HEATEC JIETONG HOLDINGS LTD.™

POISED FOR RECOVERY

ANNUAL REPORT 2021

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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.

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

Chem-Grow services include:

- 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

"Apart from focusing on the growing FPSO business, we will also be looking for inorganic growth through synergistic and complementary opportunities."

DEAR SHAREHOLDERS,

I am pleased to return to the Board in August 2021 after stepping down in 2015 while remaining all these years as Advisor. Earlier in the year, the two substantial shareholders felt that it was timely for me to take over the reins in order to set a strategic course for the Group, and to boost the development of our existing and new businesses, as well as manage relationships with key customers.

As you may be aware, our major customers in Singapore are going through a strategic transition, and the management felt that it would be an opportune time for me to strengthen our customer relationships amidst the volatility that the pandemic has brought to our industry.

I would like to thank Mr Lim Soon Hock ("**Mr Lim**") for taking the helm in the last three years, and for his leadership during one of the most challenging crises that the Group has ever encountered. We also appreciate Mr Lim for agreeing to stay on the Board as Non-Executive and Non-Independent Director, and in continuing his work as member of the Nominating and Remuneration committees.

RECOVERY AHEAD

Thanks to the growing focus on vaccinations around the world, and the realisation of an endemic COVID-19, the world is poised for recovery, as evidenced by the extremely tight supply chains and rising inflationary pressures.

Along with the recovery story is the gradual easing of border restrictions which is welcome news for our Group. Our business is labour intensive, and we have been hit by the severe shortage in foreign labour, particularly those from Bangladesh and India.

More than 20% of our workers had opted to return to their families during 2020's Circuit Breaker imposed by the Singapore authorities, and had not been able to return in 2021 due to the tightened border measures. While Singapore's manpower ministry is now trying to get more foreign workers back to our shores, we have not been able to replenish our headcount sufficiently, resulting in the loss of several contracts over the year. We continue to urge the Singapore authorities to accelerate the return of foreign workers before we lose our competitive edge to other countries.

FINANCIAL UPDATES

In the twelve months ended 31 December 2021 ("**FY2021**"), the Group recorded a net loss of S$2.6 million on the back of a 7% increase in revenue to S$22.3 million. The higher sales achieved was attributed to Piping and Chemical Cleaning segments.

The Group's cash and cash equivalents remained healthy, having risen 23.6% to S$4.7 million as at 31 December 2021.

Moving ahead, we expect the overall global business environment to remain challenging in an increasingly COVID-endemic world.

Meanwhile, we are pleased that a work order secured in the twelve months ended 31 December 2020 ("**FY2020**") by one of the Group's subsidiaries to supply labour for a client's projects has been progressing well despite the severe labour shortage situation in Singapore.

However, several heat exchanger projects secured in FY2020 were materially impacted by the labour shortage, and we are expecting to face liquidated damages as a result.

Separately, we wish to update shareholders about the letter of demand that we received in June 2020 from the owners of the vessel that our wholly-owned subsidiary, JJY Engineering Construction Pte Ltd ("**JJY**"), was working on at a certain shipyard. We are pleased to inform that JJY has been in advanced stages of settlement negotiations with the owners of the vessel and the shipyard. Based on the negotiations to date, we expect the settlement amount to be within the Group's insurance coverage. We are of the view that no material losses have arisen in respect of the claims, and therefore, we have made no provision for any liability in respect of the claims in our FY2021 financial statements. Rest assured, we will update shareholders should be there be further developments in this matter.

RENEWED OPTIMISM

While the world is undergoing an energy transition, with renewed focus on climate change and sustainability issues,

MESSAGE TO SHAREHOLDERS

we are of the view that providing energy for the global populations is very complex and for the foreseeable future, hydrocarbons will continue to be an affordable and reliable source of energy.

This is underscored by the large number of FPSO projects in the pipeline, centred around Brazil, Guyana and Suriname which accounts for more than 60% of FPSO contracts in the next few years. This indicates that the offshore oil & gas industry is still committed and engaged in the medium to long term.

NEW CONTRACTS

In February 2022, the Group received a US$2.7 million purchase order for a heat exchanger project. This project is expected to be completed by first quarter 2023 and will contribute positively to the Group's revenue in FY2022. We are gratified that the focus on our brand's quality and reliability continues to pay off, and this further entrenches our positioning in the FPSO market.

LOOKING AHEAD

Notwithstanding the tight labour situation in Singapore, we remain cautiously optimistic about the FPSO market, and will continue to actively seek new opportunities in this segment by tapping on our solid track record and strong reputation as a one-stop centre heat exchanger solutions provider.

Looking ahead, we anticipate the overall global business environment to remain challenging. However, we will continue to better position the Group to pursue new business opportunities by enhancing our competitiveness and efficiency. Apart from focusing on the growing FPSO business, we will also be looking for inorganic growth through synergistic and complementary opportunities.

ACQUISITIONS

On 29 December 2021, the Group's wholly-owned subsidiary, Heatec Jietong Pte. Ltd., entered into sale and purchase agreements to purchase the remaining 30% stakes in two of our 70%-owned subsidiaries – Chem-Grow Engineering Pte Ltd ("**CGEPL**") and Chem Grow Pte Ltd ("**CGPL**") – for a total consideration of S$1.6 million.

Chem-Grow provides high pressure lancing, sales of chemicals, tank cleaning, ultrasonic cleaning for heat exchanges and portable boiler rentals to ships, tankers and other ocean-going vessels, as well as chemical cleaning to ships and tankers.

We believe that Chem-Grow's services are highly complementary to the Group's existing businesses and allows us to accelerate our growth. Having CGEPL and CGPL as our wholly-owned subsidiaries will create positive synergies and economies of scale that will further enhance the Group's performance.

APPRECIATION

We would like to thank our colleagues on the Board for helping to navigate the Group through one of the most difficult periods in our history, and for positioning Heatec for recovery. We are not out of the woods yet, but with our collective efforts, we are optimistic that we will pull through.

We would like to take this opportunity to welcome Mr Chua Siong Kiat who joins the Board as Non-Executive and Independent Director and the Chairman of the Audit and Risks Management Committee on 1 February 2022. We appreciate Ms Lie Ly @ Liely Lee for chairing the said Committee for the last 3 years.

We are also grateful to our management and staff for their hard work and close cooperation in ensuring business continuity, and to position the Group for the upturn. We are aware that some of our staff have not seen their families for quite a number of months, and we sincerely thank them for their sacrifice.

Before we sign off, we would also like to express appreciation to our shareholders, customers and business partners for their unwavering support and for staying the course with us. Have a great year ahead!

SOON YEOW KWEE JOHNNY
Executive Chairman and Non-Independent Director

SOON JEFFREY
Executive Director and Chief Executive Officer

BOARD OF DIRECTORS

SOON YEOW KWEE JOHNNY
Executive Chairman

SOON JEFFREY
Executive Director and Chief Executive Officer

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

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

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

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 Technological University.

BOARD OF DIRECTORS

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

ANTHONY ANG MENG HUAT
Non-Executive and Independent Director

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

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

Prior to founding Chevalier Law LLC, he was a Partner and Head of Corporate at Kennedys Legal Solutions, a joint law venture between Kennedys Law LLP and Legal Solutions LLC. He was also previously the Deputy Head of both the Capital Markets & International China practices of another firm and the Representative for the Shanghai Representative Office of another joint law venture firm.

Mr Chong was previously the joint Company Secretary for 3 SGX-ST Mainboard listed companies. He is currently the Lead Independent Director of GS Holdings Limited, and an Independent Director of OEL (Holdings) Limited. He is also the Company Secretary for LHN Limited, a company dual listed on SGX-ST and the mainboard of the Hong Kong Stock Exchange and China Vanadium Titanium-Magnetite Mining Company Limited, a Hong Kong mainboard listed company, and Joint Company Secretary for Sincap Group Limited, a company listed on the SGX-ST Catalist Board.

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).

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 Chairman of Singapore Digital Exchange and was until recently, the Chief Executive Officer of Sasseur Asset Management Pte Ltd, the manager of Sasseur REIT that is listed on the Singapore Exchange, and retired from that position in July 2021. 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 of Science and Technology and obtained a Master of Business Administration from INSEAD. Mr Ang also completed the INSEAD International Director Programme.

Mr Ang currently serves on the Board of ITEES (ITE Education Services Pte Ltd) and the school advisory council of Bukit Panjang Government High School.

BOARD OF DIRECTORS

CHUA SIONG KIAT
Non-Executive and Independent Director

LIE LY @ LIELY LEE
Non-Executive and Independent Director

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

He has over 25 years of international broad-based financial and management experience, mainly in real estate investment and development, building construction and materials, healthcare and medical assurance sectors; and has lived and worked in London, Beijing, Ho Chi Minh City and Singapore. He is a director of a Lighthouse Business Consulting Pte Ltd and a non-executive independent director of New Silkroutes Group Limited. Most recently in October 2021, he joined Tee International Limited as its Group Chief Financial Officer to support the restructuring exercise.

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

He was a board member, honorary treasurer and alternated between acting as audit and compliance sub committee's chairman of National Arthritis Foundation (NAF), Singapore from July 2015 to August 2020.

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

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

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

BOARD OF DIRECTORS

LIM SOON HOCK
Non-Executive and Non-Independent Director

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

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

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

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

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

LOKE WENG SENG
Alternate Director to Mr Lim Soon Hock

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

Mr Loke has more than 40 years of experience in the shipbuilding and repair industry, with focus on turbocharger maintenance, repairs and overhaul. He has been responsible for the overall strategy, sales and marketing direction, and profitability of Tru-Marine Pte Ltd ("**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 Tru-Marine 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 finance, accounting and auditing. He worked in various companies including international public accounting firms such as Baker Tilly TFW LLP and companies listed on SGX such as LHN Limited.

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

KOH LAY CHENG
General Manager – Commercial & Procurement

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

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

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

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

FINANCIAL REVIEW

PERFORMANCE REVIEW

REVENUE BY SEGMENTS

	FY2021		FY2020		Variance	
	S$'000	%	S$'000	%	S$'000	%
Heat Exchanger	12,665	56.8	14,451	69.5	(1,785)	(12.4)
Chemical Cleaning	2,903	13.0	2,233	10.8	669	30.0
Piping	6,745	30.2	4,097	19.7	2,648	64.6
	22,313	**100.0**	**20,781**	**100.0**	**1,532**	**7.4**

In FY2021, Group revenue rose by 7.4% to S$22.3 million, led by a 30% jump in sales from Chemical Cleaning segment and a 64.6% surge from Piping projects. The Group's Heat Exchanger segment, however, reported 12.4% lower revenue year-on-year.

On a segmental basis, Heat Exchanger business accounted for 56.8% of total revenue (FY2020: 69.5%) while Chemical Cleaning contributed 13.0% (FY2020: 10.8%) and Piping accounted for 30.2% (FY2020: 19.7%).

PROFITABILITY

	FY2021	FY2020	Variance	
	S$'000	S$'000	S$'000	%
Gross profit	4,162	4,717	(555)	(11.8)
Gross profit margin	18.7%	22.7%	–	(4.0 ppt)
Other operating income	1,191	2,602	(1,411)	(54.2)
Administrative expenses	(7,237)	(6,353)	884	13.9
Other operating expenses	(204)	–	(204)	n.m.
Net impairment losses on financial assets	(77)	(309)	(232)	(75.1)
Finance costs	(505)	(468)	37	7.9
Share of results of associates	52	36	16	44.4
(Loss)/profit before tax	**(2,618)**	**225**	**n.m.**	**n.m.**
Income tax expense	(51)	(30)	21	70.0
Loss/(profit) for the year	**(2,669)**	**195**	**n.m.**	**n.m.**

ppt – percentage points
n.m. – not meaningful

In the latest full-year results, the Group's gross profit shed 11.8% to S$4.2 million while gross profit margin slid by 4.0 percentage points to 18.7%. This was mainly attributable to higher material and manpower costs due to the border restrictions imposed by governments in response to the ongoing pandemic.

Other income dipped 54.2% to S$1.2 million mainly due to the decrease in government support grants.

Despite the Group's continued efforts to manage its costs prudently, administrative expenses rose by 13.9% to S$7.2 million. In addition, the Group incurred

FINANCIAL REVIEW

S$204,000 in other operating expenses from write-offs of plant and equipment during the year in review.

It also incurred 75.1% lower impairment losses on financial assets to S$77,000, mainly due to fewer provisions for doubtful debts from customers.

Finance costs rose slightly, up 7.9% to S$505,000, due to higher interest rates.

Despite the slight increase in revenue, the Group posted a net loss of S$2.7 million amidst a very challenging business environment.

As of 31 December 2021, the Group's net asset value was S$11.2 million, which translated to a net asset value per share of 9.12 Singapore cents, a 19.1% decline from 31 December 2020. The Group reported a positive working capital position of S$11.1 million, as compared to S$13.6 million a year earlier.

FINANCIAL POSITION

	As at 31 December 2021	As at 31 December 2020	Variance	
	S$'000	S$'000	S$'000	%
Non-current assets	9,787	11,022	(1,235)	(11.2)
Current assets	17,434	19,285	(1,851)	(9.6)
Non-current liabilities	7,771	8,654	(883)	(10.2)
Current liabilities	6,304	5,675	629	11.1
Working capital	11,131	13,610	(2,479)	(18.2)
Equity attributable to owners of the Company	11,219	13,860	(2,641)	(19.1)
Net asset value per share (Singapore cents)	9.12	11.27	(2.15)	(19.1)

Non-current assets

Non-current assets declined by 11.2% to S$9.8 million mainly due to depreciation charges on property, plant, and equipment.

Current assets

Current assets decreased by 9.6% to S$17.4 million, buoyed by the dip in inventories, contract assets, other receivables and partially offset by an uplift in trade receivables. Other receivables decreased as a result of the dip in advance payment to supplier of S$0.4 million and grant receivables of S$0.2 million. Contract assets and inventories decreased by an aggregate of S$1.2 million while trade receivables rose by S$0.09 million.

Non-current liabilities

Non-current liabilities fell by 10.2% to S$7.8 million mainly due to loan repayment in FY2021.

Current liabilities

Current liabilities rose by 11.1% to S$6.3 million, led by an increase in borrowings of S$1.2 million and other payables of S$0.5 million. These were partially offset by a dip in contract liabilities of S$0.9 million and trade payables of S$0.2 million.

In FY2021, the Group's borrowings grew from the increase in temporary bridging loans of S$2.0 million which were offset by repayment of borrowings of S$1.0 million. Contract liabilities declined by S$0.9 million as a result of the completion of several major Heat Exchanger projects.

FINANCIAL REVIEW

CASH FLOW

	FY2021	FY2020	Variance	
	S$'000	S$'000	S$'000	%
Net cash generated from operating activities	583	115	468	407.0
Net cash (used in) investing activities	(157)	(252)	(95)	(37.7)
Net cash generated from financing activities	476	1,619	(1,143)	(70.6)
Cash and cash equivalents as at end of the financial year	4,725	3,823	902	23.6

In FY2021, the Group's net cash flow from operating activities jumped nearly 5 times to S$0.6 million, comprising mainly of operating cash outflows before changes in working capital of S$0.6 million. This, in turn, was attributed to the decline in trade and other payables and contract liabilities of S$0.6 million and partially offset by a rise in trade and other receivables and contract assets of S$1.7 million and inventories of S$0.1 million.

During the year in review, the Group utilised S$0.2 million in cash for investing activities such as the purchase of plant and equipment, down 37.7% year-on-year.

Net cash generated from financing activities was lower by 70.6% to S$0.5 million. This comprised the net proceeds from temporary bridging loans of S$2.0 million and the decrease in pledged fixed deposit of S$0.8 million, partially offset by S$0.5 million in interest paid; repayment of borrowings of S$1.6 million and dividend payment of S$0.2 million.

Consequently, the Group's cash and cash equivalents rose 23.6% to S$4.7 million as at the end of the year.

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE:

Soon Yeow Kwee Johnny
(Executive Chairman)

Soon Jeffrey
(Executive Director and Chief Executive Officer)

NON-EXECUTIVE:

Chong Eng Wee (Zhang Yingwei)
(Non-Executive and Lead Independent Director)

Lim Soon Hock
(Non-Executive and Non-Independent Director)

Anthony Ang Meng Huat
(Non-Executive and Independent Director)

Lie Ly @ Liely Lee
(Non-Executive and Independent Director)

Chua Siong Kiat
(Non-Executive and Independent Director)

ALTERNATE:

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

AUDIT AND RISKS MANAGEMENT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Lee Yi Han

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.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632
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

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

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CORPORATE GOVERNANCE REPORT

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

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2021 ("**FY2021**"), with specific reference made to the Principles and the Provisions of the Code, which forms part of the continuing obligations under the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

The Company confirms that during FY2021, it has adhered to the Principles of the Code and the Provisions of the Code (except where otherwise explained). In areas where the Company's practices vary from any Provision of the Code, the Company has stated herein the Provision of the Code from which it has varied, and appropriate explanations are provided for the variation and how the practices the Company 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 (the "**Management**") and reviewing the Group's financial performance and managerial performance while considering sustainability issues as part of its strategic formulation.

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

Code of Business Conduct and Ethics

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

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

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Conflict of Interests

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

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

Provision 1.2

Director Competencies

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

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

- **Executive Directors (EDs)** are members of Management who are involved in the day-to-day running of the business. They work closely with the Non-Executive Directors on the long-term sustainability and success of the businesses. They provide insight and recommendations on the Group's operations at the Board and Board Committees meetings.
- **Non-Executive Directors (NEDs)** do not participate in the business operations. They constructively challenge Management on its decisions and contribute to the development of the Group's strategic goals and policies. They participate in the review of Management's performance in achieving the strategic objectives of the Group as well as the appointment, assessment and remuneration of the Executive Directors and key personnel of the Group.
- **Independent Directors (IDs)** are Non-Executive Directors who are unrelated to any of the Executive Directors and are deemed to be impartial by the Board. Independent Directors have similar duties as the Non-Executive Directors, with the additional responsibility of providing independent and objective advice and insight to the Board and Management.

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

Appointment Letter

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

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Directors' Orientation and Training

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

The Company will also arrange for first-time Directors to attend relevant training in relation to the roles and responsibilities of a director of a listed company, organised by the Singapore Institute of Directors (the "**SID**") as required under Rule 406(3)(a) of the Catalist Rules, as well as other courses relating to areas such as accounting, legal and industry-specific knowledge as appropriate, organised by other training institutions. The training of Directors will be arranged and funded by the Company. During FY2021, Mr. Soon Yeow Kwee Johnny was appointed as a Director of the Company and has undergone an orientation and received the formal letter of appointment setting out his duties and obligations.

