore) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 April 2021.

GENERAL

The Company shall be entitled to reject the instrument appointing 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 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 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 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.
Company Registration Number: 200717808Z

No. 10 Tuas South Street 15 Singapore 637076
T: +(65) 6861 1433 F: +(65) 6861 1347
Email: admin@heatec.com.sg
Website: <http://www.heatecholdings.com>