HEATEC JIETONG HOLDINGS LTD.

Heat Transfer & Piping System Specialist

OURLEADINGAPPROACH

Annual Report 2009

OUR VISION

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

OUR MISSION

To constantly surpass customers' expectations when providing value-added products, services and solutions

QUALITY POLICY

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

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COMPANY
PROFILE

Heatec Jietong is a leading provider of piping and heat exchanger services for the marine and oil & gas industries.

PIPING

We perform a variety of piping services including :

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

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

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

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

HEAT EXCHANGERS

We provide a full range of ship-to-shore services for heat exchangers, on a 24 by 7 basis. We service heat exchangers, such as plate heat exchangers, charged air coolers, shell & tube heat exchangers and pressure vessels, that are utilised on board marine vessels. All materials in heat exchangers suffer wear and tear over time and require cleaning, restoration work and replacement.

Our heat exchanger services include :

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

We sell and fabricate heat exchangers, as well as provide related services to major players in the marine, oil and gas and shipping industries. We also provide land-based heat exchanger servicing to process and chemical plants conducting routine shut-down maintenance. The heat exchangers that we service include plate heat exchangers and shell & tube heat exchangers.

A newly established Engineering, Design and Build team which caters to the process, oil & gas industries was set up in late 2009. This business adds a valuable dimension in helping our valued customers meet their sophisticated heating and cooling requirements for large-scale projects which require elaborate engineering calculations, precise design capabilities and a highly qualified workforce to deliver success.

HEATEC CHARIOT ENVIROBOTICS

We entered into a joint venture in August last year, and this entity, called Heatec Chariot Envirobotics Pte. Ltd.,will provide services to remove heavy-duty marine coatings and corrosion on the decks and hulls of ships as well as repainting and other related services.

Our services include :

- full coating removal
- ultrasweep
- industrial application
- pollution control

These services will be performed using a wireless robot, the Envirobot™, which utilises a patented air-gap ultra high water pressure water-jetting system for the removal of heavy-duty marine and industrial coatings. The Envirobot™ also includes a custom vacuum system for the collection and disposal of effluent from the paint removal process. The system will offer significant advantages over traditional grit blast or manual ultra high pressure systems.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Johnny Soon
Chairman and CEO
Jimmy Yong
Executive Director
Yong Yeow Sin
Executive Director
Winston Chua
Executive Director
Harold Sng
Executive Director
Richard Ong
Non-Executive Director
Seah Kian Peng
Lead Independent Director
Phillip Lee
Independent Director
Michael Seow
Independent Director

COMPANY SECRETARY

Nita Sim Geok Hoon, ACIS, MBA

REGISTERED OFFICE

18 Tuas Avenue 18A
Singapore 638868

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
1 Raffles Place
#30-03 OUB Centre
Singapore 048616

AUDITORS AND REPORTING ACCOUNTANTS

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way
#32-00 DBS Building Tower Two
Singapore 068809

Cheung Pui Yuen
Engagement Partner
Date of Appointment 26 November 2007

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#29-02/04 OCBC Centre
Singapore 049513

DBS Bank Ltd
Enterprise Banking
6 Shenton Way
#32-02 DBS Building Tower One
Singapore 068809

Standard Chartered Bank Limited
SME Banking
Consumer Banking, Singapore
51 Bras Basah Road
#02-01 Plaza By The Park
Singapore 189554

KEY MILESTONES

1991

- Jie Tong Engineering Pte Ltd was formed with a staff strength of 14, to render piping services to local shipyards, mainly in Keppel Shipyard.

1994

- Heatec (Asia Pacific) Pte Ltd was founded with 10 employees, catering to the heat exchanger needs of the marine industry in Singapore.

2003

- Heatec (Asia Pacific) Pte Ltd and Jie Tong Engineering Pte Ltd merged, to form Heatec Jietong Pte Ltd, which specialises in heat transfer and piping.

2005

- Achieved the ISO 9001:2000 certification which demonstrates Heatec Jietong's ability to comply with the highest international quality standards in piping structure fabrication, and heat exchanger manufacturing and repair.
- Received various awards and accolades due to its dedication to observing safety practices in all projects undertaken by the company.
- Heatec Jietong formed a strategic alliance with Invensys APV, the inventor of plate Heat Exchangers, to cater specifically to the market's plate Heat Exchanger needs. The joint venture was named Heat Transfer Services Pte Ltd.
- Heatec Jietong starts to extend its market beyond Singapore, with Heatec Shanghai Co Ltd opening in China.