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

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

Seminars and Training attended by Directors in FY2021

Details of updates provided to, and seminars and training programs attended by the Directors in FY2021 include, amongst others, the following:

- Singapore's Budget 2021
- Finance of the Future: Being a Resilient Digital CFO
- Sustainability and Impact sharing & learning session by PWC
- Future of Sustainability Disclosures
- The Future of Sustainability Reporting
- SGX Regulatory Symposium 2021: Market Needs in a Changing Landscape
- Digital CFO of 2021

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- SGX RegCo-GNCS webinar: Roadmap for mandated Climate-related Disclosure
- Digital Transformation Strategy: Getting Started
- Payments, Digital Currencies and Cashless Economies
- Blockchain: Embarking on the Journey
- Financial Reporting Standards: 2021 Annual Update (Live Webinar)

Provision 1.3

Matters Requiring Board's Approval

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

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

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

(c) dividend matters;

(d) authorisation of banking facilities and corporate guarantees;

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

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

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

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

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

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Provision 1.4

Delegation by the Board

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

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

Provision 1.5

Board and Board Committees Meetings

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

Regulation 104(4) of the Company's Constitution allows Board meetings to be conducted by means of conference telephone, videoconferencing, audiovisual, or other electronic means of communication by which all persons participating in the meeting can hear one another contemporaneously. Board and Board Committees meetings in FY2021 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 circulating resolutions in writing.

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The attendance of each Director at meetings of the Board and Board Committees in FY2021 as well as the frequency of such meetings held is set out in the table below:

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

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

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

* – Attendance by invitation of the relevant Board Committee

(1) Mr. Soon Yeow Kwee Johnny was appointed as Executive Chairman of the Company with effect on and from 20 August 2021.

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

(3) Mr. Chua Siong Kiat was appointed as Non-Executive and Independent Director and the Chairman of the ARMC with effect on and from 1 February 2022.

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

Multiple Board Representations

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

The NC has reviewed all the declarations from the Directors and is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company, and that sufficient time and attention are given to the affairs of the Company, after taking into consideration the number of listed company board representations and other principal commitments in FY2021 of each Director. In view of this, the Board does not limit the maximum number of

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listed company board representations which a Director may hold as long as each Director is able to commit his or her time and attention to the affairs of the Company and adequately carries out his or her duties as a Director. The Board believes that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, bearing in mind his or her other commitments. The Board and the NC will review the requirement to determine the maximum number of listed company board representations as and when they deem fit.

Provision 1.6

Access to Information

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

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

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

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

Provision 1.7

Access to Management and Company Secretary

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

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

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

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As announced by the Company on 22 November 2021 and as decided collectively by the Board, Ms. Lee Yi Han was appointed as the Company Secretary in place of Ms. Ong Le Jing with effect on and from 22 November 2021. The foregoing change in Company Secretary was decided by the Board as a whole.

Independent Professional Advice

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

Board Composition and Guidance

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

Provision 2.1

Director Independence

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

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

For FY2021, the Independent Directors (namely Mr. Chong Eng Wee (Zhang Yingwei), Mr. Anthony Ang Meng Huat and Ms. Lie Ly @ Liely Lee) have confirmed that neither they nor their immediate family members have any relationship with the Company or any of its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment in the best interests of the Company, and do not fall under any of the circumstances set out in Rule 406(3)(d) of the Catalist Rules. The foregoing Independent Directors did not own shares of the Company and were not in any foreseeable situation that could compromise their independence of thought and decision.

Mr. Chua Siong Kiat was appointed as a Non-Executive and Independent Director on 1 February 2022 and has also confirmed that save for his direct interest in 1,600 shares in the issued and paid-up capital of the Company, neither he nor his immediate family members have any relationship with the Company or any of its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment in the best interests of the Company, that he does not fall under any of the circumstances set out in Rule 406(3)(d) of the Catalist Rules, and that he is not in any foreseeable situation that could compromise his independence of thought and decision.

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

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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 Director 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. Further, the Company will comply with Catalist Rule 406(3)(d)(iii) which took effect on and from 1 January 2022 by ensuring that the continued appointment of any Independent Director who has been a Director for an aggregate period of more than nine (9) years will be sought and approved in separate resolutions by (a) all Shareholders, and (b) Shareholders, excluding the Directors and the Chief Executive Officer of the Company, and associates of such Directors and the Chief Executive Officer.

Provision 2.2

Proportion of Independent Non-Executive Directors

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

In FY2021, prior to the appointment of Mr. Soon Yeow Kwee Johnny as the Non-Independent and Executive Chairman of the Company on 20 August 2021, the Board had comprised a majority of three (3) Directors (out of a five (5)-member Board) who were Independent Directors, in view that the Chairman at such time was not an Independent Director, in compliance with Provision 2.2 of the Code.

Following the appointment of Mr. Soon Yeow Kwee Johnny and as at the end of FY2021, the Board had comprised of three (3) Independent Directors (out of a six (6)-member Board), which constituted half (as opposed to a majority) of the Board. While the Company was not in compliance with Provision 2.2 of the Code as at the end of FY2021, Mr. Chua Siong Kiat was appointed as an Independent and Non-Executive Director of the Company with effect on and from 1 February 2022.

Accordingly, as at the date of this report, in view that the Chairman is not an Independent Director, the Board comprises a majority of four (4) Directors (out of a seven (7)-member Board) who are Independent Directors and the Company is in compliance with Provision 2.2 of the Code.

Provision 2.3

Proportion of Non-Executive Directors

Provision 2.3 of the Code states that non-executive directors should make up a majority of the Board. As at the end of FY2021, the Board comprised of four (4) Directors (out of a six (6)-member Board) who were Non-Executive Directors. As at the date of this report, the Board comprises a majority of five (5) Directors (out of a seven (7)-member Board) who are Non-Executive Directors.

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Provision 2.4

Board Composition and Size

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

Executive Directors

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

Non-Executive Directors

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

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

Board Diversity

The 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 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. While the Company currently does not maintain a written board diversity policy, the NC and the Board is in the course of developing such written board diversity policy and will ensure compliance with Catalist Rule 710A and the disclosure requirements thereunder going forward.

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.

In FY2021, the Board had appointed Mr. Soon Yeow Kwee Johnny as the Executive Chairman. Mr. Soon Yeow Kwee Johnny was one of the founding directors of the Company, as well as the Chairman and Chief Executive Officer of the Company from 2007 to 2015 and has acted as an advisor to the Company since 2016. His appointment as the Executive Chairman has allowed the Board to tap into his vast experience with a view to setting the direction of the Company at a strategic level, overseeing the business development of the Group and managing relationships with key clients of the Group, including the strengthening of the existing relationship with a major client.

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The Board has also appointed Mr. Chua Siong Kiat as an Independent and Non-Executive Director, and as the Chairman of the ARMC with effect on and from 1 February 2022. Mr. Chua Siong Kiat is a seasoned professional with extensive experience in accounting and finance matters, which complements the existing skills and experience of the Board.

Provision 2.5

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

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

The Non-Executive Directors (including Independent Directors) are encouraged to meet without the presence of Management, so as to facilitate a more effective check on Management. The Lead Independent Director shall lead the meetings among the Non-Executive Directors (including Independent Directors) without the presence of other Directors. The Lead Independent Director shall provide feedback to the Chairman of the Board after such meetings, where necessary. In FY2021, the Non-Executive Directors, led by an Independent Director, have met informally at least once without the presence of Management via video conference or other means of telecommunication, in line with government advisories amidst the COVID-19 pandemic, to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of Directors and key management personnel ("**KMPs**"), and the impact of the COVID-19 pandemic on the Group's operations and affairs.

Chairman and Chief Executive Officer

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

Provision 3.1

Separation of the Role of Chairman and Chief Executive Officer

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

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

Provision 3.3

Lead Independent Director

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

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

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

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The Lead Independent Director makes himself available at all times when Shareholders have concerns and for which contact through the normal channels of communication with the Chairman, the CEO or Management have failed to resolve or is inappropriate. Shareholders may reach out directly to the Lead Independent Director at engwee.chong@heatec.com.sg. Further, while the Lead Independent Director generally makes himself available to Shareholders at the Company's general meetings, in FY2021, Shareholders were invited to submit their questions in advance in relation to any resolutions set out in the notice of AGM in light of the lack of physical meetings amidst the COVID-19 pandemic. There was no query or request received in FY2021 on any matters which required the Lead Independent Director's attention.

Independent Director Meetings in Absence of Other Directors

Board Membership

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

Provision 4.1

Roles and Duties of Nominating Committee

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

9. reviewing other directorships held by each Director and 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 ensuring that there is a clear division of responsibilities between the Chairman and CEO of the Company in place;

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

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

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

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

Provision 4.2

Nominating Committee Composition

As of the end of FY2021, the NC comprised three (3) members, namely the Lead Independent Director (as Chairman), an Executive Director and a Non-Executive Director, as follows:

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

Currently, the composition of the NC is not in compliance with the Code, which requires the majority of the NC members to be independent. The Board 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 are considering 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 foregoing, and that the Company is in compliance with the remaining Provisions under Principle 4 of the Code, the Board is of the view that the Company complies with Principle 4 of the Code.

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 Catalist Rules also provides that all Directors must submit themselves for re-nomination and re-appointment at least once every three (3) years.

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

(c) Mr. Soon Yeow Kwee Johnny, who is retiring pursuant to Regulation 102 of the Company's Constitution; and

(d) Mr. Chua Siong Kiat, who is retiring pursuant to Regulation 102 of the Company's Constitution.

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

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

Mr. Soon Yeow Kwee Johnny will, upon re-election as a Director of the Company, remain as the Executive Chairman of the Company.

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

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

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

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Date of Appointment	20 August 2021	1 January 2016	17 April 2017	1 February 2022
Date of last re-appointment (if applicable)	N.A.	30 April 2019	20 April 2020	N.A.
Age	65	41	66	50
Country of principal residence	Singapore	Singapore	Singapore	Singapore

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	The re-election of Mr. Soon Yeow Kwee Johnny as the Executive Chairman of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr. Soon Jeffrey as the Executive Director and CEO of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experience and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr. Anthony Ang Meng Huat as a Non-Executive and Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experience and overall contribution since he was appointed as a Director of the Company. The Board considers Mr Anthony Ang Meng Huat to be independent for the purpose of Rule 704(7) of the Catalist Rules.	The Board, having considered the recommendation of the NC and having assessed Mr. Chua Siong Kiat's qualifications, expertise, past experience and independence, is of the view that Mr. Chua Siong Kiat has the requisite knowledge and experience to assume the responsibilities as a Non-Executive and Independent Director of the Company. The Board considers Mr. Chua Siong Kiat to be independent for the purpose of Rule 704(7) of the Catalist Rules.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr. Soon Yeow Kwee Johnny is responsible for the provision of strategic direction, management of key client relationships and overseeing the business development of the Group.	Executive. Mr. Soon Jeffrey is responsible for all day-to-day operations and determines the Group's strategic direction for business growth, including the overall Group sales activities, as well as business development in new markets and industries.	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, ARMC Chairman, ARMC member etc.)	Executive Chairman	Executive Director, CEO, and member of the NC	Non-Executive and Independent Director, Chairman of the RC and member of the ARMC	Non-Executive and Independent Director, Chairman of the ARMC

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Professional qualifications	Nil	– Master of Business and Administration – Bachelor of Engineering (Honours) (Mechanical and Production Engineering)	– International Directorship Programme INSEAD – Master of Business Administration from INSEAD in France – Bachelor of Science (Engineering) (Mechanical Engineering) with First Class Honours from the Imperial College of Science and Technology	– Chartered Valuer and Appraiser (CVA) – Master of Business Administration and Diploma of the Imperial College in Management (MBA, DIC), Imperial College of Science, Technology and Medicine, University of London – Chartered Accountant, Singapore (CA Singapore) – Certified Internal Auditor (CIA) – Fellow member of The Association of Chartered Certified Accountants (FCCA)

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Working experience and occupation(s) during the past 10 years	**2016 to Present** Advisor of the Company **2007 to 2015** Executive Chairman and Chief Executive Officer of the Company	**January 2016 to Present** Executive Director and CEO of the Company **July 2014 to December 2015** Group Sales and Business Development Director of the Company **August 2013 to June 2014** General Manager (Sales & Operations) of the Company **August 2012 to July 2013** Senior Business Development and Sales Manager of the Company **February 2011 to July 2012** Business Development and Sales Manager of the Company	**March 2017 to July 2021** CEO of Sasseur Asset Management Pte Ltd, the manager of Sasseur REIT **September 2016 to Present** Ambassador Extraordinary and Plenipotentiary of the Republic of Singapore to the Republic of Tunisia, Ministry of Foreign Affairs **March 2010 to December 2016** Executive Director of ARA Asset Management (Fortune) Limited, the manager of Fortune REIT **March 2010 to January 2015** CEO and Executive Director of ARA Asset Management (Fortune) Limited, the manager of the Fortune REIT	**October 2021 to Present** Group Chief Financial Officer of TEE International Limited **November 2015 to Present** Director of Lighthouse Business Consulting Pte Ltd **August 2020 to September 2021** Chief Financial Officer of Wai Fong Construction Pte Ltd **July 2017 to January 2018** Appointed Chief Financial Officer (Global Hospitality Trust Project) of Amare Investment Management Group Pte Ltd **March 2016 to July 2017** Executive Director and Head of Non-Property business (February 2017 to July 2017), Alternate Director (March 2016 to February 2017) and Interim Group Chief Operating Officer (July 2016 to February 2017) of Pacific Star Development Limited (formerly known as LH Group Limited)

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
				July 2013 to September 2015 Executive Director (Appointed in November 2013) and Chief Financial Officer of Libra Group Limited **February 2011 to May 2013** Director, Finance & Control Asia, ex-China Region and Interim Co-Managing Director (November 2011 to May 2012) of Imtech Marine BV
Shareholding interest in the listed issuer and its subsidiaries	Yes. Direct and indirect interests in 27,089,677 shares, representing 22.03% of the issued capital in the Company.	Yes. 1,400,000 shares and 3,000,000 share options in the Company.	None	Yes. 1,600 shares in the Company.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr. Soon Yeow Kwee Johnny, a substantial shareholder of the Company, is the father of both Mr. Soon Jeffrey, the Executive Director and CEO of the Company, and Mr. Soon Jenson, an executive officer of the Company.	Mr. Soon Jeffrey is the son of Mr. Soon Yeow Kwee Johnny, a substantial shareholder of the Company, and is the brother of Mr. Soon Jenson, an executive officer of the Company. Mr. Soon Jeffrey is a director on the boards of certain subsidiaries of the Company, the details of which are as set out below.	None	None
Conflict of interest (including any competing business)	None	None	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Other Principal Commitments including Directorships				
Past (for the last 5 years)	1. Ipromar (Pte) Ltd. 2. Ipromar Sdn Bhd 3. Zhoushan Heatec IMC-YY Engineering Co., Ltd. 4. Heatec (Shanghai) Co., Ltd.	1. Karnot Technology Pte. Ltd 2. Heatec Oilfield Services Pte. Ltd. 3. Heatec Chariot Envirobotics Pte. Ltd. 4. Ipromar (Pte.) Ltd. 5. Ipromar (M) Sdn Bhd 6. JJY Engineering & Construction Pte Ltd 7. Chem-Grow Services Pte. Ltd.	1. Majulah Connection Limited 2. IPS Securex Holdings Limited 3. Europtronic Group Ltd 4. SYW Pte. Ltd 5. Sasseur Bishan HK Limited 6. Sasseur Hefei HK Limited 7. Sasseur Jinan HK Limited 8. Hong Sun Group Development Limited 9. Sasseur Singapore Holdings Pte Ltd 10. Sasseur Bishan (BVI) Limited 11. Sasseur Hefei Limited 12. Sasseur Jinan Limited 13. Sasseur Asset Management Pte Ltd	1. Axington Inc. 2. Kitchen Culture Holdings Limited 3. China Star Food Group Limited 4. National Arthritis Foundation 5. Omni Sharing Pte Ltd 6. Pacific Star Development Limited 7. Durabeau Industries Pte Ltd 8. LH Aluminium Industries Pte Ltd 9. Autotrax International Pte Ltd 10. Autovox Korea Co., Ltd

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Present	1. Heatec Marine Phils Construction Inc.	1. Chem-Grow Pte. Ltd. 2. Chem Grow Engineering Pte. Ltd. 3. Heatec Veslink Marine Services Co. Ltd 4. HJT Engineering & Construction Pte Ltd 5. Heatec Jietong Pte Ltd. 6. JTY Engineering Pte Ltd 7. Heatec (Shanghai) Co., Ltd. 8. Zhoushan Heatec IMC-YY Engineering Co. Ltd	1. Yong Tai Berhad 2. Sinospring Venture Ltd 3. Singapore Digital Exchange Pte Ltd 4. R Vantage Pte. Ltd. 5. Truufin Pte. Ltd. 6. Imperiale Investment Co. Ltd. 7. ITE Education Services Pte Ltd 8. Non-Resident Ambassador of the Republic of Singapore to the Republic of Tunisia, Ministry of Foreign Affairs	1. TEE Infrastructure Pte Ltd 2. Trans Equatorial Engineering Pte Ltd (in creditors' voluntary liquidation) 3. New Silkroutes Group Limited 4. Lighthouse Business Consulting Pte Ltd 5. Starwork Vision Pte Ltd 6. Robotic Vision Inc. Pte Ltd 7. TEE International Limited
Information required pursuant to Catalist 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	No

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
(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?	No	Heatec Guangzhou Co. Ltd ("HGCL") was sued by 4 employees for failure to provide them with their employment contracts. Judgement was made against HGCL and HGCL was fined. However, since HGCL was a relatively new company and most of its funds were used up in the setup and operations and shareholders were not in favor of injecting more funds into HGCL, HGCL was unable to pay the employees' compensation. As a result, the shareholders decided to declare HGCL bankrupt. The foregoing case was concluded in 2020. Heatec Jietong Pte Ltd was a 60% shareholder of HGCL and Mr. Soon Jeffrey was the supervisor for HGCL. His role was non-executive. Daily operations were managed by the minority shareholders who were locals in Guangzhou. Heatec Jietong Pte Ltd had majority control over the Board of HGCL.	No	Mr. Chua served as a director in (i) Durabeau Industries Pte Ltd ("DIPL") and (ii) LH Aluminium Industries Pte. Ltd. ("LHAI") from 15 February 2017 to 13 July 2017. In May 2019, Pacific Star Development Limited ("PSD"), the parent company of both DIPL and LHAI, announced their decision to discontinue its aluminium business division for commercial reasons and placed both DIPL and LHAI under creditors' voluntary liquidation ("CVL"). Further details in relation to the liquidation can be found in PSD's SGXNet announcements dated 22 May 2019 and 31 May 2019. Mr. Chua joined TEE International Limited ("TEE") as the Group Chief Financial Officer on 1 October 2021. As announced on 16 December 2021, TEE had commenced the winding up process of its wholly-owned subsidiary, Trans Equatorial Engineering Pte. Ltd. ("Trans Equatorial") by way of CVL. As requested by the Board of Directors of TEE, Mr. Chua was appointed as a director of Trans Equatorial just prior to the commencement of the CVL proceedings in order to facilitate and assist the appointed liquidators with the CVL process.