2006

- Heatec Jietong moved to its present facility, signifying the company's growth in terms of customer base and product lines.
- Recognising the growing demand for marine services in China, an additional facility, Heatec IMC-YY Engineering Co. Ltd, was set up in the Zhoushan IMC-YongYue Shipyard.

2007

- Heatec Marine Phils Inc was formed in the Philippines.
- Heatec Jietong Pte Ltd was awarded the ENTERPRISE 50 Award (2007) by Accenture and the Business Times. We were ranked 12 among the winners.

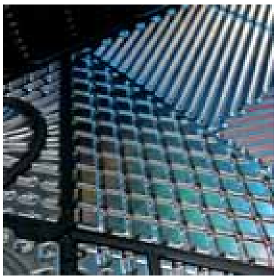
2008

- Heatec Jietong was awarded the ASME-U certification by American Society of Mechanical Engineers and National Board - R by National Board.

2009

- Heatec Jietong was awarded the OHSAS 18001 certification by Det Norske Veritas
- Heatec Jietong achieved the bizSAFE level STAR status by Workplace Safety and Health Council, in recognition of its efforts in maintaining workplace safety standards
- The Company was listed on Catalist on the Singapore Exchange on 8 July 2009.



TECHNOLOGICAL INNOVATION SURPASSING STANDARDS

We do not just utilize the best technologies, we constantly challenge what is seen as the best now and seek to develop better versions, better systems.

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

It gives me great pleasure to present the maiden annual report for Heatec Jietong Holdings Ltd ("Heatec" or the "Company") since our listing on Catalist last year.

Business conditions in the marine and oil & gas industries remained challenging last year, in line with the global economic downturn. Nevertheless, Heatec and its subsidiaries (collectively the "Group") remained profitable in the financial year ended 31 December 2009 ("FY 2009") and as the global economy recovers, we are well-poised to grow our existing businesses and enter new markets.

For FY 2009, the Group recorded a net profit after tax of $3.7 million and a gross profit of $13.6 million. We achieved these results on the back of $42.5 million in full-year revenue. As at 31 December 2009, our net asset value per share stood at 21.0 cents, up from 15.9 cents as at 31 December 2008.

In FY 2009, our Heat Exchanger segment recorded higher revenues despite budget cuts by many of our customers. In contrast, our Piping segment recorded lower revenues as many projects slowed down during the global economic downturn.

However, the worst seems to be over for the marine and oil & gas industries as the global economic recovery gathers momentum. Looking ahead, the Group is actively positioning itself to resume business growth amid the economic upturn.

BUSINESS PROSPECTS

Heat Exchanger segment

We have delayed our expansion into the Arabian Gulf in view of the recent global economic downturn and Dubai financial crisis. However, we have now decided to embark on the expansion as originally planned.

The Group will also bolster its push into the land-based Heat Exchanger business by investing in marketing, engineering and design capabilities. This segment is expected to be a significant revenue contributor in the future. We started the land-based Heat Exchanger division in August last year following our successful IPO, and we will actively grow this segment in the future.

Piping segment

Moving forward, the Group has undertaken a top-to-bottom review of all functions within the Piping segment and expects improved productivity and continued profitability in the financial year ending 31 December 2010 ("FY 2010"). At Heatec, we take pride in our unending efforts to improve worker productivity. In line with our cherished Kaizen philosophy of seeking continuous improvements, we will be organising regular training courses for our staff to undergo skills upgrading. This will enable us to significantly raise output while keeping our headcount fairly constant.

New business - Heatec Chariot Envirobotics

In August last year, we announced that our wholly-owned subsidiary Heatec Jietong Pte Ltd has entered into a three-way joint venture to provide new services for shipyards and ocean-going vessels.

The joint venture, called Heatec Chariot Envirobotics Pte Ltd ("HCE"), will provide services to remove heavy-duty marine coatings and corrosion on ships' decks and hulls. It will also offer repainting and other related services for these vessels. These services will be performed using cutting-edge, environmentally-friendly technologies that will significantly reduce the industry's reliance on foreign labour for ship blasting and coating.

"Last year, our Heat Exchanger segment recorded higher revenues despite budget cuts by many of our customers."

JOHNNY SOON
Chairman and CEO

The Group expects revenue contribution, although not material, from HCE to commence in the second quarter of 2010. In fact, we have been receiving very positive response from shipyards, ship owners and other prospective clients within the ship-repairing industry even before the official launch of HCE.

GROWING INTERNAL CAPACITY

Internally, we are also in the midst of an ongoing programme to raise labour productivity among the Company's foremen, supervisors and workers. So far, we have managed to generate satisfying results in terms of increasing the returns per man-hour.

REWARDING OUR SHAREHOLDERS

The Directors have recommended a first and final dividend of 1 cent per ordinary share which, if approved at the Annual General Meeting, will be paid to shareholders on a date to be announced later.

APPRECIATION

Heatec has remained profitable despite the global economic downturn thanks to the contributions from all of our stakeholders.

I would like to express my appreciation to our staff for their hard work, commitment and dedication. They are ever willing to go the extra mile for our customers, and can always be counted on to exceed customers' expectations when getting the job done.

My thanks also go to my fellow Board members for their invaluable counsel, and to our customers, partners and suppliers for their unwavering support.

Last but not least, I would like to thank our shareholders for showing faith in the Group. We may still be within the first year of our listing, but we are already looking forward to nurturing a long-term relationship with you.

THE JOURNEY AHEAD

Barring any unforeseen circumstances, the Group is optimistic that it will remain profitable in FY 2010.

JOHNNY SOON
Chairman and CEO

BOARD OF DIRECTORS


01

JOHNNY SOON
Chairman & CEO


02

JIMMY YONG
Executive Director


03

YONG YEOW SIN
Executive Director


04

WINSTON CHUA
Executive Director


05

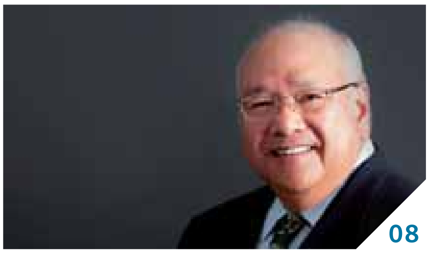
HAROLD SNG
Executive Director


06

RICHARD ONG
Non-Executive Director


07

SEAH KIAN PENG
Lead Independent Director


08

PHILLIP LEE
Independent Director


09

MICHAEL SEOW
Independent Director

JOHNNY SOON 01
is our Chairman and CEO and was appointed to our Board on 26 September 2007. As the Executive Chairman and CEO, he oversees all day-to-day operations and determines the strategic direction for business growth.

JIMMY YONG 02
is our Executive Director and was appointed to our Board on 26 September 2007. As an Executive Director, he is in charge of all aspects of our Company's Piping and steelwork operations at Keppel Tuas Shipyard.

YONG YEOW SIN 03
is our Executive Director and was appointed to our Board on 26 September 2007. As an Executive Director, he is in charge of all aspects of our Company's Piping and steelwork operations at Keppel Gul, Keppel Benoi, and ST Shipyards.

WINSTON CHUA 04
is our Executive Director and was appointed to our Board on 5 June 2008. As an Executive Director, he is in charge of our Company's sales, operations for Heat Exchangers, business development planning and initiatives.

HAROLD SNG 05
is our Executive Director and was appointed to our Board on 8 May 2009. As an Executive Director, he is the Group's Chief Financial Officer and has overall responsibility for all matters relating to finances, administration and human resource management of our Group.

RICHARD ONG 06
is our Non-Executive Director and was appointed to our Board on 22 June 2009. He is a member of our Audit Committee, Nomination Committee and Remuneration Committee. He is currently a director of Appleton Global Private Limited. He is also currently serving as an independent director of a company listed on SGX-ST.

SEAH KIAN PENG 07
is our Lead Independent Director and was appointed to our Board on 22 June 2009. He chairs our Remuneration Committee and Nomination Committee, and is a member of our Audit Committee. He is currently the Managing Director (Group Business) of NTUC Fairprice Co-operative Limited, and a Member of Parliament for the Marine Parade GRC. He is also a trustee of the Singapore National Co-operatives Federation.

PHILLIP LEE 08
is our Independent Director and was appointed to our Board on 22 June 2009. He is a member of our Audit Committee and Nomination Committee. He is currently the managing director of Phillip Lee Management Consultants Pte Ltd. He is also an independent director of a trustee-manager company for a business trust, a public trust company, five companies listed on the SGX-ST, as well as three companies listed on the Kuala Lumpur Stock Exchange.

MICHAEL SEOW 09
is our Independent Director and was appointed to our Board on 22 June 2009. He chairs our Audit Committee and is a member of our Remuneration Committee. He is currently the Associate Director at Engelin Teh Practice LLC, and has more than twenty years of experience in the areas of conveyancing and property law, landlord and tenant law as well as general corporate and commercial work.