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:				

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
(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, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Soon Yeow Kwee Johnny	Soon Jeffrey	Anthony Ang Meng Huat	Chua Siong Kiat
Disclosure applicable to the appointment of Director only				
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable. These disclosures are in respect of the re-election of a Director of the Company.	Not applicable. These disclosures are in respect of the re-election of a Director of the Company.	Not applicable. These disclosures are in respect of the re-election of a Director of the Company.	Not applicable. These disclosures are in respect of the re-election of a Director of the Company.

CORPORATE GOVERNANCE REPORT

Provision 4.4

Continuous Review of Directors' Independence

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

The NC reviews the independence of each Director annually in accordance with the definition of independence as set out in the Code and the Practice Guidance, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Independent Directors have submitted their confirmation of independence annually for the NC's review. In respect of the Company's current Independent Directors, namely Mr. Chong Eng Wee (Zhang Yingwei), Mr. Anthony Ang Meng Huat, Ms. Lie Ly @ Liely Lee and Mr. Chua Siong Kiat, the Board is of the view that they are independent, taking into account the circumstances set forth in the Code, Rule 406(3)(d) of the Catalist Rules and any other salient factors. For FY2021, the Independent Directors have also confirmed their independence in accordance with the Code and Rule 406(3)(d) of the Catalist Rules.

Provision 4.5

Directors' Time Commitments

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

The NC undertakes an annual review of the declarations from the Directors on the principal time commitments and directorships in other listed companies and is satisfied that all the Directors of the Company are able to and have adequately carried out their duties as Directors of the Company, and that sufficient time and attention are given to the affairs of the Company, after taking into consideration the number of listed company board representations and other principal commitments in FY2021 of each Director.

Duties and obligations of new directors

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

CORPORATE GOVERNANCE REPORT

Listed Company Directorships and Principal Commitments

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

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Mr. Soon Yeow Kwee Johnny	20 August 2021 (shall be subject to re-election at the forthcoming AGM)	Executive	Executive Chairman and Director	Nil	Other Principal Commitments Heatec Marine Phils Construction Inc. Present Listed Company Directorships –
Mr. Lim Soon Hock	26 April 2021	Non-Executive and Non-Independent	Non-Executive and Non-Independent Director, and a member of the RC and NC	• Bachelor of Engineering (Electrical, Honours) • Post-grad 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	Other Principal Commitments Member, Board of Governors – Raffles Girls' Secondary School Member, Board of Visiting – Singapore Prison Service, Ministry of Home Affairs Adjunct Professor – National University of Singapore Mediator – State Courts Singapore, Singapore Mediation Centre, Singapore International Mediation Institute

CORPORATE GOVERNANCE REPORT

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

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Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Mr. Soon Jeffrey	30 April 2019 (shall retire and be subject to re-election at the forthcoming AGM)	Executive	Chief Executive Officer and a member of the NC	• Master of Business and Administration • Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering)	Other Principal Commitments – Present Listed Company Directorships –
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	• 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 • Graduate Diploma in Singapore Law • Overseas Lawyers Qualification, the Law Society of Hong Kong	Other Principal Commitments Managing Director, Chevalier Law LLC Present Listed Company Directorships GS Holdings Limited OEL (Holdings) Limited

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Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Mr. Anthony Ang Meng Huat	20 April 2020 (shall retire and be subject to re-election at the forthcoming AGM)	Non-Executive and Independent	Chairman of the RC and member of the ARMC	• International Directorship Programme, INSEAD • Master of Business Administration from INSEAD in France • Bachelor of Science (Engineering) (Mechanical Engineering) with First Class Honours from the Imperial College of Science and Technology	Other Principal Commitments Non-Resident Ambassador of the Republic of Singapore to the Republic of Tunisia, Ministry of Foreign Affairs Director – Sinospring Venture Ltd Director – ITE Education Services Pte Ltd Director – Truufin Pte Ltd Director – Singapore Digital Exchange Pte Ltd Director – R Vantage Pte Ltd Director – Imperiale Investment Co. Ltd. Present Listed Company Directorships Yong Tai Berhad

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
Ms. Lie Ly @ Liely Lee	26 April 2021	Non-Executive and Independent	Member of the ARMC and RC	• Qualified Chartered Public Accountant, CPA Australia • Master of Accounting • Bachelor of Commerce	Other Principal Commitments Executive Director and Group Chief Financial Officer of Marco Polo Marine Ltd Present Listed Company Directorships Marco Polo Marine Ltd PT. Pelayaran Nasional Bina Buana Raya TBK
Mr. Chua Siong Kiat	1 February 2022 (shall be subject to re-election at the forthcoming AGM)	Non-Executive and Independent	Chairman of the ARMC	• Chartered Valuer and Appraiser (CVA) • Master of Business Administration and Diploma of the Imperial College in Management (MBA, DIC) Imperial College of Science, Technology and Medicine, University of London	Other Principal Commitments Group Chief Financial Officer of TEE International Limited Present Listed Company Directorships New Silkroutes Group Limited

CORPORATE GOVERNANCE REPORT

Name of Director	Date of last re-election/ appointment	Nature of appointment	Functions/Board Committee served	Academic and professional qualifications	Directorships in other listed companies and other principal commitments
				• Chartered Accountant, Singapore (CA Singapore) • Certified Internal Auditor (CIA) • Fellow member of The Association of Chartered Certified Accountants (FCCA)	
Mr. Loke Weng Seng	28 July 2018	Alternate director to Mr. Lim Soon Hock	Alternate director to Mr. Lim Soon Hock	• Master of Business Administration, Macquarie University	Other Principal Commitments Group Managing Director of Tru-Marine Pte. Ltd. Present Listed Company Directorships –

Information on the interests of the Directors who held office at the end of FY2021 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 73 to 76 of this annual report.

CORPORATE GOVERNANCE REPORT

Board Performance

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

Provisions 5.1 and 5.2

Performance Criteria

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

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

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

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

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

For FY2021, the NC conducted a formal review of the performance evaluation of the Board, Board Committees and individual Directors, by way of circulating the questionnaires to the Board and Board Committees and self-assessment form to each individual Director for completion. The summary of findings of each evaluation together with the feedback and recommendations from the Board, Board Committees and each individual Director 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 FY2021 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 FY2021.

Board Committees Evaluation Process

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

Audit and Risks Management Committee

(a) Composition;

(b) Meetings;

(c) Financial reporting;

(d) Internal audit and external audit process; and

(e) Communication with Shareholders

Nominating Committee

(a) Composition;

(b) Meetings; and

(c) Accountability

CORPORATE GOVERNANCE REPORT

Remuneration Committee

(a) Composition;

(b) Meetings; and

(c) Accountability

Based on the summary of the evaluation for FY2021 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 FY2021.

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

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

(h) Overall assessment.

Based on the summary of the evaluation for FY2021 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 FY2021.

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

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

CORPORATE GOVERNANCE REPORT

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Provision 6.1

Roles and Duties of Remuneration Committee

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

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

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

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

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

4. recommending proposed 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;

CORPORATE GOVERNANCE REPORT

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

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

13. setting performance measures and determining 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 liaising, 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 end of FY2021, the RC comprised the following three (3) members, all of whom are Non-Executive Directors, and of which two (2) are Independent Directors (including the Chairman):

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

Provision 6.3

Remuneration Packages and Framework

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

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

Provision 6.4

Engagement of Remuneration Consultants

The RC has access to advice from the internal human resource department and, if necessary, may seek external expert advice of which the expenses will be borne by the Company. No external expert was engaged by the Company in FY2021.

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Level and Mix of Remuneration

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

Provisions 7.1 and 7.3

Remuneration of Executive Directors and KMPs

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

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

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

Provision 7.2

Remuneration of Non-Executive Directors

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

As disclosed in the annual report of the Company in respect of the financial year ended 31 December 2020, the Directors' fees of S$151,000 for FY2021 (with payment to be made quarterly in arrears) was to be approved by Shareholders at the AGM which was to be held in respect of the financial year ended 31 December 2020. The foregoing Directors' fees was subsequently duly approved by Shareholders at the AGM of the Company held on 26 April 2021.

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Notwithstanding the foregoing, following the appointment of Mr. Soon Yeow Kwee Johnny as the Executive Chairman and the cessation of Mr. Lim Soon Hock as the Non-Executive Chairman of the Company on 20 August 2021, the aggregate Director's fees for Mr. Lim Soon Hock was decreased by an amount of S$5,321.55 for the period commencing on 20 August 2021 and ending on 31 December 2021 and such amount of S$5,321.55 was payable to Mr. Soon Yeow Kwee Johnny as Director's fees for the period commencing on and from 20 August 2021 and ending on 31 December 2021. For the avoidance of doubt, the aggregate Directors' fees for the Directors (including such Directors' fees paid to Mr. Soon Yeow Kwee Johnny, being an Executive Director) for FY2021 remained as S$151,000.

The Directors' fees for the Non-Executive Directors of S$191,000 for the current financial year ending 31 December 2022 (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. The foregoing proposed Directors' fees of S$191,000 will include such Directors' fees payable to Mr. Soon Yeow Kwee Johnny, being an Executive Director of the Company, and Mr. Chua Siong Kiat, who was appointed as an Independent and Non-Executive Director of the Company on 1 February 2022.

Disclosure on Remuneration

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

Provision 8.1

Remuneration Criteria

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

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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 FY2021 is as follows:

Name of Director	Salary[1] (%)	Bonus[1] and/ or profit sharing (%)	Directors' fees (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000					
Soon Yeow Kwee Johnny[2]	93	3	4	–	100
Lim Soon Hock	–	–	100	–	100
Soon Jeffrey[3]	77	7	–	16	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 Yeow Kwee Johnny was appointed as Executive Chairman on 20 August 2021.
(3) Mr. Soon Jeffrey is also the CEO of the Company.

Disclosure on Remuneration of Key Management Personnel

A breakdown of the remuneration bands payable to the top three (3) KMPs[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 FY2021, is as follows:

Name of Key Management Personnel	Salary[2] (%)	Bonus[2] and/ or profit sharing (%)	Allowances and other benefit (%)	Total (%)
Below S$250,000				
Soon Jenson[3]	82	7	11	100
Ng Wei Jet	84	7	9	100
Koh Lay Cheng	88	8	4	100

Notes:
(1) The Group had only three (3) KMPs in FY2021.
(2) The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.
(3) Mr. Soon Jenson is the brother of Mr. Soon Jeffrey, Executive Director and CEO, and the son of Mr. Soon Yeow Kwee Johnny, Executive Chairman and a substantial Shareholder of the Company.

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The 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 FY2021.

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 Directors and the CEO of the Company, as well as a substantial Shareholder, could have an adverse effect on working relationships and contributions to the operations of the Group. The total remuneration of the top three (3) KMPs (who are not Directors or the CEO), including the immediate family member of a Director or CEO, was not disclosed to prevent poaching of KMPs.

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

Provision 8.2

Disclosure on Remuneration of Immediate Family Member of Substantial Shareholder

Saved as disclosed above under Provision 8.1 – Disclosure on Remuneration of Key Management Personnel and in the table set out below, there were no other employees who are substantial Shareholders, or are immediate family members of a Director, the CEO or a substantial Shareholder, and whose remuneration exceeded S$100,000 during FY2021.

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 FY2021.

Name	Salary[1] (%)	Bonus[1] and/ or profit sharing (%)	Allowances and other benefits (%)	Total (%)
Yong Chin Seng[2]	69	15	16	100

Notes:

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

(2) Mr. Yong Chin Seng is an assistant general manager of Chem-Grow Pte. Ltd. and is responsible for sourcing new clients, sales administrative and sales management for the chemical cleaning segment of the Company. He is the son of Mr. Yong Yeow Sin, who is a substantial Shareholder. His remuneration was in the band of between S$100,000 and S$200,000 for FY2021.

CORPORATE GOVERNANCE REPORT

Provision 8.3

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

The Company has a share option scheme known as the Heatec Employee Share Option Scheme (the "**Heatec ESOS**") and a performance share plan known as the Heatec Performance Share Plan (the "**Performance Share Plan**") which were approved by Shareholders at the extraordinary general meeting of the Company ("**EGM**") held on 18 June 2009. The Heatec ESOS and Performance Share Plan expired on 17 June 2019, and the Company 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 2021, 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 FY2021. 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 FY2021.

As at 31 December 2021, 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 FY2021 were as follows:

Exercise period		Outstanding options as at 1 January 2021	Number of options granted in FY2021	Number of options cancelled in FY2021	Outstanding options as at 31 December 2021	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	1,200,00	–	–	1,200,000	0.062
Total		**3,000,000**	**–**	**–**	**3,000,000**	

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

CORPORATE GOVERNANCE REPORT

III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

Provision 9.1

Nature and Extent of Risks

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

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

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

Provision 9.2

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

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

The Board has received written assurance from the CEO and Financial Controller that, as at 31 December 2021, 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 2021 to address the risks that the Group considers relevant and material to its business operations.

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Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the Board Committees and the Board, as well as the said assurances set out above, the Board is satisfied, and the ARMC concurs with the Board that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2021 to address the risks that the Group considers relevant and material to its business operations.

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

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

Audit and Risks Management Committee

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

Provision 10.1

Roles and Duties of Audit and Risks Management Committee

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

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

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

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

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

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

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

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

7. reviewing the scope and results of the external audit function, and the independence and objectivity of the external auditors;

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

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

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

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

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

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

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

<u>Provisions 10.2 and 10.3</u>

Audit and Risks Management Committee Composition

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

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

Notwithstanding that the Chairman of the ARMC was re-designated on 1 February 2022, the Company has also been in compliance with the requirements of Provision 10.2 in FY2021.

The Board is of the view that the members of the ARMC, including the ARMC Chairman for FY2021 and as of the date of this report, are appropriately qualified and possess recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. All ARMC members possess extensive expertise in and have years of experience in accounting, finance and/or legal related matters.

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

<u>Provision 10.4</u>

Internal Audit Function

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

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

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

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

The internal auditors will submit their annual audit planning for approval by the ARMC and report their findings to the ARMC. In FY2021, the internal auditors carried out the review, which references to the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors on certain key areas to assess and evaluate:

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

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

(c) internal control improvement opportunities.

The ARMC has reviewed with the internal auditors their audit plan and their evaluation of the system of internal controls and has evaluated their audit findings and Management's responses to those findings, the adequacy and effectiveness of material internal controls, (including financial, operational, compliance and information technology controls) and risk management systems of the Company and the Group for FY2021. The ARMC is satisfied that the outsourced internal audit function is independent, adequately resourced, effective and has the appropriate standing within the Group. The ARMC is also of the view that the outsourced internal audit function is adequately staffed with persons with the relevant qualifications and experience and references to International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

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

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

External Audit Function

The ARMC reviews the scope and results of the audit carried out by the external auditors, the 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 appointment of external auditors and re-appointment of the external auditors (if any) is always subject to Shareholders' approval at the AGM.

CORPORATE GOVERNANCE REPORT

Baker Tilly TFW LLP ("**Baker Tilly**") was re-appointed as the external auditors of the Company at the AGM held on 26 April 2021 until the conclusion of the forthcoming AGM. The aggregate amount of audit fees paid to Baker Tilly in FY2021 was S$64,500. There were no non-audit fees paid to Baker Tilly in FY2021.

The ARMC has recommended that Crowe Horwath First Trust LLP ("**CHFT LLP**") be nominated for appointment as auditors in place of the retiring auditors, Baker Tilly, at the forthcoming AGM. In recommending the appointment of the auditors, the ARMC considered and reviewed several key factors, including amongst others, adequacy of the resources and experience of supervisory and professional staff as well as the audit engagement partner to be assigned to the audit, maintenance of integrity and objectivity to deliver their services professionally, and the size and complexity of the Group and its businesses and operations.

In reviewing the nomination of CHFT LLP for appointment for the financial year ending 31 December 2022, the ARMC has considered the adequacy of the resources, experience and competence of CHFT LLP, and has taken into account the Audit Quality Indicators relating to CHFT LLP at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members who shall be handling the audit matters of the Group. The Board also considered the audit team's expected ability to work in a cooperative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines. The proposed nomination of CHFT LLP as the new auditors would aid the ongoing efforts of the Company to manage its overall business costs and expenses in view of the current economic situation while the Company is in the midst of evaluating growth initiatives and implementing new investment parameters. CHFT LLP is registered with ACRA and approved under the Accountants Act 2004.

On the foregoing bases, the ARMC and the Board have recommended the nomination of CHFT LLP for appointment as external auditors of the Company for the ensuring year be tabled for Shareholders' approval at the forthcoming AGM.

For FY2021, 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 in FY2021, through video conference or other means of telecommunication, in line with government advisories amidst the COVID-19 pandemic.

CORPORATE GOVERNANCE REPORT

Whistleblowing Policy

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

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

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

Audit and Risks Management Committee Activities

In FY2021, the ARMC had, among others, carried out the following activities:

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

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

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

(d) reviewed interested person transactions of the Group;

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

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

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

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

(i) reviewed the independence of the external auditors;

CORPORATE GOVERNANCE REPORT

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

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

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

Matter considered	How the ARMC reviewed this matter and what decisions were made
Revenue recognition	The ARMC discussed with Management and the external auditor on the procedures and controls over revenue recognition and ensured that the revenue recognition policy is in accordance with SFRS (I) 15 Revenue from contracts with customers. The ARMC reviewed Management's assessment of key estimates and judgements made in determining the stage of completion, extent of the contract costs 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 considered the external auditors' report which outlined the audit procedures to address the key audit matter. In light of the above procedures, the ARMC was of the view that the approach and methodology applied by the Management were adequate and appropriate. The revenue recognition on contracts was also an area of focus for the external auditor. The external auditor had included this item as a key audit matter in its audit report for FY2021. Please refer to page 77 of this annual report.
Impairment assessment of cost of investment in subsidiaries (Company)	The ARMC discussed with Management and the external auditor on the impairment assessment of cost of investment in subsidiaries, and ensured that it is in compliance with SFRS (I) 1-36 Impairment of Assets. The ARMC reviewed the recoverable amounts of the investment in subsidiaries determined by Management, based on both fair value less cost to sell and value-in-use using the discounted cash flow method. The ARMC has also evaluated the key assumptions made in determining the recoverable amounts, as well as considered the external auditors' report which had outlined the audit procedures to address the key audit matter. In light of the above procedures, the ARMC was of the view that the assessment of recoverable amount applied by the Management was reasonable. The impairment assessment of cost of investment in subsidiaries was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for FY2021. Please refer to page 79 of this annual report.