SERVICE DISTINCTION CUSTOMER SATISFACTION

There is no room for the average and ordinary when it comes to the quality of our products and services. We strive not just to meet expectations but to exceed them, not just merely serve but serve to satisfy.

FINANCIAL REVIEW

INCOME STATEMENT

In FY 2009, our Piping segment contributed 48.1 per cent of total Group revenue, while our Heat Exchanger segment accounted for the remaining 51.9 per cent. In comparison, the Piping and Heat Exchanger segments contributed 54.7 per cent and 45.3 per cent of total FY 2008 Group turnover, respectively.

Revenue dipped by 8.7 per cent from $46.5 million in FY 2008 to $42.4 million in FY 2009. This was mainly due to lower contributions from our subsidiaries JJY Engineering and Heatec (Shanghai). However, despite the global economic downturn, revenue contribution from the Heat Exchanger segment of our subsidiary Heatec Jietong Pte Ltd increased marginally year-on-year.

The Group's cost of sales increased slightly from $28.4 million in FY 2008 to $28.9 million in FY 2009, or 1.6 per cent year-on-year.

Administrative expenses fell by 8.5 per cent from $10.2 million in FY 2008 to $9.3 million in FY 2009, mainly due to lower IPO expenses incurred in the year under review. Meanwhile, finance costs fell 36.4 per cent year-on-year from $0.60 million to $0.38 million due to lower borrowing costs.

In FY 2009, administrative, finance and other operating expenses totalled $9.9 million which was equal to 23.3 per cent of Group revenue. This was an improvement because in FY 2008, such expenses totalled $11.0 million which was equal to 23.7 per cent of Group revenue.

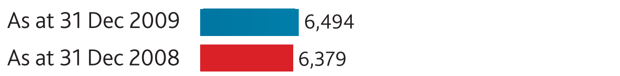
Net profit fell 44 per cent year-on-year, from $6.6 million to $3.7 million. Our net profit margin fell from 14.3 per cent in FY 2008 to 8.8 per cent in FY 2009.

BALANCE SHEETS

The balance sheets was strengthened further in FY 2009:

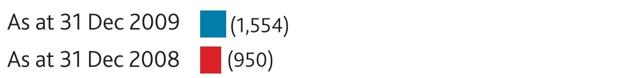
Current assets (S$'000)

Non-current assets (S$'000)



Current liabilities (S$'000)

Non-current liabilities (S$'000)



Current assets

Cash and cash equivalents increased from $1.2 million in FY 2008 to $4.4 million in FY 2009, due to the proceeds from our IPO.

Trade and other receivables rose from $25.4 million in FY 2008 to $31.1 million in FY 2009. This was mainly due to a slowdown in collection of receivables from customers during the global economic downturn.

Inventories fell from $1.2 million in FY 2008 to $0.8 million in FY 2009, as a result of better inventory control.

Non-current assets
Investment in associates increased from $1.3 million in FY 2008 to $1.5 million in FY 2009. This was mainly because of the profit contributions from Heatec Transfer Services and Zhuoshan Heatec IMC-YY for the Heat Exchanger segment, as well as from Heatec Marine Philippines for the Piping segment.

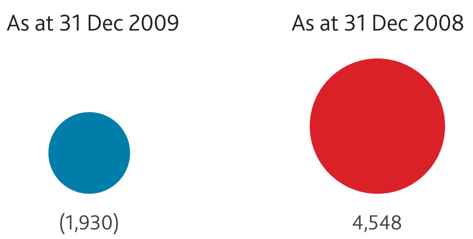
Current liabilities
Short-term bank loans fell from $5.8 million in FY 2008 to $5.5 million in FY 2009. This came about mainly though the repayment of such loans from the 2-year bridging loan facility obtained in FY 2009.

Non-current liabilities
Long-term bank loans rose from $0.5 million in FY 2008 to $1.2 million in FY 2009. This came about mainly through the aforementioned bridging loan facility.

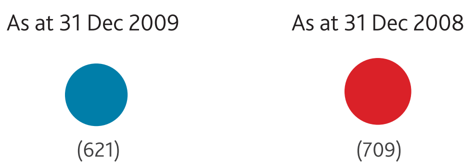
CASHFLOW STATEMENT

The Group had cash and cash equivalents of S$2.4 million as at 31 Dec 2009, which was $1.8 million or 293.5 per cent higher than the $0.6 million as at 31 Dec 2008. The cash movements during the year in review are as follows:

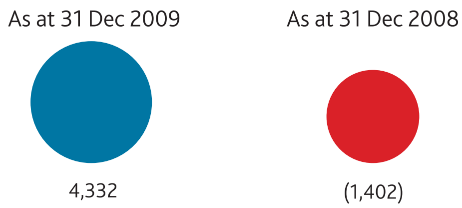
Net cash (used in) from operating activities (S$'000)



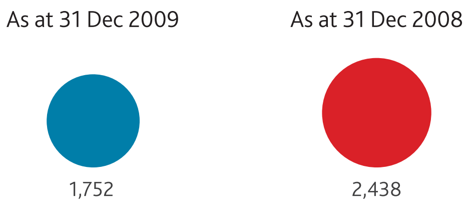
Net cash used in investing activities (S$'000)



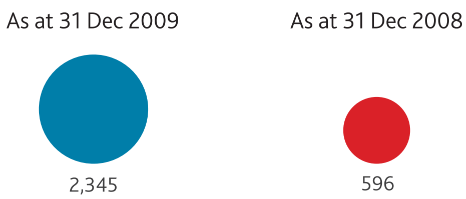
Net cash from (used in) financing activities (S$'000)



Net increase in cash and cash equivalents (S$'000)



Cash and cash equivalents at end of period (S$'000)



During the year in review, the Group has negative operating cash flow of $1.9 million compared to a positive operating cash flow of $4.6 million during the previous year. This was due to a 41.6 per cent year-on-year decrease in profit before tax during FY 2009.

The Group's cash outflow due to investing activities decreased from negative $0.7 million in FY 2008 to negative $0.6 million in FY 2009, mainly in the form of joint venture proceeds.

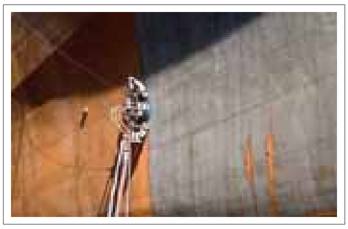
The Group recorded a $4.3 million cash inflow from financing activities in FY 2009, mainly in the form of IPO proceeds during the financial year. In comparison, the Group recorded a $1.4 million cash outflow from financing activities in FY 2008.

Overall, the Group recorded a net cash inflow of $1.8 million in FY 2009, compared to $2.4 million in FY 2008.

ENVIRONMENTAL AWARENESS SAFETY MANAGEMENT

We invest on our people and equipment, and so safety management is a serious business for our company. In the same manner, we value and respect the environment, which is shown in how we raise awareness and involvement in its maintenance and protection.

OPERATIONS REVIEW



Revenue from the Heat Exchanger segment increased from $21.1 million in FY 2008 to $22.0 million in FY 2009.

HEAT EXCHANGER SEGMENT

Revenue from the Heat Exchanger segment increased from $21.1 million in FY 2008 to $22.0 million in FY 2009.

The marine Heat Exchanger division managed to generate higher revenue despite the downturn in the shipping industry, which resulted from the global economic slowdown. This division has continued to grow because the Group is able to consistently surpass customers' expectations by delivering quality services on time and within their budgets.

During the year in review, we also invested substantially to build up our marketing, engineering and design capabilities for the new land-based Heat Exchanger division. This division is expected to be a significant revenue contributor in future. In fact, since we started the land-based Heat Exchanger division in August last year, we have completed a few jobs as of mid-March and are confident that more jobs will come in future.

Looking ahead, we have now decided to embark on the expansion into the Arabian Gulf as originally planned. Our Dubai operations are expected to commence in 3Q FY 2010. In addition, we are also looking to expand into new geographical markets such as Thailand and southern China.

PIPING SEGMENT

During the year in review, the shipping industry slowed down significantly due to the global economic recession. Revenue from the Piping segment decreased from $25.4 million in FY 2008 to $20.4 million in FY 2009.

The Group generated a lower turnover in this segment due to decreased demand. This in turn led to lower profit contributions from various Group companies.

Moving forward, the Group is conducting a thorough review of all functions within the Piping segment, to improve productivity and profitability in FY 2010 while maintaining a fairly constant headcount.

HEATEC CHARIOT ENVIROBOTICS

Heatec Chariot Envirobotics Pte Ltd (HCE), our latest subsidiary, will provide services to remove heavy-duty marine coatings and corrosion on ship decks and hulls. It will also offer repainting and other related services for these vessels.

These services will be performed using Envirobot, which is a wireless controlled robot that uses a patented technology to perform the tasks with little or no environmental impact. The Envirobots will significantly reduce the industry's reliance on foreign labour for ship blasting and coating while raising labour productivity at the same time.