CORPORATE GOVERNANCE REPORT

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

Provision 11.1

Shareholders' Participation in General Meetings

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all Shareholders. These notices are posted onto the SGXNet. The notice of AGM, together with the Annual Report 2021, 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 webcast 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 the Central Provident Fund Board which purchases shares on behalf of the Central Provident Fund investors. A proxy need not be a member of the Company.

The Company's AGM in FY2021 was conducted through live webcast in light of the COVID-19 pandemic, pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 and guidance from ACRA, the Monetary Authority of Singapore, and/or SGX Regco on the conduct of general meetings. Shareholders were invited to submit any question they may have in advance in relation to any resolution set out in the notice of AGM via email to the Investor Relations team of the Company.

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

Provision 11.2

Conduct of Resolutions and Voting

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

CORPORATE GOVERNANCE REPORT

Provision 11.3

Interaction with Shareholders

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

Due to the COVID-19 regulations and the manner in which the Company convened the live webcast for the AGM held during FY2021, 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 26 April 2021. The Company did not receive any questions from Shareholders prior to the AGM. All Directors were present via video conference at the AGM of the Company held on 26 April 2021.

Save for the AGM held on 26 April 2021, there were no other general meetings of the Company held during FY2021.

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 FY2021 through the submission of proxy forms nominating the Chairman of the AGM to vote on their behalf.

Provision 11.5

Minutes of General Meetings

The proceeding of each of the general meetings will be properly recorded, including substantial or relevant comments or queries from Shareholders relating to the agenda of the general meetings and responses from the Board and Management. All minutes of the general meetings will be available on the Company's corporate website. In respect of the previous AGM held on 26 April 2021, the Company published the minutes of the AGM on the SGXNet and its corporate website on 3 May 2021, within one month from the date of the AGM.

CORPORATE GOVERNANCE REPORT

Provision 11.6

Dividend Policy

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

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

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

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

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

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

In view of the loss attributable to equity holders of the Company recorded for FY2021, the Board has not recommended any dividends for FY2021.

Engagement with Shareholders

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

Provisions 12.1, 12.2 and 12.3

Investor Relations Practices

The Company 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 26 April 2021 in relation to any resolutions set out in the notice of meeting for the AGM held on 26 April 2021 to the investor relations team of the Company.

CORPORATE GOVERNANCE REPORT

Disclosure of Information

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

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

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

(c) notices and explanatory memoranda for general meetings;

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

(e) press/media releases.

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

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

Dialogue with Shareholders

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

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

CORPORATE GOVERNANCE REPORT

V. MANAGING RELATIONSHIPS WITH STAKEHOLDERS

Engagement with Stakeholders

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

Provisions 13.1 and 13.2

Stakeholders' Engagement

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

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly able to impact the Group's business and operations. Six stakeholder groups have been identified through an assessment of their significance to the business operations. They are namely, employees, investors/ Shareholders, customers 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 are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

A detailed approach to the stakeholder engagement and materiality assessment (including commitments, key areas of focus and activities) are disclosed under the Sustainability Report on pages 150 to 169 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 FY2021. For the purposes of Catalist Rule 907, the Company has not entered into any interested person transaction with a value of S$100,000 or more in FY2021.

VII. MATERIAL CONTRACTS

Save for the service agreements entered into between the Company and each of the Executive Directors and CEO as well as the consultancy agreements entered into between the Company and each of Mr Soon Yeow Kwee Johnny and Mr Yong Yeow Sin as disclosed in 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 FY2021 or if not then subsisting, entered into since the end of the previous financial year.

VIII. DEALINGS IN SECURITIES

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

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

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

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

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

IX. NON-SPONSORSHIP FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees payable or paid to the Company's previous sponsor, ZICO Capital Pte. Ltd., for the period commencing from 1 January 2021 and ending on 28 November 2021.

The Company had appointed Novus Corporate Finance Pte. Ltd. to act as its new sponsor, in place of ZICO Capital Pte. Ltd., with effect on and from 29 November 2021. There were no non-sponsorship fees payable or paid to Novus Corporate Finance Pte. Ltd. for the period commencing from 29 November 2021 and ending on 31 December 2021.

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 2021.

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 83 to 148 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and

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

Directors

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

Soon Yeow Kwee Johnny (appointed on 20 August 2021)
Lim Soon Hock
Chua Siong Kiat (appointed on 1 February 2022)
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 1.1.2021 or date of appointment, if later	At 31.12.2021	At 1.1.2021 or date of appointment, if later	At 31.12.2021
The Company				
Soon Yeow Kwee Johnny	22,273,599	22,273,599	4,816,078	4,816,078
Soon Jeffrey	1,400,000	1,400,000	–	–
Loke Weng Seng	–	–	32,030,678	32,030,678
Subsidiary corporation				
Heatec Veslink Marine Services Corp.				
Soon Jeffrey	1	1	–	–

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

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

	Number of ordinary shares	
	At 1.1.2021	At 31.12.2021
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

The directors' interests in the shares of the Company at 21 January 2022 were the same as those as at 31 December 2021.

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 comprises three directors, being Anthony Ang Meng Huat (Chairman), Lim Soon Hock and Lie Ly @ Liely Lee.

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

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

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

(c) Share options outstanding at the end of the financial year, details of the options granted under the Scheme on the unissued shares 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 1.1.2021	Options granted	Cancelled/ lapsed	Options outstanding at 31.12.2021	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.

– No options have been granted to directors and employees of the parent company and its subsidiaries.

DIRECTORS' STATEMENT

Audit and Risks Management Committee

The members of the Audit and Risks Management Committee during the financial year ended 31 December 2021 and as at 31 December 2021 were:

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

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

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

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.

On behalf of the directors

Soon Yeow Kwee Johnny
Director

Soon Jeffrey
Director

28 March 2022

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 83 to 148, which comprise the statements of financial position of the Group and of the Company as at 31 December 2021, 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 1967 (the "Act") and Singapore Financial Reporting Standards (International) ["SFRS(I)"] so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 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.

<u>Revenue recognition</u>

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's 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)

Revenue recognition (continued)

Our procedures to address the key audit matter (continued)

Piping services (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 2021 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 recoverable amount was estimated by calculating the present value of the 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, 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 2021 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)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (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
28 March 2022

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $	Group 2020 $
Revenue	4	22,313,231	20,780,647
Cost of sales		(18,151,067)	(16,064,125)
Gross profit		4,162,164	4,716,522
Other income			
– Interest		9,157	7,613
– Others	5	1,181,832	2,594,796
Expenses			
Administrative expenses		(7,236,895)	(6,353,007)
Other operating expenses	6	(204,489)	–
Net impairment losses on financial assets		(76,937)	(309,008)
Finance costs	7	(504,947)	(467,774)
Share of results of associates		52,373	36,216
(Loss)/profit before tax	8	(2,617,742)	225,358
Income tax expense	10	(51,460)	(30,189)
(Loss)/profit for the financial year		(2,669,202)	195,169

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $	Group 2020 $
(Loss)/profit for the financial year		(2,669,202)	195,169
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		35,423	16,878
Share of other comprehensive income of associates		13,618	12,785
Other comprehensive income for the financial year, net of tax		49,041	29,663
Total comprehensive (loss)/income for the financial year		(2,620,161)	224,832
(Loss)/profit attributable to:			
Equity holders of the Company		(2,690,239)	(35,196)
Non-controlling interests		21,037	230,365
(Loss)/profit for the financial year		(2,669,202)	195,169
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(2,641,198)	(5,533)
Non-controlling interests		21,037	230,365
Total comprehensive (loss)/income for the financial year		(2,620,161)	224,832
Loss per share attributable to equity holders of the Company *(expressed in cents per share)*	11		
Basic		(2.19)	(0.03)
Diluted		(2.19)	(0.03)

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

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	Group 2021 $	Group 2020 $	Company 2021 $	Company 2020 $
Non-current assets					
Property, plant and equipment	12	9,505,176	10,720,313	4,482,742	5,085,678
Investment in subsidiaries	13	–	–	5,502,799	5,502,799
Investment in associates	14	281,828	301,637	–	–
Total non-current assets		9,787,004	11,021,950	9,985,541	10,588,477
Current assets					
Inventories	15	360,467	557,479	–	–
Contract assets	16	5,407,003	6,379,156	–	–
Trade receivables	17	6,043,355	5,956,585	–	–
Other receivables	18	898,828	1,742,480	3,036,206	1,289,869
Cash and bank balances	19	4,724,728	4,648,838	1,316,863	362,640
Total current assets		17,434,381	19,284,538	4,353,069	1,652,509
Total assets		27,221,385	30,306,488	14,338,610	12,240,986
Non-current liabilities					
Borrowings	20	7,482,855	8,357,930	2,239,993	1,121,917
Deferred tax liabilities	21	288,562	296,638	–	–
Total non-current liabilities		7,771,417	8,654,568	2,239,993	1,121,917
Current liabilities					
Contract liabilities	16	379	864,185	–	–
Trade payables	22	1,051,200	1,277,893	–	–
Other payables	23	2,335,349	1,811,630	437,546	341,573
Provision for warranty	24	44,853	44,853	–	–
Borrowings	20	2,840,410	1,669,694	811,876	89,352
Tax payable		31,614	6,441	–	–
Total current liabilities		6,303,805	5,674,696	1,249,422	430,925
Total liabilities		14,075,222	14,329,264	3,489,415	1,552,842
Net assets		13,146,163	15,977,224	10,849,195	10,688,144
Equity					
Share capital	25	11,554,627	11,554,627	11,554,627	11,554,627
Reserves	26	(336,012)	2,305,186	(705,432)	(866,483)
Equity attributable to equity holders of the Company, total		11,218,615	13,859,813	10,849,195	10,688,144
Non-controlling interests		1,927,548	2,117,411	–	–
Total equity		13,146,163	15,977,224	10,849,195	10,688,144

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Attributable to equity holders of the Company								
	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 $	Total equity $
Group									
2021									
At 1 January 2021	11,554,627	221,206	(93,827)	(3,913,614)	69,690	6,021,731	13,859,813	2,117,411	15,977,224
(Loss)/profit for the financial year	–	–	–	–	–	(2,690,239)	(2,690,239)	21,037	(2,669,202)
Other comprehensive income									
Currency translation differences arising on consolidation	–	–	35,423	–	–	–	35,423	–	35,423
Share of other comprehensive income of associates	–	–	13,618	–	–	–	13,618	–	13,618
Other comprehensive income for the financial year, net of tax	–	–	49,041	–	–	–	49,041	–	49,041
Total comprehensive income/ (loss) for the financial year	–	–	49,041	–	–	(2,690,239)	(2,641,198)	21,037	(2,620,161)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	(210,900)	(210,900)
At 31 December 2021	11,554,627	221,206	(44,786)	(3,913,614)	69,690	3,331,492	11,218,615	1,927,548	13,146,163

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Attributable to equity holders of the Company								
	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 $	Total equity $
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
Other comprehensive income									
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 2021

	Share capital (Note 25) $	Share options reserve (Note 26) $	Accumulated losses (Note 26) $	Total equity $
Company				
At 1 January 2020	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
Profit and total comprehensive income for the financial year	–	–	161,051	161,051
At 31 December 2021	11,554,627	69,690	(775,122)	10,849,195

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $	Group 2020 $
Cash flows from operating activities			
(Loss)/profit before tax		(2,617,742)	225,358
Adjustments for:			
Interest income		(9,157)	(7,613)
Interest expenses		504,947	467,774
Net impairment losses on financial assets		76,937	309,008
Depreciation of property, plant and equipment		1,235,893	1,209,786
Loss on disposal of property, plant and equipment		–	3,006
Property, plant and equipment written off		203,287	–
Share of results of associates		(52,373)	(36,216)
Allowance for inventory obsolescence		65,066	–
Provision for warranty		–	21,732
Gain on liquidation of a subsidiary		–	(6,139)
Operating cash flows before movements in working capital		(593,142)	2,186,696
Trade and other receivables and contract assets		1,652,098	(326,943)
Inventories		131,946	(236,030)
Trade and other payables and contract liabilities		(566,780)	(1,471,651)
Currency translation adjustments		33,734	24,243
Cash generated from operations		657,856	176,315
Interest received		9,157	7,613
Interest paid		(50,031)	(23,306)
Income tax paid		(34,363)	(45,213)
Net cash generated from operating activities		582,619	115,409
Cash flows from investing activities			
Purchases of property, plant and equipment	A	(242,742)	(268,704)
Proceeds from disposal of property, plant and equipment		–	16,998
Dividends received from an associate		85,800	–
Net cash used in investing activities		(156,942)	(251,706)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $	Group 2020 $
Cash flows from financing activities			
Interest paid		(454,916)	(444,468)
Decrease in pledged fixed deposits		825,567	388,585
Dividend paid to non-controlling shareholders		(210,900)	–
Proceeds from bank loans		2,000,000	3,000,000
Repayments of bank loans		(1,591,858)	(1,018,652)
Repayments of revolving credit loans		–	(200,000)
Repayments of lease liabilities		(92,113)	(106,135)
Net cash generated from financing activities		475,780	1,619,330
Net increase in cash and cash equivalents		901,457	1,483,033
Cash and cash equivalents at beginning of the financial year		3,823,271	2,340,238
Cash and cash equivalents at end of the financial year	19	4,724,728	3,823,271

Note A – Purchases of property, plant and equipment ("PPE")

	Note	2021 $	2020 $
Aggregate cost of PPE acquired	12	242,742	273,112
Less: Addition of right-of-use asset		–	(4,408)
Net cash outflows for purchases of PPE		242,742	268,704

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 1967 and Singapore Financial Reporting Standards (International) ["SFRS(I)"]. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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

Use of estimates and judgements

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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 2021 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"].

The Group is entitled to invoice customers for heat exchanger services based on achieving a series of performance-related milestones. When a particular milestone is reached, an invoice and the relevant documents as required by the milestone arrangement is sent to the customer. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Revenue recognition (continued)

Revenue from provision of piping services

The Group provides piping services, which include installation and restoration of pipes and systems that are used for marine and offshore business operations. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group's performance creates or enhances an asset that the customer controls as the Group performs. Such services are recognised as performance obligations are satisfied over time. Revenue is recognised for these piping services based on the stage of completion of the contract at the expected settlement rates. Management has assessed 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 completed and therefore a contract asset is recognised over the period in which the piping services are performed representing the Group's right to consideration for the services performed to-date.

Revenue from provision of chemical cleaning services

The Group provides chemical cleaning services, which comprise mainly cleaning of heat exchangers, pipelines engine parts pressure vessels and oil tanks. Such services are recognised as performance obligations are satisfied over time. Due to the short 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Basis of consolidation (continued)

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, consolidated statement of changes in equity and consolidated statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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 associated company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property, plant and equipment (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Leases (continued)

Lease liabilities (continued)

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Income taxes (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial assets (continued)

Impairment (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

Key sources of estimation uncertainty (continued)

Calculation of loss allowance

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

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

Revenue and costs of contracts

Heat exchanger services

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

Key sources of estimation uncertainty (continued)

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.

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

4 REVENUE

	Group	
	2021	**2020**
	$	**$**
Segment revenue		
Heat exchanger	12,665,166	14,450,947
Piping	6,745,409	4,097,027
Chemical cleaning	2,902,656	2,232,673
	22,313,231	20,780,647

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

	Group	
	2021	**2020**
	$	**$**
Timing of revenue recognition		
At a point in time:		
Chemical cleaning	2,902,656	2,232,673
Over time:		
Heat exchanger	12,665,166	14,450,947
Piping	6,745,409	4,097,027
	22,313,231	20,780,647

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 REVENUE (CONTINUED)

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	
	2021	2020
	$	$
Government grant income	1,096,152	2,466,621
Sundry income	19,044	111,729
Net foreign exchange gain	66,636	10,307
Gain on liquidation of a subsidiary	–	6,139
	1,181,832	2,594,796

Government grant income of $301,263 (2020: $996,197) 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 $639,460 (2020: $1,199,040) relates to Foreign Worker Levy rebates received from the Singapore Government to help businesses deal with the impact of the COVID-19 pandemic. The rebates were paid with the objective of helping employers to defray labour costs during the period of economic uncertainty. These incentives were granted in the form of cash payout.

6 OTHER OPERATING EXPENSES

	Group	
	2021	2020
	$	$
Property, plant and equipment written off	203,287	–
Others	1,202	–
	204,489	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7 FINANCE COSTS

	Group	
	2021	**2020**
	$	**$**
Interest expense on:		
– Term loans	341,735	324,240
– Revolving credit loans	–	1,032
– Lease liabilities	113,181	119,196
– Others	50,031	23,306
	504,947	467,774

8 (LOSS)/PROFIT BEFORE TAX

	Group	
	2021	**2020**
	$	**$**
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (Note 12)	1,235,893	1,209,786
Audit fees paid/payable to the auditors of the Company	64,500	65,000
Staff costs (Note 9)	12,798,828	9,700,207
Provision for warranty	–	21,732
Allowance for inventory obsolescence	65,066	–
Rental expenses (Note 34)	1,139,859	1,005,836
Foreign Worker Levy waivers	–	(817,982)

In 2021 and 2020, there were no non-audit fees paid to the auditors of the Company.

Foreign Worker Levy waivers of $Nil (2020: $817,982) 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.

9 STAFF COSTS

	Group	
	2021	**2020**
	$	**$**
Key management personnel		
– Directors' fees	151,000	148,483
– Salaries, bonuses and other benefits	770,638	616,039
– Contribution to defined contribution plans	62,494	56,661
Other personnel		
– Salaries, bonuses and other benefits	11,395,132	8,510,834
– Contribution to defined contribution plans	419,564	368,190
	12,798,828	9,700,207

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10 INCOME TAX EXPENSE

	Group	
	2021	2020
	$	$
Tax expense attributable to (loss)/profit is made up of:		
– Provision for current year	23,000	–
– Underprovision in respect of previous financial years	36,536	33,785
Deferred tax (Note 21)	(8,076)	(8,076)
Withholding tax	–	4,480
Tax expense	51,460	30,189

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	
	2021	2020
	$	$
(Loss)/profit before tax	(2,617,742)	225,358
Notional tax expense on (loss)/profit before tax, calculated at the domestic rates applicable in the tax jurisdictions concerned	(445,016)	56,110
Tax effect of share of results of associates	–	(6,157)
Effect of income not subject to tax	(47,485)	(214,005)
Effect of tax concessions	–	(3,907)
Effect of expenses that are not deductible for tax purpose	138,227	173,637
Effect of partial tax exempt income	(34,850)	(31,727)
Current year losses for which no deferred tax asset is recognised	310,044	8,330
Change in unrecognised temporary differences	100,251	84,966
Utilisation of previously unrecognised deferred tax assets	–	(47,305)
Underprovision of income tax in respect of previous financial years	36,536	33,785
Withholding tax	–	4,480
Others	(6,247)	(28,018)
Total income tax expense	51,460	30,189

The income tax applicable to the Company is 17% (2020: 17%). The corporate income tax rate applicable to the subsidiaries in Singapore and People's Republic of China are 17% (2020: 17%) and 25% (2020: 25%) respectively.