We purchased the Envirobots in 1Q FY 2010 and are currently training our staff to operate the robots. HCE is expected to complete its first job in 2Q FY 2010.

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CORPORATE GOVERNANCE

The Board of Directors of Heatec Jietong Holdings Ltd. (the "Company") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group") by complying with the principles and guidelines of the Code of Corporate Governance 2005 (the "Code") where applicable to the Group. This report outlines the corporate governance framework and practices adopted by the Company with specific reference made to the principles of the Code.

1. BOARD MATTERS

The Board's Conduct of its Affairs

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

The Company is headed by an effective Board to lead and control its operations and affairs. The Board of Directors is entrusted with the responsibility for the overall management of the Group. The Board's key responsibilities include charting and reviewing the Group's overall business strategy, supervising executive management and reviewing the Group's financial performance and managerial performance.

The Board is also responsible for the approval of major investment and divestment proposals. The executive Directors play a very active role in the management of the Group and the formulation of corporate strategies and are also responsible for the day to day operations and administration of the Group.

The Board comprises the following Directors:

Johnny Soon Yeow Kwee	-	Chairman and Chief Executive Officer
Jimmy Yong Li Vien	-	Executive Director
Yong Yeow Sin	-	Executive Director
Winston Chua Seng Chye	-	Executive Director
Harold Sng Yeow Huat	-	Executive Director
Seah Kian Peng	-	Lead Independent Director
Michael Seow Teo Tiew	-	Independent Director
Phillip Lee Soo Hoon	-	Independent Director
Richard Ong Beng Chye	-	Non Executive Director

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 Committee (the "AC"), Nominating Committee (the "NC") and Remuneration Committee (the "RC"). These committees function within clearly defined terms of references and operating procedures, which will be reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board.

The full Board meets at least twice yearly and whenever warranted by particular circumstances. However, ad hoc, non-scheduled Board meetings may be convened to deliberate on urgent substantial matters. In addition to these meetings, corporate events and actions requiring Board approval may be discussed over the telephone and Directors' resolutions in writing may be made. Article 104(4) of the Company's articles of association provides for telephonic and videoconference meetings.

CORPORATE GOVERNANCE (CONT'D)

The Company was listed on Catalist, the sponsor-supervised board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 8 July 2009. Two AC and one Board meetings were held from the Company's listing on Catalist to the end of the financial year under review, and the attendances of the Directors at these meetings are set below. The first NC and RC meetings were held on 24 February 2010.

Name of Directors	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Johnny Soon Yeow Kwee	1	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Jimmy Yong Li Vien	1	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Yong Yeow Sin	1	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Winston Chua Seng Chye	1	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Harold Sng Yeow Huat [1]	1	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Seah Kian Peng [2]	1	1	2	2	0	0	0	0
Michael Seow Teo Tiew [2]	1	1	2	2	N.A.	N.A.	0	0
Phillip Lee Soo Hoon [2]	1	1	2	2	0	0	N.A.	N.A.
Richard Ong Beng Chye [2]	1	1	2	2	0	0	0	0

[1] Appointed as Director on 8 May 2009.
[2] Appointed as Director on 22 June 2009.

Matters Requiring Board Approval

The Company has in place internal guidelines on a number of corporate events and actions for which Board approval is required. They include the following:

(a) approval of results announcement;
(b) approval of the annual report and accounts;
(c) declaration of interim and/or final dividends;
(d) authorisation of transactions;
(e) authorisation of new banking facilities;
(f) approval of change in corporate strategy;
(g) convening of shareholders' meeting; and
(h) approval of acquisitions and disposals and funding of investments.

The Company does not have a formal training programme for the Directors but all new Directors undergo orientation in order to be provided with background information about the Group's history, strategic direction and industry-specific knowledge. Directors also have the opportunity to visit the Groups' operational facilities and meet with the Management to gain a better understanding of the Group's business operations.

The Directors, Messrs Johnny Soon, Jimmy Yong, Yong Yeow Sin, Winston Chua, Harold Sng, Richard Ong and Michael Seow, have attended the "SGX Listed Companies Development Programme – Understanding the Regulatory Environment in Singapore" course, conducted by the Singapore Institute of Directors, and are aware of the roles and responsibilities of Directors of a public-listed company in Singapore. Mr Seah Kian Peng and Mr Phillip Lee are Directors of other public-listed companies and therefore have the appropriate experience and are familiar with the roles and responsibilities of Directors of a public-listed company in Singapore.