As at 31 December 2021, the Group has deferred tax assets in respect of tax losses of $9,986,000 (2020: $8,158,000), 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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	
	2021	**2020**
	$	**$**
Net loss attributable to equity holders of the Company	(2,690,239)	(35,196)
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)	(2.19)	(0.03)

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 2021 and 31 December 2020.

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.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	**Leasehold improvements**	**Plant and equipment**	**Motor vehicles**	**Renovation**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Group						
2021						
Cost						
Balance at 1 January 2021	11,744,018	177,242	4,408,030	363,457	344,879	17,037,626
Additions	–	–	242,742	–	–	242,742
Disposals/written off	–	–	(505,878)	(75,800)	(34,330)	(616,008)
Modification on lease liabilities	(20,388)	–	–	–	–	(20,388)
Currency translation differences	–	–	1,801	2,912	–	4,713
Balance at 31 December 2021	11,723,630	177,242	4,146,695	290,569	310,549	16,648,685
Accumulated depreciation						
Balance at 1 January 2021	3,588,920	41,927	2,242,819	162,546	240,332	6,276,544
Depreciation charge	565,205	11,019	510,794	110,296	38,579	1,235,893
Disposals/written off	–	–	(302,591)	(75,800)	(34,330)	(412,721)
Currency translation differences	–	–	2,177	847	–	3,024
Balance at 31 December 2021	4,154,125	52,946	2,453,199	197,889	244,581	7,102,740
Accumulated impairment loss						
Balance at 1 January 2021 and 31 December 2021	–	–	40,769	–	–	40,769
Net carrying value						
Balance at 31 December 2021	7,569,505	124,296	1,652,727	92,680	65,968	9,505,176

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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 2021

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties $	Leasehold improvements $	Plant and equipment $	Total $
Company				
2021				
Cost				
Balance at 1 January 2021	7,410,593	177,242	984,669	8,572,504
Modifications on lease liabilities	(20,388)	–	–	(20,388)
Balance at 31 December 2021	7,390,205	177,242	984,669	8,552,116
Accumulated depreciation				
Balance at 1 January 2021	2,790,866	41,925	654,035	3,486,826
Depreciation charge	466,128	11,019	105,401	582,548
Balance at 31 December 2021	3,256,994	52,944	759,436	4,069,374
Net carrying value				
Balance at 31 December 2021	4,133,211	124,298	225,233	4,482,742
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

(a) As at 31 December 2021, the net carrying value of the Group's and the Company's property, plant and equipment under right-of-use assets were $1,572,366 (2020: $1,722,046) and $1,011,760 (2020: $1,144,911) respectively (Note 34).

(b) The Group's and the Company's leasehold properties with the net carrying value of $5,997,139 (2020: $6,433,053) and $3,121,452 (2020: $3,474,816) 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 2021

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2021	2020
	$	$
Unquoted equity shares, at cost		
Balance at beginning and end of financial year	16,083,928	16,083,928
Impairment allowances:		
Balance at beginning and 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 2021 %	Group's effective equity interest 2020 %
Held by the Company			
Heatec Jietong Pte. Ltd.[1] (Singapore)	Servicing and fabrication of heat exchanger.	100	100
JJY Engineering & Construction Pte. Ltd.[1] (Singapore)	To carry on the businesses of repairing ships, tankers and other ocean-going vessels.	100	100
HJT Engineering & Construction Pte. Ltd.[1] (Singapore)	To carry on the businesses of repairing ships, tankers and other ocean-going vessels.	100	100
Held by Heatec Jietong Pte. Ltd.			
Heatec (Shanghai) Co., Ltd.[2] (People's Republic of China)	Sales and repair of air cooler(s) evaporator, heat exchanger and related auxiliaries.	100	100
Chem-Grow Pte. Ltd.[1] (Singapore)	Provide chemical cleaning services to ships and tankers.	70	70
Chem Grow Engineering Pte. Ltd.[1] (Singapore)	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers.	70	70

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries (continued):

Name of subsidiaries (Country of incorporation)	Principal activities	Group's effective equity interest 2021 %	2020 %
Held by Heatec Jietong Pte. Ltd. (continued)			
Heatec Veslink Marine Services Corp.[3] (Philippines)	To engage in the business of trading, selling, servicing, manufacturing, distributing, marketing, maintenance, export and import.	60	60
JTY Engineering Pte. Ltd.[1],[4] (Singapore)	To carry on business of repairing ships, tankers and other ocean-going tankers.	100	–
Held by Chem-Grow Pte. Ltd.			
Chem Grow Services Pte. Ltd.[5] (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) Incorporated on 28 May 2021.

(5) Struck off on 10 January 2022.

(b) Significant restrictions

Cash and bank balances of $376,965 (2020: $99,472) 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 2021

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 2021		
Chem-Grow Pte. Ltd.	Singapore	30%
31 December 2020		
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.	
	2021	**2020**
	$	**$**
Non-current assets	4,368,048	4,705,271
Current assets	2,313,104	2,481,481
Non-current liabilities	(986,553)	(991,659)
Current liabilities	(416,345)	(562,671)
Net assets	5,278,254	5,632,422
Net assets attributable to NCI	1,583,476	1,689,727

Summarised Income Statement

	Chem-Grow Pte. Ltd.	
	2021	**2020**
	$	**$**
Revenue	2,408,596	2,495,828
Profit before tax	376,673	253,560
Income tax expense	(27,842)	(4,480)
Profit after tax and total comprehensive income	348,831	249,080
Profit after tax and total comprehensive income allocated to NCI	104,649	74,724
Dividends to NCI	210,900	119,700

NOTES TO THE FINANCIAL STATEMENTS

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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.	
	2021	**2020**
	$	**$**
Cash flows generated from operating activities	257,368	296,798
Cash flows generated from/(used in) investing activities	452,110	(51,026)
Cash flows used in financing activities	(865,936)	(137,098)
Net (decrease)/increase in cash and cash equivalents	(156,458)	108,674

(d) Company level – Assessment of carrying value of cost of investment in subsidiaries

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

In previous financial years, 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 to determine if further impairment or reversal of impairment loss may be necessary. The recoverable amounts of certain subsidiaries within HJPL Group were determined based on value-in-use calculations using cash flow projections from forecast approved by management covering a five-year period, having factored in changes in assumptions and conditions arising from ongoing development of the COVID-19 pandemic. The forecasted revenue growth rates range from 2.5% to 83.8% (2020: -7% to 24%) and forecasted gross margins range from 21.7% to 33.8% (2020: 24.5% to 31.9%). The pre-tax discount rate applied to the cash flow projections are between 11% to 12% (2020: 11% to 13%) and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period is 2.5% (2020: 2%). Based on the review, no adjustment was made to the carrying amount as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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)

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		
2021		
1% higher than the management's projection	3,531,799	1,871,000
1% lower than the management's projection	8,708,799	(3,306,000)
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)

HJT Engineering & Construction Pte. Ltd.

In previous financial years, an impairment loss of $3,057,482 was recognised 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 further impairment or reversal of impairment loss may be necessary. The recoverable amount of the investment was determined based on value-in-use calculations using cash flow projections from forecast approved by management covering a five-year period, having factored in changes in assumptions and conditions arising from ongoing development of the COVID-19 pandemic. The forecasted revenue growth rates range from 2.5% to 58.5% (2020: 2% to 205%) and forecasted gross margin is 22.7% (2020: 25.0%). 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% (2020: 11%) and 2.5% (2020: 2%) respectively. Based on the review, no adjustment was made to the carrying amount as 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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		
2021		
1% higher than the management's projection	–	100,000
1% lower than the management's projection	278,000	(178,000)
2020		
1% higher than the management's projection	–	100,000
1% lower than the management's projection	872,000	(772,000)

14 INVESTMENT IN ASSOCIATES

	Group	
	2021 $	**2020** $
Unquoted equity shares, at cost	687,616	687,616
Share of post-acquisition reserves, net of dividend received	(337,944)	(318,135)
Impairment loss	(67,844)	(67,844)
	281,828	301,637

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 2021 and 2020.

Movements in allowance for impairment loss are as follows:

	Group	
	2021 $	**2020** $
At beginning and ending of financial year	67,844	67,844

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Details of associates:

Name of associates (Country of incorporation)	Principal activities	Group's effective equity interest 2021 %	Group's effective equity interest 2020 %
Held by Heatec Jietong Pte. Ltd.			
Zhoushan Heatec IMC-YY Engineering Co., Ltd. (People's Republic of China)	Service and repair all kinds of heat exchangers and piping works.	45	45
Heatec Marine Phils Construction Inc. (Philippines)	Dormant.	39.97	39.97
Karnot Technology Pte. Ltd. (Singapore)	Dormant.	20	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 2021 $	Group 2020 $
Raw materials and supplies	419,559	449,907
Goods-in-transit	5,974	107,572
Less: Allowance for inventories obsolescence	(65,066)	–
	360,467	557,479

In 2021, cost of inventories included as cost of sales amounted to $5,958,166 (2020: $7,782,517).

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 2021

16 CONTRACT ASSETS AND LIABILITIES (CONTINUED)

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

	Group		
	2021	2020	1.1.2020
	$	$	$
Trade receivables from contract with customers	6,043,355	5,956,585	7,673,380
Contract assets	5,407,003	6,379,156	4,137,644
Contract liabilities	379	864,185	59,569

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

Contract liabilities balance decreased significantly due to services performed ahead of milestone payments, resulting in amounts recognised as revenue during the financial year.

17 TRADE RECEIVABLES

	Group	
	2021	2020
	$	$
Third parties	6,492,918	6,386,797
Less: Allowance for impairment loss (Note 31)	(449,563)	(430,212)
	6,043,355	5,956,585

Impairment loss on trade receivables recognised as an expense amounted to $76,937 (2020: $309,008).

18 OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Subsidiaries	–	–	2,937,302	1,259,242
Other receivables	146,331	354,309	–	–
Grant receivable	–	185,136	–	–
GST recoverable	52,433	208,949	–	–
Deposits	234,120	187,864	7,570	7,410
Prepayments	237,472	188,276	91,334	23,217
Advance payment to supplier	228,472	617,946	–	–
	898,828	1,742,480	3,036,206	1,289,869

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19 CASH AND BANK BALANCES

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Cash at bank	4,724,728	3,410,046	1,316,863	362,640
Fixed deposits	–	1,238,792	–	–
Total cash and bank balances	4,724,728	4,648,838	1,316,863	362,640
Less: Pledged fixed deposits	–	(825,567)	–	–
Cash and cash equivalents for presentation on the consolidated statement of cash flows	4,724,728	3,823,271	1,316,863	362,640

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% (2020: 0% to 1.92%) per annum and mature in approximately 1 to 12 months (2020: 1 to 12 months), without significant risk of changes in value.

As at 31 December 2021, fixed deposits of $Nil (2020: $825,567) are pledged to secure banking facilities granted to the Group (Note 20).

20 BORROWINGS

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Non-current				
Term loans (a)	5,878,487	6,637,445	1,229,088	–
Lease liabilities	1,604,368	1,720,485	1,010,905	1,121,917
	7,482,855	8,357,930	2,239,993	1,121,917
Current				
Term loans (a)	2,742,733	1,575,633	719,304	–
Lease liabilities	97,677	94,061	92,572	89,352
	2,840,410	1,669,694	811,876	89,352
Total borrowings	10,323,265	10,027,624	3,051,869	1,211,269

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 2021

20 BORROWINGS (CONTINUED)

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

(i) A loan raised on 27 July 2000 has been fully repaid in 2021. 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 $2,062,621 at reporting date (2020: $2,601,273). 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 $1,908,705 at reporting date (2020: $2,611,805). Repayment commenced on 18 June 2021 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 2021 has carrying amount of $1,350,751 at reporting date (2020: $1,500,000). Repayment commenced 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.

(v) A loan raised on 15 September 2021 has carrying amount of $1,350,751 at reporting date (2020: $1,500,000). Repayment commenced 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.

(vi) A loan raised on 10 December 2021 has carrying amount of $1,948,392 at reporting date (2020: $Nil). Repayment commenced on 16 December 2021 and is repayable over 3 years. The loan is secured by a corporate guarantee by the Company's subsidiary.

The loan carries fixed interest at 5.00% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 BORROWINGS (CONTINUED)

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

Fair values

Fixed-rate term loans

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

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

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Term loans	4,440,358	5,611,805	1,229,088	–

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

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Term loans	4,495,462	5,516,000	1,316,751	–

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	
	2021	2020	2021	2020
	%	%	%	%
Term loans	5.25	5.25	5.25	–

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

Floating rate term loans

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 BORROWINGS (CONTINUED)

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

Fair values (continued)

Floating rate term loans (continued)

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

	Term loans $	Revolving credit loans $	Lease liabilities $	Total $
Group				
Balance at 1 January 2020	6,231,730	200,000	1,916,273	8,348,003
Changes from financing cash flows:				
– Proceeds	3,000,000	–	–	3,000,000
– Repayments	(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
Changes from financing cash flows:				
– Proceeds	2,000,000	–	–	2,000,000
– Repayments	(1,591,858)	–	(92,113)	(1,683,971)
– Interest paid	(341,735)	–	(113,181)	(454,916)
Non-cash changes:				
– Interest expense	341,735	–	113,181	454,916
– Modification on lease liabilities	–	–	(20,388)	(20,388)
Balance at 31 December 2021	8,621,220	–	1,702,045	10,323,265

The Group is required to maintain net worth of a specified amount in order to comply with covenants in loan agreements with banks. In the financial year ended 31 December 2021, the Group did not fulfil certain financial covenants on its loans with a carrying amount of $6,672,828 (2020: $Nil).

On 30 December 2021, the Group obtained a confirmation from the bank to accommodate the breach for the financial year ended 31 December 2021 on a one-off basis. The bank will not request accelerated repayment of the loans and the terms of the loans were not changed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21 DEFERRED TAX LIABILITIES

The movements in the deferred tax account are as follows:

	Group	
	2021	**2020**
	$	**$**
Balance at 1 January	296,638	304,714
Tax credited to profit or loss (Note 10)	(8,076)	(8,076)
Balance at 31 December	288,562	296,638
Presented on the statements of financial position:		
Non-current		
Deferred tax liabilities	288,562	296,638

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 2020	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
Credited to profit or loss for the financial year (Note 10)	(8,076)	–	(8,076)
Balance at 31 December 2021	300,997	(12,435)	288,562

22 TRADE PAYABLES

	Group	
	2021	**2020**
	$	**$**
Third parties	1,051,200	1,277,893

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

23 OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Subsidiaries	–	–	–	69,452
Non-controlling shareholder of a subsidiary	–	119,700	–	–
Accruals	1,453,023	1,127,049	293,179	226,131
Other payables	727,205	161,988	65,050	15,408
GST payables	155,121	213,991	79,317	30,582
Advances from customer	–	3,766	–	–
Deferred grant income	–	185,136	–	–
	2,335,349	1,811,630	437,546	341,573

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

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	
	2021	2020	2021	2020
	$	$	$	$
Balance at beginning of financial year	44,853	23,121	–	–
Provision made	–	21,732	–	–
Balance at end of financial year	44,853	44,853	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

25 SHARE CAPITAL

	Group and Company			
	2021		2020	
	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	
	2021 $	2020 $	2021 $	2020 $
Other reserve[a]	221,206	221,206	–	–
Translation reserve[b]	(44,786)	(93,827)	–	–
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)	3,331,492	6,021,731	(775,122)	(936,173)
	(336,012)	2,305,186	(705,432)	(866,483)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

26 RESERVES (CONTINUED)

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	
	2021	2020
	$	$
Balance at 1 January	(93,827)	(123,490)
Changes during the financial year in other comprehensive income	49,041	29,663
Balance at 31 December	(44,786)	(93,827)

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 2021 and 2020.

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% of the above price. The vesting period is 1 year. Options are forfeited if the employee leaves the Group before the options vest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

27 SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (continued)

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

	Group and Company			
	2021		2020	
	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 5.80 (2020: 6.80) years.

28 CORPORATE GUARANTEES

The Company has provided corporate guarantees of $8,750,000 (2020: $8,750,000) to banks for borrowings of $6,672,828 (2020: $8,213,078) and letters of guarantee of $873,328 (2020: $2,212,098) 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 relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

29 RELATED PARTY TRANSACTIONS

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

	Group	
	2021 $	2020 $
With associates		
Purchases from	106,996	71,856
With non-controlling shareholder of subsidiary		
Dividend	210,900	119,700
With shareholders		
Rendering of services	29,100	17,122
Provision of consultancy services	213,536	203,628

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

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

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 2021, JJY was also informed by the Shipyard Owner that the Vessel Owners have made similar claims against the Shipyard Owner, and that the Shipyard Owner is seeking inter alia an indemnity against JJY in respect of such claims.

As at the date of this annual report, the Vessel Owners, Shipyard Owner and JJY are in advanced stages of settlement negotiations. Based on the settlement negotiations to date, the Group expects the settlement amount to be within the insurance coverage pursuant to the Group's insurance policies. Accordingly, the directors are of the view that no material losses have arisen in respect of the claims in relation to the Works (the "Claims") as at the date of these financial statements and therefore no provision for any liability in respect of the Claims has been made in these financial statements. The Company will update shareholders and potential investors of the Company on any further material development on the Letter of Demand and/or the Claims by way of further announcement(s) as and when necessary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Financial assets				
At amortised cost	11,148,534	11,147,596	4,261,735	1,629,292
Financial liabilities				
At amortised cost	13,554,693	12,714,254	3,410,098	1,522,260

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:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Foreign exchange risk (continued)

Denominated in:	**USD** **$**
At 31 December 2020	
Financial assets	
Cash and bank balances	920,695
Trade receivables	1,994,405
	2,915,100
Financial liabilities	
Trade payables	572,859
Net financial assets denominated in USD	2,342,241

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**	
	2021 **$**	**2020** **$**
USD/SGD – strengthened 10% (2020: 10%)	322,142	194,406
– weakened 10% (2020: 10%)	(322,142)	(194,406)

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Sensitivity analysis for interest rate risk

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

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in Singapore Dollars ("SGD"). If the SGD interest rates increase/decrease by 50 (2020: 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 $10,313 (2020: $13,006) 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 3 (2020: 5) largest trade receivables represented 71% (2020: 56%) 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 $9,623,328 (2020: $10,962,098) (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 2021

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Concentration of credit risk and maximum exposure (continued)

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

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Significant increase in credit risk (continued)

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

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 4 years past due for major shipyards or 3 years past due for other counterparties unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Estimation techniques and significant assumptions (continued)

Movements in credit loss allowance are as follows:

	Trade receivables and contract assets $	Other receivables $	Total $
Group			
Balance at 1 January 2020	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
Loss allowance measured:			
Lifetime ECL			
– simplified approach	76,937	–	76,937
Receivables recovered	(57,586)	–	(57,586)
Balance at 31 December 2021	449,563	–	449,563

Trade receivables and contract assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Trade receivables and contract assets (continued)

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

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2021 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 E	Category E	Category E	Category E

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2020 were set out in the provision matrix below:

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

	Debts category:					
	Category A	**Category B**	**Category C**	**Category D**	**Category E**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
2021						
Expected credit loss rate	0%	0.5%	1%	1.5%	100%	
Estimated total gross carrying amount at default	8,171,858	3,279,641	78,660	2,547	367,215	11,899,921
Lifetime ECL	–	(47,747)	(32,611)	(1,990)	(367,215)	(449,563)
						11,450,358
2020						
Expected credit loss rate	0%	0.5%	1%	1.5%	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)
						12,335,741

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables (excluding prepayments, GST recoverable 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:

Group **2021**	**12-month or lifetime ECL**	**Gross carrying amount** **$**	**Loss allowance** **$**	**Net carrying amount** **$**
Other receivables (excluding prepayments, GST recoverable and advance payment to supplier)	12-month ECL	380,451	–	380,451
Cash and bank balances	N.A. Exposure Limited	4,724,728	–	4,724,728
Company				
Other receivables (excluding prepayments)	12-month ECL	2,944,872	–	2,944,872
Cash and bank balances	N.A. Exposure Limited	1,316,863	–	1,316,863
Group 2020				
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

The credit loss exposure for other receivables and cash and bank balances are immaterial as at 31 December 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk (continued)

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.