The Company encourages Directors to attend training courses run by the Singapore Institute of Directors or other training institutions in connection with their duties.

CORPORATE GOVERNANCE (CONT'D)

Board Composition and Guidance

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

Currently, the Board consists of five Executive Directors and four Non-Executive Directors (out of which three are Independent Directors), all with the right core competencies and diversity of experience which enable them to effectively contribute to the Company. Their varied experience is particularly important in ensuring that the strategies proposed by the management are fully discussed and examined, taking into account the long term interests of the Company and the Group.

Independent Members of the Board of Directors

The Board has three independent members, representing one-third of the Board. They are Mr Seah Kian Peng, Mr Michael Seow and Mr Phillip Lee. The criterion for independence is based on the definition set out in the Code. The Board considers an "independent" Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment.

Mr Johnny Soon, Mr Jimmy Yong, Mr Yong Yeow Sin, Mr Winston Chua and Mr Harold Sng are the Executive Directors. Mr Richard Ong is a Non-Executive/Non-Independent Director of the Board. Although all the 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 the executive management are fully discussed and rigorously examined, taking into account the long-term interests of the shareholders and the employees, customers and suppliers of the Group.

The current board size has the appropriate mix of expertise and experience for adequate functioning. Each Director has been appointed based on the strength of his calibre, experience and stature and is expected to bring his experience and expertise to contribute to the development of the Group.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman and the Chief Executive Officer ("CEO") are currently held by Mr Johnny Soon. The Board is of the opinion that it is not necessary to separate the roles of the Chairman and the CEO after taking into account the size, scope and the nature of the operations of the Group. Mr Soon is one of the founders of the Group. He has played an instrumental role in developing the business of the Group and has provided the Group with strong leadership and vision. It is hence the view of the Board that it is currently in the best interests of the Group to adopt a single leadership structure.

The Chairman remains involved in significant corporate matters, especially those of strategic nature. In addition, he is responsible for the effective function of the Board and exercises control over the quality, quantity and timeliness of information flow between the Board and the management. The Chairman's responsibilities in respect of Board proceedings include:

(a) scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations; and
(b) assist in ensuring the Group's compliance with the Code.

Although the roles of Chairman of the Board and CEO are not separated, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. All the Board committees are chaired by Independent Directors and one-third of the Board consists of Independent Directors.

CORPORATE GOVERNANCE (CONT'D)

For good corporate governance, Mr Seah Kian Peng had been appointed as the Lead Independent Director. As the Lead Independent Director, he shall be available to the shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO has failed to resolve or for which such contact is inappropriate.

<u>Board Membership</u>

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

The Nomination Committee ("NC") was established on 26 June 2009 and comprises three Non-Executive Directors, two out of whom (including the Chairman) are independent. They are:

1. Seah Kian Peng (Chairman) - Appointed on 26 June 2009
2. Phillip Lee (Member) – Appointed on 26 June 2009
3. Richard Ong (Member) - Appointed on 26 June 2009

The responsibilities of the NC include that of re-nomination, having regard to the Director's contribution and performance as well as an annual determination on whether or not a Director is independent.

The NC considers and makes recommendations to the Board concerning the appropriate size and needs of the Board, having regard to the appropriate skill mix, personal qualities and experience required for the effective performance of the Board. The Board, taking into account the nature of operations of the Group, considers its current size to be adequate for effective decision-making.

The NC also recommends all appointments and retirement of Directors and considers candidates to fill new positions created by expansion and vacancies that occur by resignation, retirement or for any other reason.

Candidates are selected for their character, judgment, business experience and acumen. Where a Director has multiple board representations, the NC will evaluate whether or not a Director is able to and has been adequately carrying out his duties as Director of the Company. Final approval of a candidate is determined by the Board.

The NC is of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company. The NC has reviewed and determined that the said Directors are independent.

In appointing Directors, the Board considers the range of skills and experience required in the light of:

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

Article 98 of the Company's articles of association provides that at each Annual General Meeting ("AGM"), at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, provided that all Directors shall retire from office at least once every three years.

Article 102 of the Company's articles of association 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 these Articles. 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 (CONT'D)

The NC recommended to the Board that the following Directors be nominated for re-election at the forthcoming AGM:

(i) Mr Jimmy Yong, who is retiring by rotation pursuant to Articles 98 and 99 of the Company's Articles of Association.

(ii) Mr Yong Yeow Sin, who is retiring by rotation pursuant to Articles 98 and 99 of the Company's Articles of Association.