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				
2021				
Trade payables	1,051,200	–	–	1,051,200
Other payables	2,180,228	–	–	2,180,228
Borrowings (excluding lease liabilities)	2,947,449	6,267,984	–	9,215,433
Lease liabilities	204,907	981,219	1,737,312	2,923,438
	6,383,784	7,249,203	1,737,312	15,370,299
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
	4,746,283	7,900,470	2,117,637	14,764,390

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Liquidity risk (continued)

	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Company				
2021				
Other payables	358,229	–	–	358,229
Lease liabilities	161,591	807,957	484,774	1,454,322
Term loan	719,304	1,378,658	–	2,097,962
Financial guarantees*	7,546,156	–	–	7,546,156
	8,785,280	2,186,615	484,774	11,456,669
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
	10,900,558	657,566	821,783	12,379,907

* 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 $7,546,156 (2020: $10,425,176). 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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(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 $
2021					
Segment revenue:					
Sales to external customers, representing total revenue	6,745,409	12,665,166	2,902,656	–	22,313,231
Segment results	(963,276)	(1,375,036)	173,138	6	(2,165,168)
Other significant non-cash expenses					
Depreciation of property, plant and equipment	37,431	251,082	364,832	582,548	1,235,893
Net impairment losses on financial assets	122	75,046	1,769	–	76,937
Share of results of associates	–	–	–	52,373	52,373
Property, plant and equipment written off	–	201,061	2,226	–	203,287
Allowance for inventory obsolescence	–	65,055	–	–	65,055
Segment assets	5,692,698	8,696,166	5,338,553	7,493,968	27,221,385
Segment assets includes					
Additions to non-current assets	5,464	155,586	81,692	–	242,742
Segment liabilities	525,445	8,665,283	1,395,079	3,489,415	14,075,222

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

33 SEGMENT INFORMATION (CONTINUED)

	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
Segment assets includes					
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

Segment results

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

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

	2021 $	2020 $
Segment results	(2,165,168)	656,916
Share of results of associates	52,373	36,216
Finance costs	(504,947)	(467,774)
(Loss)/profit before tax	(2,617,742)	225,358

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 2021

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	
		2021	2020
	Attributable segments	$	$
Customer A	Piping segment	5,261,670	2,765,685
Customer B	Heat exchanger segment	4,883,751	3,521,692
Customer C	Heat exchanger segment	2,959,839	5,216,951
		13,105,260	11,504,328

34 LEASES

Nature of the Group's leasing activities

The Group's activities comprise the following:

i) The Group leases leasehold land from non-related parties. The leases have an average tenure of between 18 to 60 years.

ii) In addition, the Group leases staff accommodation and equipment with contractual terms of an average of one year. These leases are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

34 LEASES (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	
	2021	2020	2021	2020
	$	$	$	$
Classified within property, plant and equipment				
Leasehold properties	1,572,366	1,722,046	1,011,760	1,144,911

Amounts recognised in profit or loss

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Depreciation charge for the financial year of right-of-use assets	149,680	130,894	133,151	114,491
Lease expense not included in the measurement of lease liabilities				
Lease expense – short-term leases	1,133,359	999,836	–	–
Lease expense – low value assets leases	6,500	6,000	–	–
Total	1,139,859	1,005,836	–	–
Interest expense on lease liabilities	113,180	119,196	74,654	80,572

During the financial year, total cash flows for the Group's and the Company's leases amounted to $1,345,153 (2020: $1,231,167) and $176,016 (2020: $164,391) respectively.

As at 31 December 2021, the Group is committed to $336,620 (2020: $181,060) for short-term leases and low value leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Net debt	8,985,086	8,468,309	2,172,552	1,190,202
Total equity	13,146,163	15,977,224	10,849,195	10,688,144
Total capital	22,131,249	24,445,533	13,021,747	11,878,346
Gearing ratio	41%	35%	17%	10%

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 2021 and details of the breach is disclosed in Note 20.

36 SUBSEQUENT EVENT

On 29 December 2021, the Group's wholly-owned subsidiary, Heatec Jietong Pte. Ltd. ("HJPL"), entered into sale and purchase agreements with the minority shareholders of Chem-Grow Engineering Pte. Ltd. ("CGEPL"), and Chem Grow Pte. Ltd. ("CGPL") (collectively, the "Vendors"), pursuant to which the Vendors have agreed to sell, and HJPL has agreed to purchase, an aggregate of 30,000 ordinary shares representing 30% of the issued share capital of CGEPL and 114,000 ordinary shares representing 30% of the issued share capital of CGPL.

The aggregate consideration to be paid by HJPL to the Vendors is $1,600,000, which will be satisfied in cash, in the following manner: the Vendors are to be paid $1,400,000 in aggregate on the date of Completion, and one of the Vendors to be paid $200,000 on the date two years from the date of Completion.

Details of the effects on the Group's financial position, profit or loss and cash flows for the financial year ending 31 December 2022 are not disclosed as the accounting for this business combination is still incomplete at the time these financial statements are authorised for issue.

37 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 2021 were authorised for issue in accordance with a resolution of the directors dated 28 March 2022.

SUSTAINABILITY REPORT

BOARD STATEMENT

The Board of Directors (the "**Board**") of Heatec Jietong Holdings Ltd. (the "**Company**" or "**Heatec**", together with its subsidiaries, the "**Group**") affirms that it provides the strategic direction to the Group and specifically considers sustainability issues as part of its strategic formulation. The Board also acknowledges its responsibility for the Group's sustainability reporting and believes that the following report provides a reasonable and transparent presentation of the Group's strategy and environmental, social and governance ("**ESG**") performance.

FOREWORD BY THE CHAIRMAN

Dear Shareholders,

A company's performance should not only be assessed by how it fares on the financial basis, but also how it upholds its responsibilities from the environmental and social aspects as well. Regardless of industry, a company's operations impact the environment and socio-economic landscape. It is therefore our responsibility to take purposeful measures and initiatives to lessen any negative impact that our economic activities may have, and promote positive outcomes for the betterment of all.

It is with this in mind that we submit to you our 5th Sustainability Report.

The world is increasingly more aware of climate change and environmental sustainability and is taking concrete steps to address these critical issues. Likewise at the Group level, we are cognizant that prioritising ESG requires fundamental alteration to the way we manage our businesses, processes and people. The Board is resolute in providing guidance and oversight in these issues as the Group continues to drive long-term sustainability and value creation. We wish to shape a green planet that our future generations can benefit from while we work even harder to deliver shareholder value to one and all.

Soon Yeow Kwee Johnny
Executive Chairman and Non-Independent Director

11 April 2022

SCOPE OF THIS REPORT

The Group's sustainability report for the twelve months ended 31 December 2021 ("**FY2021**") discussed the development and progress of our sustainability journey in the year under review. This Report references the Global Reporting Initiative ("**GRI**") Standards: Core option issued by the Global Sustainability Standards Board and is guided by the SGX-ST Sustainability Reporting Guide (Practice Note 7F). In preparing the report for the twelve months ended 31 December 2021 ("**FY2021**") (the "**Sustainability Report**" or the "**Report**"), we continue to focus on communicating value creation through our ESG strategies.

The GRI standards remains the core of our disclosure as an internationally recognised framework for sustainability reporting, while we also endeavour to comply or explain in line with SGX's Sustainability Reporting Guide. The GRI Content Index is included on pages 165 to 168, indicating the location of the applicable disclosures within this Report.

This Report covers the ESG performance for all business divisions within the Group over the reporting period. Information is primarily extracted from internal records to ensure accuracy and presented using internationally accepted measurement units.

SUSTAINABILITY REPORT

REPORTING PROCESS

The Board has assigned the responsibility for monitoring and overseeing the Company's sustainability efforts to the Group's Chief Executive Officer.

STATEMENT OF ASSURANCE(102-56)

We rely on our internal processes to verify the accuracy of the ESG performance data and information presented in this Report. At the moment we do not engage the services of an independent assessor to appraise the contents of this Report, but may consider this in the future.

ABOUT THIS REPORT

ORGANISATIONAL STRUCTURE(102-18, 10-19, 102-20, 102-32)

The Group's sustainability strategy is developed and directed by the senior management in consultation with the Board. The Group's Sustainability Committee, which is led by the CEO, comprises the Financial Controller and various heads of departments.

The Committee is tasked to develop the sustainability strategy, review its material impacts, consider stakeholder priorities and set goals and targets, as well as to collect, verify, monitor, and report performance data for this Sustainability Report.

We aim to develop some effective programmes in reduction of resource usage to promote sustainability in progressive milestones over the next three years. Committee members will assist in data collection for reporting and dissemination of the sustainability reporting to stakeholders. Our Sustainability Committee meets every six months to review the goals, and all the relevant departments ensure that these goals are carried out. Any targets behind schedule will be closely monitored and will be brought to the attention of all members to resolve any such issues.

CONTENTS OF THE REPORT

This Report will begin with a review of the material aspects that both stakeholders and the Company view as being critical to the success and sustainability of the Company. We seek to assess any changes in these material aspects when compared to the preceding year, where applicable, and look into issues that may have a large variance. These may include changes to the business environment, stakeholder feedback and sustainability trends.

SUSTAINABILITY REPORT

OUR SUSTAINABILITY POLICY

Heatec places much emphasis on executing a sustainable business strategy with profitability and shareholder value as foremost priorities. As a responsible corporate citizen operating in Singapore and the Asia-Pacific region, the Group's values are articulated in the following principles:

1. CODE OF CONDUCT AND BUSINESS ETHICS

Our Group adopts a Code of Conduct and Business Ethics that stipulates the principles of our conduct and business ethics that apply to all of the Group's employees. This Code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest.

We have also established a whistle-blowing mechanism to aid in the reporting of corporate misconducts, if any. For more details of the whistle-blowing mechanism, please refer to the section below on whistle-blowing. We do not engage in child labour or take unethical means, directly or indirectly, to provide business services in our day-to-day operations. By "indirectly", we are saying that we do not engage in business with partners, suppliers or third-party manufacturers that are known to use unethical means in their business processes.

2. HEALTH, SAFETY AND THE ENVIRONMENT

Management of health, safety and the environment are high on our list of priorities. We continuously seek to minimise the impact of our activities through water and energy conservation, as well as through having a robust workplace safety management programme.

3. EMPLOYEES

We believe in engaging and developing our staff to their fullest by providing opportunities for development and growth.

4. COMMUNITY

We believe in giving back to the society through supporting various charitable initiatives and community projects.

MATERIALITY[102-42, 102-43, 102-44]

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 adopted 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.

Stakeholder	Engagement Method	Frequency	Areas of Concern
Employees	Townhall sessions Open dialogues among teams Comprehensive training Staff appraisal Employee survey	Once a year	Company's plans and goals Benefits of employees Working hours

SUSTAINABILITY REPORT

Stakeholder	Engagement Method	Frequency	Areas of Concern
Investors/Shareholders	Annual Report Annual General Meeting Investor meetings/Roadshows Teleconferences Corporate Announcements Press releases Company website	Throughout the year	Financial performance
Customers and Consumers	Frontline interaction with sales staff Hotline Email queries Customer feedback Customer surveys	Throughout the year	Risk assessment
Local Communities	Donations Face-to-face meetings Internships with schools	Throughout the year	Impact to society Value to society
Suppliers and Service Providers	Face-to-face meetings Annual audit review on quality Feedback sessions	As required	Prompt payment
Government and Regulators	Face-to-face meetings Discussions	As required	Compliance

In order to determine if an aspect is material, we have assessed 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 the 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:

ECONOMIC

- Economic Performance
- Anti-Corruption

ENVIRONMENT

- Energy
- Effluents and Water
- Environmental Compliance

SOCIAL

- Occupational Health and Safety
- Training and Education
- Diversity and Equal Opportunity
- Local Communities

GOVERNANCE

- Corporate Governance
- Enterprise Risk Management
- Customer Privacy

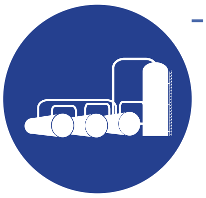
SUSTAINABILITY REPORT

ECONOMIC

Economic Performance[201-1, 201-3, 201-4]

As a public-listed company, Heatec is focused on generating healthy financial yields for our shareholders, infrastructure development through tax and other payments to local governments, and creating employment and other gains in the local economies and communities where our operations are based.

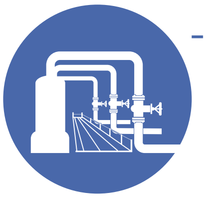
The Group's main activities are:



– **Heat Exchanger Services**

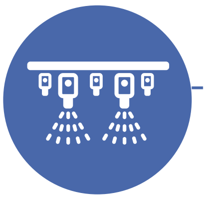
Under our Heat Exchangers segment, our Design & Build Division designs and manufactures heat exchangers from our headquarters in Singapore. Our products are deployed in operations on-board floating production storage and offloading units ("FPSO") and in refineries, petrochemical plants, power stations, among others, situated all over the world, including Europe, Middle East, Australia, Asia and South America.

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, freshwater generators, and other heat transfer applications.



– **Piping Services**

Heatec provides piping services for all types of process pipes and systems to shipyards in Singapore, specialising in exotic materials and high-pressure systems used on-board FPSOs and oil rigs. 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.



– **Chemical Cleaning**

Through our subsidiary Chem-Grow Pte. Ltd., we are engaged in the chemical cleaning of boilers, coolers and pipelines for the marine, oil & gas, food, and chemicals industries.

Our Group implements industry best-practices and also adopts international standards such as ISO9000 and ISO 45001:2018 to bolster sustainability efforts.

Achieving organic growth remains our strategy and contributes to our goal of achieving long-term sustainable growth. The Group also continues to look for opportunities to accelerate its growth continuum, while enhancing sustainability efforts.

In the immediate term, the Group plans to improve its economic performance by increasing its revenue while at the same time, managing its costs. Its short-term target is to secure more contracts and maintain a sustainable relationship with its existing customers.

In the medium to long term, the Group will actively seek new opportunities in the FPSO segment by tapping on its track record and strong reputation as a one-stop heat exchanger solutions provider. The Group will also continue to enhance its competitiveness and operational efficiency. Apart from focusing on the growing FPSO business, it targets inorganic growth through synergistic and complementary opportunities.

SUSTAINABILITY REPORT

	FY2021 S$'000	FY2020 S$'000
Economic value generated[(1)]	23,495	23,375
Operating Costs (related to supply chain)	18,151	16,064
Operating Costs (not related to supply chain)	7,518	6,662
Employee benefits expenses	12,799	9,700
Distribution to providers of debt capital[(2)]	392	349
Distribution to governments/taxes	51	30

Notes:

(1) Economic value generated is derived by summing revenue and other income.

(2) Distribution to providers of debt capital refers to Interest paid to the lenders.

DEFINED BENEFIT PLAN OBLIGATIONS

	FY2021 S$'000	FY2020 S$'000
Central Provident Fund (CPF) provisions	482	425

The Group's benefit plan obligations include Central Provident Fund ("**CPF**") provisions for our local and Singapore permanent resident employees. These provisions are met by our Group's general funds, as there is no separate fund to fulfil these obligations.

CPF is a social security savings scheme for Singaporeans, funded by contributions from employees and their employers, and provides for Singaporeans' housing, healthcare, and retirement needs.

Under the CPF scheme, every employee contributes 20% of their gross salary into their CPF accounts and the Company contributes 17% of the employee's gross salary into their CPF accounts. For low-wage employees, the government provides additional tops-up to their CPF accounts through income supplementary schemes such as Workfare Income Supplement Scheme, and additional top-ups for the elderly for healthcare needs. For employees earning more than $6,000 per month, the total CPF contribution is capped at $2,220.

Legislated by the Singapore government, the CPF scheme is mandatory for Singaporeans and Singapore permanent residents.

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

	FY2021 S$'000	FY2020 S$'000
Grants from government agencies	1,096	2,467

SUSTAINABILITY REPORT

In FY2021, the Group received a total of approximately S$1.1 million in grants from Singapore government agencies. This was a decrease of 55.6% compared to the previous year, mainly due to fewer grants received from government agencies in FY2021 as compared to FY2020.

These include grants that the Group was eligible for under the relevant government incentives, such as the Singapore Government's Jobs Support Scheme which provides wage support to employers to help retain their local employees (Singapore citizens and permanent residents) during the COVID-19 pandemic. In addition, the Group had also benefited from foreign worker levy rebates from the Ministry of Manpower.

No government or government body is present in the Group's shareholding structure.

In FY2022, we are expecting government grants to be reduced by as much as 70% due to lower foreign worker levy rebates and Job Support Scheme subsidies.

ANTI-CORRUPTION[205-1, 205-2]

ANTI-CORRUPTION POLICY

The Group defines corruption as a dishonest or fraudulent conduct by those in power, typically involving bribery. In its Employee Handbook, the Group defines a bribe as "persuading someone to act in one's favour, usually illegally or dishonestly, by the giving of gifts, money or other inducements." The Group sees kickbacks as a form of negotiated bribery in which a commission of some sort is paid to the bribe-taker as a "quid pro quo" ("this for that") for services rendered.

Heatec adopts a zero-tolerance approach towards any form of corruption, and our employees are prohibited from giving or accepting bribes, kickbacks or similar payments at home or abroad to any person or entity to obtain or retain business or business advantage, and/or influence acts or decisions of a person or entity.

The Group has established an anti-corruption policy to ensure compliance with the relevant anti-corruption laws. This includes compliance with all laws, both domestic and foreign, and prohibits improper payments and/or gifts of any kind both to and from any person, including officials, customers and suppliers.

ANTI FRAUD POLICY

In addition, any fraudulent actions, proven or suspected, whether perpetrated by a staff member or external parties, will be referred to the appropriate authorities, internally or externally, at the earliest possible opportunity. The Group defines fraud as "any illegal act characterised by deceit, concealment, or violation of trust." These acts are not dependent upon the application or threat of violent or of physical force. Fraud is perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Fraud may involve falsification or alteration of accounting records; misappropriation of assets or theft; suppression or omission of the effects of transactions from records or recording of transactions without substance; intentional misapplication of accounting policies or wilful misrepresentation of transactions or of the entity's state of affairs; misapplying corporate or bank funds, and manipulation of information system applications and data for personal advantage.

The Group takes breaches of these policies seriously and ensures that the policy is adhered to.

SUSTAINABILITY REPORT

Apart from having anti-corruption and anti-fraud policies, the Group is resolute in its efforts to prevent corruption and fraudulent activities. Through effective corporate governance, we ensure that our business operations observe all requisite laws and regulatory requirements, and that all financial transactions are recorded in the Group's books. We are committed to adhering to both the letter and the spirit of these laws and requirements. The Group manages risks related to corruption through various internal controls and corporate policies.

Staff Members & Employees

All employees are expected to comply with these policies. Any employee who violates the Anti-Corruption Policy will be subject to disciplinary action. Any employee who has direct knowledge of potential violations, but fails to report the potential violations to management will also be subject to disciplinary action. Any employee who misleads or impedes an investigation regarding corrupt or potentially corrupt acts will be subject to disciplinary action. In all cases, disciplinary action may include termination of employment.

Every year, all staff who work in supply chain management and procurement are required to declare any possible conflicts of interest.

The Group also requires that all employees report any forms of corruption to management, relating any suspicions, observations or queries they may have. The Group also has set up a whistle-blowing procedure for employees and third parties to report such breaches.

The Group will similarly ensure that no retaliatory actions will be taken against employees who use these channels in good faith to raise questions or report behaviour that breaches the policy.

The Group will also continue to promote training on preventing and combating corruption.

Business Associates and Partners

The Group's business partners and associates are similarly expected to comply with these anti-corruption policies and the Group reserves the right to take actions against any business party who acts in contrary to the policy.

In line with this, the Group will also ensure extra caution and scrutiny in cases where there may be a lack of integrity with any person or entity with whom we deal with, to ensure that the Group only establishes business relationships with qualified and reputable persons and entities.

The Group provides its employees with guidelines on the appropriate responses to gifts received from business associates or customers. Employees are expected to comply with these guidelines in order to maintain their integrity, reputation, as well as professionalism. These guidelines also prevent creating any obligation to the customers or business associates that may arise from accepting gifts or favours.

Vendors & Other External Parties

Contractors, suppliers, and other vendors' performance are evaluated by the Group on an annual basis to ensure compliance with the Group's requisite standards.

SUSTAINABILITY REPORT

WHISTLE-BLOWING

The Group has in place a whistle-blowing policy that allows for staff and other persons to report any matters that may be suspicious or concerns regarding business matters, from accounting, financial reporting, auditing, internal controls to business operations.

The policy provides procedures and practices to ensure that concerns are investigated independently and followed up with the appropriate response.

This information is communicated to employees via the Employee Handbook which is accessible via the Company's internal server. All employees can call the Whistleblowing Hotline – 8417 9161 – to report any irregularities. Staff may report anonymously or otherwise with confidence that they shall face no reprisal.

In FY2021 and FY2020, there were no whistleblowing incidents reported. There were also no cases of detected fraud or corruption. The Group is committed to its zero-tolerance attitude towards any reported whistleblowing incidents, as well as fraud and corruption.

ENVIRONMENT

Despite the challenging business landscape, the Group is committed to playing its role in environmental protection and the conservation of natural resources in its operations such as minimizing the wastage of energy and water, as well as the proper disposal of chemicals and waste materials. We endeavour to reduce emissions, raise energy efficiencies, reduce and recycle our waste, as well as conserve water resources. Our staff and customers are also actively engaged in tackling these challenges and advocating for these causes.

Energy[302-1 to 302-5]

We monitor our energy at our workplaces to ensure that we use our resources economically, meaningfully, and responsibly. Our target is to maintain not more than 10% increase in electricity consumption.

	FY2021	FY2020	Change (%)
Electricity consumption (KwH)	562,327	505,762	11.2

In FY2021, the consumption of electricity in our worksites and offices grew by 11.2% largely due to the lower consumption base in FY2020 as a result of the nation-wide circuit breaker period when we were not allowed to operate for about a month. As we were later classified as essential services, we were allowed to resume operations from June 2020. In spite of this, work activities continued to be restricted due to strict restrictions on foreign worker dormitory situation which lasted several months in 2020. In FY2021, our operations continued per normal, which explained the 11.2% jump electricity consumption year-on-year.

On an ongoing basis, the Group continually seeks to lower electricity consumption by closing off floors that are not utilised and shutting down air-conditioning compressors in those areas. Our administrative offices do not use centralised air-conditioning but modular units.

We remain committed to our target of maintaining not more than 10% increase in electricity consumption in FY2022.

SUSTAINABILITY REPORT

Effluents and Waste[306-1, 306-2; 303-1 to 303-5]

The Group uses a 3-R approach – ***Reduce, Reuse, Recycle*** – which advocates bringing production waste to a minimum. This helps to reduce the impact of our business operations on the environment. We encourage the re-utilisation and recycling of these resources wherever possible.

	FY2021	FY2020	Change (%)
Volume of water used in the operations (cubic metres)	5,339	4,600	16.1
Volume of effluent water treated and discharged (cubic metres)	2,563	2,208	16.1
Mild Steel scrapped & sold (tonnes)	7.0	4.1	70.7

Treatment of Effluent Water

The Group's main activity is in the manufacture and maintenance of heat exchangers which involves chemical cleaning to circulate and remove mineral deposits from heat exchanger tubes. The process of chemical cleaning involves the use of alkali and acidic chemicals which are flushed out by water. The resulting effluent water is subsequently treated via the trade effluent system, neutralizing the effluent water before it is discharged into the public sewerage system (IC). The trade effluent system is physically monitored by Singapore's National Environment Agency (NEA) to ensure the system's efficacy in neutralizing the effluent water before it is disposed.

Our Group has round-the-clock monitoring through the NEA-approved waste effluent system.

In FY2021, the Group used 5,339 cubic metres of water in its operations, of which 2,563 cubic metres were treated and discharged. Water usage grew by 16.1% due to a lower base in the previous year due to lower manufacturing activities due to heightened pandemic measures.

The Group targets an increase of no more than 10% in water usage in FY2022.

Disposal of Waste Materials

In our operations, mild steel is used in the manufacture of various parts of the heat exchanger which usually involves cutting of mild steel sheets. Invariably, there will be wastage although we have a target of not exceeding wastage of 3%. The wastage will be reused for smaller parts or thrown into scrap bins. Scrap metal accumulated are disposed by selling to scrap metal dealers.

The amount of scrap metal accumulated at the end of FY2021 came up to 7.0 tonnes, which was 70.7% more than what was accumulated in FY2020. The large increase was due to the higher volume of production activities following a year of relatively inactive year due to the pandemic outbreak in FY2020. These were sold off to the appointed scrap metal dealer.

The Group targets an increase of no more than 3% in mild steel scrapped and sold in FY2022.

Environmental Compliance[307-1]

As with the previous year, the Group did not record any incident in FY2021 regarding non-compliance with environmental laws and regulations resulting in significant fines or sanctions, and we endeavour to maintain this track record.

SUSTAINABILITY REPORT

SOCIAL

Occupational Health and Safety[403-1 to 403-10]

The Group's Occupational Health and Safety ("**OH&S**") policy complies with the requirements of ISO 9000 and ISO 45001:2018.

In our business undertakings, we are committed to:
- Meeting or exceeding customer requirements and expectations
- Providing safe and healthy working conditions for the prevention of work-related injury and ill health
- Meeting our ultimate OH&S objective of zero incident and injury
- Complying with legal and other requirements
- Eliminating hazards and reduce OH&S risks
- Consultation and participation of our workers and their representatives
- Inculcating a culture of safety in our organization

The ultimate goal is to maintain 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.

We do this by continually improving our OH&S performance by reducing, minimising, and preventing health and safety breaches associated with work-related injury and ill health. Our target is to have no more than three Ministry of Manpower ("**MOM**")-reportable incidents each year.

MOM-reportable incidents are work-related accidents, dangerous occurrences and occupational diseases that are required by law to be reported to Singapore's MOM within ten days of the accident or diagnosis.

	FY2021	FY2020	Change (%)
Work-related accident frequency rate (AFR)	1.22	0.82	48.8
Work-related severity rate (SR)	27.15	27.03	0.4

Accident Frequency Rate ("**AFR**") is one of the key safety indicators that companies use to identify and analyse the number of occupational accidents that happen in the workplace. Any accident which is reported on site or in the workplace will become a part of the AFR. The AFR helps to track the number of accidents which occur from project to project or year to year – to compare safety performance. Most statistical analyses of accidents are based on either frequency or severity or both. The standard AFR, which represents the number of disabling injuries for given man-hours of exposure, is defined as the total time charged as a result of lost time injury for a given number of man-hours of exposure. Therefore, the AFR indicates how many injuries are occurring in relation to number of man-hours worked and the severity rate indicates how severe those injuries are in terms of wage lost in relation to hours of exposure.

Our aim is to reduce the AFR, and we have policies in place to prioritise the safety of our employees, with the aim of lower the severity rate in the event an accident were to inevitably occur.

In FY2021, the Group reported seven cases which worked out to an AFR of 1.22, which was approximately 48.8% higher than in FY2020. FY2020 was an unusual year as it was the start of the COVID-19 pandemic, and the Group experienced a few months of lockdown in Singapore, with fewer man-hours worked, and accordingly, a lower AFR. Notwithstanding the lower rate of activities in FY2020 there were four cases of work-related incidents reported in FY2020. Fortunately, in FY2021, the severity of the cases were less serious and the amount of medical leave recorded was lower.

SUSTAINABILITY REPORT

Moving forward, the Company will increase safety awareness in its subsidiaries by getting them involved in safety-related programmes and training. As a Group, we will work towards a safer working environment for everyone.

The Group has implemented ISO45001:2018 which replaces OHSAS18001 accordingly.

With oversight from the Group's Safety Officer, the Group's OH&S practices are regularly discussed in monthly safety meetings which are represented by all operational departments. The Safety Officer conducts risk assessments to identify hazards and employ control measures for high-risk activities. This risk assessment system is audited every three years, and the training and work activities of our workers are also reviewed every year by the Safety Committee of the Group.

Staff are continually reminded of safe practices in the workplace, and the Safety Officer personally ensures that new entrants are briefed as well. Staff who do not comply are appropriately counselled and given written warnings subsequently if unheeded.

At Heatec, our operational staff are required to attend a Shipyard Safety Induction Course before they start work, as required by MOM. In addition, there are supplementary trainings on first aid and fire emergencies.

Training & Education[404-1, 404-2, 404-3]

Our goal is to always have a team of highly motivated and well-trained employees to deliver quality services to our customers. To ensure this is achieved, the Group has in place a comprehensive training matrix specially designed to meet the various needs of all employees so that they can perform and progress optimally.

The comprehensive training matrix includes sponsorship of further education, job-related workshops, training sessions and seminars. The training needs of our staff are identified through the employees' annual performance reviews. We also conduct in-house safety induction programmes for all new employees (both administrative and technical) to make sure they are aware with the need to comply with the rules and adhere to safety protocols.

Our staff training is specially designed for two categories of staff – namely, technical and administrative. Technical training, such as welding and hot work, are specifically for staff who work in the shipyards and workshops. New technical staff are required to attend safety courses (minimum of 10 training hours which includes external safety courses and internal safety induction) before they commence work at our premises.

Administrative staff are usually sent for on-the-job training. New administrative staff are required to undergo 40 training hours (on-the-job training as well as safety induction) as part of their first week of work with the Company.

Due to the COVID-19 pandemic, it was not possible to carry out our training programmes as planned in FY2020. However, with the relaxation of COVID-19 measures in FY2021, the Group was able to resume training for both its technical and administrative employees. On average, we achieved an average of 2,836 training hours for our 410 technical staff, and 200 training hours for our 80 administrative staff.

Moving forward, we will source for additional training online for all staff. The Group continues to prioritise training as soon as our operations are normalised. Our long-standing target is to provide 40 hours of training to new employees before commencing work and 8 hours of training to existing employees each year. Heatec targets to provide more management training programmes in FY2022.

SUSTAINABILITY REPORT

Diversity and Equal Opportunity[405-1]

Heatec strongly believes in diversity and equal opportunity for all staff at the workplace ad does not tolerate any form of racial discrimination or gender-bias.

We employ and provide development opportunities based on the necessary skills and experience that will enable the individuals to excel in their relevant roles, regardless of gender, ethnicity, religion, sexual orientation, disability or any other non-work-related personal attributes. These principles are also reflected in our recruitment and career advancement practices, based on the individual's merit, capabilities, and attitude.

In addition, we are committed to fair employment practices and upholding the Fair Employment Practices governed by the Tripartite Alliance for Fair Employment Practices ("**TAFEP**"), comprising MOM, Singapore National Employers Federation and the National Trade Union Congress. These would include promising an inclusive workplace for all, based solely on merit and ability and governed by best practices in human resource management. We provide equal opportunities for progression with the organisation, training and development and other enrichment opportunities.

As at 31 December 2021, the Group has 490 employees at its Singapore operations, which also includes its subsidiaries.

On a gender diversity basis, the number of women in the Group's total headcount rose by 1 percentage point to 3%, while the number of men dipped to 97%. The Group reiterates that it does not practice gender discrimination and possessing the requisite skillsets is the paramount factor in our recruitment efforts. The nature of the Group's business requires heavy lifting of metal parts for the marine, oil & gas industry. As such, most of its technical staff are men.

During the year in review, about 82% of the Group's workforce is under the age of 50 years (FY2020: 93%). In terms of geographical spread, some 11% of its employees are Singaporeans (FY2020: 14%), while the remaining 89% are foreigners (FY2020: 86%) who hail from Malaysia, India, Myanmar, Thailand and other countries in the region. The nature of the Group's core activities is heavily dependent on foreign labour.

About 84% of the Group's staffing are technical and non-management (FY2020: 82%), while executives and above make up the remaining 16% (FY2020: 18%).

About half of the headcount in FY2021 served less than 5 years with the Group (FY2020: 48%), while 18% have served more than 16 years (FY2020: 17%). Some 33% served between 6 to 15 years (FY2020: 35%).

In the immediate term, the Group intends to maintain the current level of headcount as well as its gender and geographical diversity. In the medium to long term, while the headcount level may be adjusted upwards in tandem to operational requirements, the Group targets to provide equal opportunities to all staff and candidates at all times.

GENDER RATIO

	FY2021	FY2020
Men	**97%**	**98%**
Women	**3%**	**2%**
Total	**100%**	**100%**

SUSTAINABILITY REPORT

AGE DISTRIBUTION

	FY2021	FY2020
Below 30 years old	11%	13%
31 – 50 years old	71%	79%
51 – 65 years old	13%	7%
Above 65 years old	5%	1%
Total	100%	100%

NATIONALITY

	FY2021	FY2020
Singaporean	11%	14.2%
Malaysian	1%	2.1%
Indian	28%	29%
Myanmar	6%	5.2%
Bangladesh	51%	48.3%
Thailand and others	3%	1.2%

PMET CLASSIFICATION

	FY2021	FY2020
Senior Management	1%	1.1%
Middle Management	3%	3.5%
Executives	7%	6.7%
General staff	89%	88.7%
Total	100%	100%

YEARS OF SERVICE

	FY2021	FY2020
Below 5 years	49%	48%
6-10 years	16%	17%
11-15 years	17%	18%
Above 16 years	18%	17%
Total	100%	100%

SUSTAINABILITY REPORT

SENIOR MANAGEMENT[202-2]

	FY2021	FY2020
Senior Management	**1.3%**	**1.1%**

Local Communities[413-1, 413-2]

As a responsible publicly listed company, Heatec is mindful of its role as a corporate citizen to look after the interests of the larger community that it operates in. Every year, the Group, together with its staff, contributes funds, time and effort to support various meaningful causes.

However, in the last two years, because of safe management measures imposed by the Singapore Government in response to the COVID-19 pandemic, we had suspended our community outreach programme. Instead, we focused our efforts on making our foreign staff who are living in our company quarters feel more at home.

We also aim to develop training programmes for relevant groups in the community, such as industrial attachment opportunities for tertiary students. In 2020, we had a student from Ngee Ann Polytechnic who was attached to the Quality Assurance/Quality Control department for three months. However, this internship programme was suspended in FY2021 due to the Singapore Government's Circuit Breaker measures.

We hope to continue with this relationship with Ngee Ann Polytechnic, and to offer more opportunities for their students. We find such internship programmes mutually beneficial as the interns receive an opportunity for structured learning while being mentally prepared for their career in the near future.

GOVERNANCE

Corporate Governance[102-18 to 102-29]

Corporate governance is a critical factor in ensuring a company's long-term viability, and the Group is strongly committed to its best practices. We believe in developing sound, consistent policies and practices by complying with both the letter and the spirit of Singapore's Code of Corporate Governance 2018.

Despite it being a continual challenge to successfully manage environmental and social issues, the Group remains committed to focusing on sustainability while infusing its principles into its business model and corporate culture. Our products and services meet all the requirements demanded by our customers and regulatory bodies, as well as all environmental and safety standards.

We also pay close attention to enforcing good labour practices in all our operations. In addition, we provide many training opportunities for staff development, and this is reflected in the quality and delivery of our products and solutions.

We strongly believe that in the long run, these efforts will have a positive impact on our economic performance.

Please refer to pages 14 to 72 of this Annual Report for a detailed discussion of our Corporate Governance practices.

SUSTAINABILITY REPORT

Enterprise Risk Management[102-30]

Managing business risks is a key part of ensuring corporate sustainability and over the years, the Group has adhered to the strict discipline of integrating strategic risk management practices in all of our decision-making processes.

We adopt a structured approach to identifying and managing our risk profiles before making strategic decisions that would affect the Group's performance. These risk factors would include those pertaining to the overall market, credit, operations, legal, finance as well as ESG issues.

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. Our robust risk and control framework is also designed to ensure that our strategic business decisions prioritise stakeholder value while complying with the legal and regulatory requirements. At the same time, we consider the ESG issues as key to the Group's short, medium or long-term sustainability. In identifying these material issues, the Group seeks to ensure that pertinent implications of legislative and regulatory changes as well as socio-economic and reputational drivers are well managed. The Group proactively seeks to integrate sustainability considerations into its businesses, mitigate risks and continuously improve business operations to deliver positive value to our stakeholders.

The Board will continue its risk assessment, which is an on-going process, with a view to improve the Group's internal control system.

Please refer to pages 60 to 66 of this Annual Report for a more detailed discussion of our Risk Management initiatives.

Customer Privacy[418-1]

Cyber security and data privacy are important not just for compliance but also to safeguard our data and that of our internal and external stakeholders. The Group's Data Protection Policy was set up in response to Singapore's Personal Data Protection Act ("**PDPA**") which provides a baseline standard for protection of personal data in Singapore. It comprises various requirements governing the collection, use, disclosure and care of personal data. It also contributes to the establishment of a national Do Not Call ("**DNC**") Registry. Individuals may register their Singapore telephone numbers with the DNC Registry to opt out of receiving unwanted telemarketing messages from organisations.

The PDPA recognises both the need to protect individual personal data and the needs of organisations to collect, use or disclose personal data for legitimate and reasonable purposes. It safeguards personal data from misuse and maintains individual trust in organisations that manage their data.

The Group's Data Protection Policy was established and has been in force since 2021. Administered by the Group-appointed Data Protection Officer, the Group's Data Protection Policy sets out the basis upon which the Group may collect, use, disclose or otherwise process personal data of employees and job applicants in accordance with Singapore's PDPA. This Policy applies to personal data in our possession or under our control, including personal data in the possession of organisations that we have engaged to collect, use, disclose or process personal data for our purposes.

The Group did not receive any complaints in FY2021 with regard to a breach of privacy, nor with regard to leaks, thefts, or losses of personal data. In FY2022, the Group intends to maintain this level of zero complaints.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

General Disclosures

Disclosure Number	Title	Page Reference
102-1	Name of organisation	Heatec Jietong Holdings Ltd
102-2	Activities, brands, products, services	Annual Report FY2021 AR: 01
102-3	Location of headquarters	AR: 12
102-4	Location of operations	AR: 12
102-5	Ownership	AR: 169-170
102-6	Markets served	AR: 01
102-7	Scale of the organisation	AR: 09-11
102-8	Employees	Sustainability Report FY2021 SR: 161-163
102-9	Supply Chain	None
102-10	Significant changes	None
102-11	Precautionary Principle	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	None
102-14	Statement from senior decision maker	AR: 02-03 SR: 149
102-16	Values, principles, standards and norms of behaviour	Content Page
102-18	Governance structure	AR: 12
102-40	List of stakeholder groups	SR: 151-152
102-41	Collective bargaining agreements	None
102-42	Identifying and selecting stakeholders	SR: 151-152
102-44	Key topics and concerns raised	SR: 151-152
102-45	Entities included in the consolidated financial statements	AR: 116-122
102-46	Defining report content and topic boundaries	SR: 149-150
102-47	List of material topics	SR: 151-152
102-48	Restatement of information	Not applicable
102-49	Changes in reporting	None
102-50	Reporting period	SR: 149

SUSTAINABILITY REPORT

Disclosure Number	Title	Page Reference
102-51	Date of most recent previous report	31 December 2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions about the report	None
102-54	Claims if reporting in accordance with GRI Standards	This report has been guided by the GRI Standards (Core option)
102-55	GRI content index	SR: 165-168
102-56	External Assurance	We may seek external assurance in the future

Material Topics

ECONOMIC PERFORMANCE

Disclosure Number	Title	Page Reference
ECONOMIC PERFORMANCE		
GRI 201-1	Direct economic value generated and distributed	SR: 153-154
GRI 201-3	Defined benefit plan obligations and other retirement plans	SR: 154
GRI 201-4	Financial assistance received from government	SR: 154-155

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GRI 205-1	Operations assessed for risks related to corruption	SR: 155
GRI 205-2	Communication and training about anti-corruption policies and procedures	SR: 155-156

ENERGY		
GRI 302-1	Energy consumption within the organisation	SR: 157
GRI 302-2	Energy consumption outside of the organization	SR: 157
GRI 302-3	Energy intensity	SR: 157
GRI 302-4	Reduction of energy consumption	SR: 157
GRI 302-5	Reduction in energy requirements of products and services	SR: 157

SUSTAINABILITY REPORT

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GRI 303-1	Interactions with water as a shared resource	SR: 158
GRI 303-2	Management of water discharge-related impacts	SR: 158
GRI 303-3	Water withdrawal	SR: 158
GRI 303-4	Water discharge	SR: 158
GRI 303-5	Water consumption	SR: 158
GRI 306-1	Water discharge by quality and destination	SR: 158
GRI 306-2	Waste by type and disposal method	SR: 158

ENVIRONMENTAL COMPLIANCE		
GRI 307-1	Non-compliance with environmental laws and regulations	SR: 158

OCCUPATIONAL HEALTH AND SAFETY		
GRI 403-1	Occupational health and safety management system	SR: 159-160
GRI 403-2	Hazard identification, risk assessment, and incident investigation	SR: 159-160
GRI 403-3	Occupational health services	SR: 159-160
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	SR: 159-160
GRI 403-5	Worker training on occupational health and safety	SR: 159-160
GRI 403-6	Promotion of worker health	SR: 159-160
GRI 403-7	Prevention and mitigation occupational health and safety	SR: 159-160
GRI 403-8	Workers covered by an occupational health and safety	SR: 159-160
GRI 403-9	Work-related injuries	SR: 159-160
GRI 403-10	Work-related ill health	SR: 159-160

TRAINING & EDUCATION		
GRI 404-1	Average hours of training per year per employee	SR: 160
GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	SR: 160
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	SR: 160

SUSTAINABILITY REPORT

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405-1	Diversity of governance bodies and employees	SR: 161-163

LOCAL COMMUNITIES		
413-1	Operations with local community engagement, impact assessments and development programs	SR: 163
413-2	Operations with significant actual and potential negative impacts on local communities	SR: 163

GOVERNANCE		
102-18	Governance structure	SR: 163 AR: 14-72
102-19	Delegating authority	AR: 18
102-20	Executive-level responsibility for economic, environmental and social topics	AR: 149-150
102-21	Consulting stakeholders on economic, environmental and social topics	SR: 151-152
102-22	Composition of the highest governance body and its committees	AR: 12, 14-72
102-23	Chair of the highest governance body	SR: 149 AR: 2-3, 12
102-24	Nominating and selecting the highest governance body	AR: 14-72
102-25	Conflicts of interest	AR: 15
102-26	Role of highest governance body in setting purpose, values and strategy	SR: 149-150
102-27	Collective knowledge of highest governance body	SR: 149-150
102-28	Evaluating the highest governance body's performance	AR: 14-72
102-29	Identifying and managing economic, environmental and social impacts	SR: 151-152

ENTERPRISE RISK MANAGEMENT		
102-30	Effectiveness of risk management processes	SR: 164 AR: 60-66

CUSTOMER PRIVACY		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	SR: 164

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2022

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)

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	18	6.64	12,745	0.01
1,001 – 10,000	54	19.93	364,000	0.30
10,001 – 1,000,000	189	69.74	20,237,423	16.46
1,000,001 and above	10	3.69	102,345,177	83.23
	271	**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 a 33.33% shareholder of Tru-Marine Pte. Ltd., and is thus 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 1967.

(2) Mr Loke Yuen Kong is a 33.33% shareholder of Tru-Marine Pte. Ltd., and is thus 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 1967.

(3) Mr Chan Hon Sing is a 33.33% shareholder of Tru-Marine Pte. Ltd., and is thus 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 1967.

(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 2022

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	4,176,245	3.40
7.	Goh Guan Siong (Wu Yuanxiang)	2,387,900	1.94
8.	Mohamed Abdul Jaleel s/o Muthumaricar Shaik Mohamed	2,000,000	1.63
9.	Soon Jeffrey	1,400,000	1.14
10.	Seow Jing Yi Jonah	1,230,000	1.00
11.	Soon Janice	1,000,000	0.81
12.	Soon Jenson	1,000,000	0.81
13.	Soon Jeremy	1,000,000	0.81
14.	Soon Ji Ling Jacqueline (Sun Jieling)	1,000,000	0.81
15.	Wang Jian Guo	928,000	0.75
16.	Estate of Leow Sau Ching Helena, Deceased	770,000	0.63
17.	Tan Eng Chua Edwin	722,300	0.59
18.	Low Chee Wee	560,965	0.46
19.	Maybank Securities Pte. Ltd.	545,000	0.44
20.	Raffles Nominees (Pte.) Limited	498,000	0.41
	TOTAL	**110,369,442**	**89.76**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 15 March 2022, 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 the Company will be convened and held by way of electronic means on Friday, 29 April 2022, 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 2021, together with the Independent Auditor's Report thereon. **[Resolution 1]**

2. To re-elect Mr Soon Yeow Kwee Johnny as a Director of the Company who is retiring pursuant to Regulation 102 of the Company's Constitution and being eligible, offers himself for re-election. **[Resolution 2]**
[See Explanatory Note (i)]

3. To re-elect Mr Chua Siong Kiat as a Director of the Company who is retiring pursuant to Regulation 102 of the Company's Constitution and being eligible, offers himself for re-election. **[Resolution 3]**
[See Explanatory Note (ii)]

4. To re-elect Mr Soon Jeffrey as a Director of the Company who is retiring pursuant to Regulations 98 and 99 of the Company's Constitution and being eligible, offers himself for re-election. **[Resolution 4]**
[See Explanatory Note (iii)]

5. To re-elect Mr Anthony Ang Meng Huat as a Director of the Company who is retiring pursuant to Regulations 98 and 99 of the Company's Constitution and being eligible, offers himself for re-election. **[Resolution 5]**
[See Explanatory Note (iv)]

6. To approve the payment of Directors' fees of S$191,000 for the financial year ending 31 December 2022, to be paid quarterly in arrears (FY2021: S$151,000). **[Resolution 6]**

7. To appoint Crowe Horwath First Trust LLP as auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company and to authorise the Directors of the Company to fix their remuneration. **[Resolution 7]**
[See Explanatory Note (v)]

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

AS SPECIAL BUSINESS

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

9. **AUTHORITY TO ALLOT AND ISSUE SHARES AND CONVERTIBLE SECURITIES** **[Resolution 8]**

That pursuant to Section 161 of the Companies Act 1967 (the "**Companies Act**") and Rule 806 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

provided that:

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

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

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

(b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

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

Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

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

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 (vi)]

10. **AUTHORITY TO OFFER AND GRANT OPTIONS AND TO ALLOT AND ISSUE SHARES UNDER THE HEATEC EMPLOYEE SHARE OPTION SCHEME** **[Resolution 9]**

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 (vii)]

11. **AUTHORITY TO OFFER AND GRANT AWARDS AND TO ALLOT AND ISSUE SHARES UNDER THE HEATEC PERFORMANCE SHARE PLAN** **[Resolution 10]**

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 (viii)]

On Behalf of the Board

Soon Jeffrey
Executive Director and Chief Executive Officer

11 April 2022

Explanatory Notes:

(i) Mr Soon Yeow Kwee Johnny will, upon re-election as a Director of the Company, remain as the Executive Chairman and Executive Director. Detailed information on Mr Soon Yeow Kwee Johnny as required pursuant to Rule 720(5) of the Catalist Rules is on page 29 to page 42 of the annual report.

(ii) Mr Chua Siong Kiat will, upon re-election as a Director of the Company, remain as a Non-Executive and Independent Director and Chairman of the Audit and Risks Management Committee. The Board considers Mr Chua Siong Kiat to be independent for the purpose of Rule 704(7) of the Catalist Rules. Save for his direct interests in 1,600 shares in the issued and paid-up capital of the Company, there are no relationships (including immediate family relationships) between Mr Chua Siong Kiat and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.

Detailed information on Mr Chua Siong Kiat as required pursuant to Rule 720(5) of the Catalist Rules is on page 29 to page 42 of the annual report.

(iii) Mr Soon Jeffrey will, upon re-election as a Director of the Company, remain as the Chief Executive Officer and Executive Director of the Company, and a member of the Nominating Committee. Detailed information on Mr Soon Jeffrey as required pursuant to Rule 720(5) of the Catalist Rules is on page 29 to page 42 of the annual report.

(iv) Mr Anthony Ang Meng Huat will, upon re-election as a Director of the Company, remain as a Non-Executive and Independent Director, Chairman of the Remuneration Committee and a member of the Audit and Risks Management Committee. The Board considers Mr Anthony Ang Meng Huat to be independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Anthony Ang Meng Huat and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.

Detailed information on Mr Anthony Ang Meng Huat as required pursuant to Rule 720(5) of the Catalist Rules is on page 29 to page 42 of the annual report.

(v) Ordinary Resolution 7 is to approve the appointment of Crowe Horwath First Trust LLP as the external auditors of the Company for the financial year ending 31 December 2022 in place of Baker Tilly TFW LLP (the "**Proposed Change of Auditors**") and to authorise the Directors to fix their remuneration. Please refer to the appendix to this notice of AGM dated 11 April 2022 which sets out, among others, information on and the specific reasons for the Proposed Change of Auditors (the "**Appendix**").

NOTICE OF ANNUAL GENERAL MEETING

In accordance with the requirements of Rule 712(3) of the Catalist Rules:

(a) the retiring auditors of the Company, Baker Tilly TFW LLP, have confirmed to Crowe Horwath First Trust LLP by way of letter dated 1 April 2022 that they are not aware of any professional reasons why Crowe Horwath First Trust LLP should not accept appointment as auditors of the Company;

(b) the Company confirms that there were no disagreements with the outgoing auditors, Baker Tilly TFW LLP, on accounting treatments within the last 12 months and up to the date of the Appendix;

(c) the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the shareholders;

(d) the Company confirms that the specific reasons for the Proposed Change of Auditors is as disclosed in paragraph 2.1 of the Appendix; and

(e) the Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of Crowe Horwath First Trust LLP as the new auditors of the Company.

(vi) 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 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 8 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 8 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(vii) Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant 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.

(viii) Ordinary Resolution 10 proposed in item 11 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards under the Heatec PSP (which was approved at the extraordinary general meeting of the Company held on 18 June 2009 and extended at the annual general meeting of the Company held on 30 April 2019) and to allot and issue Heatec PSP Shares, pursuant to the vesting of awards granted under the Heatec PSP, provided that the number of Heatec PSP Shares to be issued under the Heatec PSP, when aggregated together with the number of additional ordinary Shares issued and/or issuable pursuant to the Heatec PSP and any other existing share schemes of the Company does not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company for the time being.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTES:

HOLDING OF THE ANNUAL GENERAL MEETING OF THE COMPANY ON 29 APRIL 2022 (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 including Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") investors 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 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, submission of questions in advance of, and voting by proxy at the AGM by Shareholders are set out below.

   Persons who hold shares of the Company through Relevant Intermediaries (as defined below), other than CPF and 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 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://conveneagm.sg/heatecjietong 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**")/CPF Investment Scheme ("**CPFIS**")/Supplementary Retirement Scheme ("**SRS**") Account records;

      (ii) National Registration Identity Card Number;

      (iii) Postal Code;

      (iv) Contact Number; and

      (v) Email Address,

NOTICE OF ANNUAL GENERAL MEETING

no later than **10.00 a.m. on Tuesday, 26 April 2022** (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 Thursday, 28 April 2022** 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;

(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 Thursday, 28 April 2022** 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, CPF/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 **6.00 p.m. on Monday, 18 April 2022** 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 and in any case, not later than 48 hours before the closing date and time for the lodgement of proxy forms. The Company will also address any subsequent clarifications sought, or follow-up questions, if any, prior to or at the AGM in respect of substantial and relevant matters. 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 publish the minutes of 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

As Shareholders will not be able to vote live at the AGM 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. All votes in the AGM will be taken on poll. 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 (as defined below), 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 the Chairman of the AGM to act as proxy and direct the vote at the AGM in his/her/its 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 Tuesday, 26 April 2022** (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.

NOTICE OF ANNUAL GENERAL MEETING

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 or CPF, who wish to appoint the Chairman of the AGM as their proxy, should approach their SRS operators and CPF agent banks (as the case may be) 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.

A "**Relevant Intermediary**" is:

(a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, 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.

FY2021 ANNUAL REPORT

The FY2021 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 11 April 2022 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.heatecholdings.com.

No printed copies will be despatched to the Shareholders.

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.

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 Friday, 29 April 2022, at 10.00 a.m. (the "**AGM**" or the "**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 of the AGM and/or voting by proxy at the AGM are set out in the Notice of AGM dated 11 April 2022 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. This proxy form is not for use by Supplementary Retirement Scheme ("**SRS**") investors and Central Provident Fund ("**CPF**") investors. SRS and CPF investors who wish to appoint the Chairman of the Meeting as their proxy should approach their SRS operators and CPF agent banks (as the case may be) 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 11 April 2022.
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 JIETONG 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 Friday, 29 April 2022, 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 2021, together with the Independent Auditor's Report thereon			
2.	Re-election of Mr. Soon Yeow Kwee Johnny as a Director of the Company			
3.	Re-election of Mr. Chua Siong Kiat as a Director of the Company			
4.	Re-election of Mr. Soon Jeffrey as a Director of the Company			
5.	Re-election of Mr. Anthony Ang Meng Huat as a Director of the Company			
6.	Approval of Directors' fees of S$191,000 for the financial year ending 31 December 2022, payable quarterly in arrears			
7.	Appointment of Crowe Horwath First Trust LLP as auditors of the Company and authority to Directors to fix their remuneration			
8.	Authority to allot and issue new shares or convertible securities pursuant to Section 161 of the Companies Act 1967			
9.	Authority to offer and grant options and to allot and issue shares under the Heatec Employee Share Option Scheme			
10.	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 ____________ 2022

Total number of Shares	No. of Shares
(a) Depository Register	
(b) Register of Members	

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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 2001), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the Meeting as proxy shall be deemed to relate to all the shares held by you.

2. Due to the ongoing COVID-19 situation and the COVID-19 restriction orders in Singapore, shareholders will not be able to attend the AGM in person. A shareholder will also not be able to vote through the live webcast stream or audio-only means and voting is only through submission of this 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 attend, speak and vote on his/her/its behalf at the AGM. All votes in the AGM will be taken on poll. 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 respect of a resolution 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.

3. A member of the Company (including a Relevant Intermediary (as defined below)) entitled to vote at the Meeting may appoint the Chairman of the Meeting to act as proxy and direct the vote at the Meeting in his/her/its 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 Tuesday, 26 April 2022** (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 1967, 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 and CPF investors who wish to appoint the Chairman of the Meeting as their proxy should approach their SRS operators and CPF agent banks (as the case may be) 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 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, 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 11 April 2022.

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.

HEATEC JIETONG HOLDINGS LTD.
Company Registration Number: 200717808Z

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