(iii) Mr Seah Kian Peng, who is retiring pursuant to Article 102 of the Company's Articles of Association.

(iv) Mr Michael Seow, who is retiring pursuant to Article 102 of the Company's Articles of Association.

(v) Mr Phillip Lee, who is retiring pursuant to Article 102 of the Company's Articles of Association.

(vi) Mr Richard Ong, who is retiring pursuant to Article 102 of the Company's Articles of Association.

In making the recommendation, the NC had considered the Directors' overall contributions and performance.

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

Name of Director	Date of first appointment/ last re-election	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships or Chairmanships both present and held over last 3 years in other listed companies and other major appointments
Johnny Soon Yeow Kwee	26 September 2007	Executive	Chairman and CEO	Secondary school.	-
Jimmy Yong Li Vien	26 September 2007	Executive	-	Primary school.	-
Yong Yeow Sin	26 September 2007	Executive	-	Primary school.	-
Winston Chua Seng Chye	5 June 2008	Executive	-	Bachelor of Business Administration.	-
Harold Sng Yeow Huat	8 May 2009	Executive	CFO	Bachelor of Commerce. Fellow of the Institute of Certified Public Accountants of Singapore.	<u>Present Directorship</u> - <u>Past Directorship</u> MAP Technology Holdings Limited
Seah Kian Peng	22 June 2009	Non-Executive/ Independent	Member of AC, Chairman of NC and RC	Bachelor of Building (First Class Honours). Fellow of Chartered Institute of Marketing.	<u>Present Directorship</u> Skywest Airlines Ltd <u>Past Directorship</u> -
Michael Seow Teo Tiew	22 June 2009	Non-Executive/ Independent	Chairman of AC and Member of RC	Bachelor of Laws, National University of Singapore.	-

CORPORATE GOVERNANCE (CONT'D)

Name of Director	Date of first appointment/ last re-election	Nature of appointment	Functions/ Board Committee served	Academic and professional qualifications	Directorships or Chairmanships both present and held over last 3 years in other listed companies and other major appointments
Phillip Lee Soo Hoon	22 June 2009	Non-Executive/ Independent	Member of AC and NC	Certified Public Accountant. Fellow of the Institute of Certified Public Accounts of Singapore and the Institute of Chartered Accountants of England and Wales, UK. Member of the Malaysian Association of Certified Public Accountants, the Malaysian Institute of Accountants and Stanford Club of Singapore.	<u>Present Directorship</u> CSE Global Limited G. K. Goh Holdings Limited IPC Corporation Limited Kluang Rubber Company (Malaya) Berhad Kuchai Development Berhad Sungei Bagan Rubber Company (Malaya) Berhad Transview Holdings Limited <u>Past Directorship</u> -
Richard Ong Beng Chye	22 June 2009	Non-Executive/ Non-Independent	Member of AC, NC and RC	Bachelor of Science (Economics). Chartered Accountant and an associate member of the Institute of Chartered Accountants of England and Wales, UK. Member of The Institute of Chartered Financial Analyst. Non-practising member of the Institute of Certified Public Accountants of Singapore.	<u>Present Directorship</u> Hafary Holdings Limited <u>Past Directorship</u> Time Watch Investments Limited

Details of Directors' Shareholding in the Company and in its subsidiaries are set out in the Directors' Report.

<u>**Board Performance**</u>

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

The Board recognises the merit of having some degree of formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board. The NC together with the Board have considered the guidelines contained in the Code and formulated a plan to evaluate the performance of the Board as a whole as well as using a set of performance criteria.

CORPORATE GOVERNANCE (CONT'D)

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

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

All Directors have unrestricted access to the Company's records and information. The Directors may also liaise with senior management as and when required to seek additional information. In addition, the Board also has separate and independent access to the Company Secretary, who is responsible to the Board for ensuring that established procedures and relevant statutes and regulations are complied with. The Company Secretary attends all the Board meetings.

Should Directors need to seek independent professional advice concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors, the Board will appoint at the Company's expense a professional adviser to assist such Director.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The Remuneration Committee (the "RC") was established on 26 June 2009 and comprises three Non-Executive Directors, two of whom (including the Chairman) are independent. They are:

1. Seah Kian Peng (Chairman) - Appointed on 26 June 2009
2. Michael Seow (Member) – Appointed on 26 June 2009
3. Richard Ong (Member) - Appointed on 26 June 2009

The RC reviews and approves recommendations on the remuneration packages for the Chairman and the other Executive Directors based on the performance of the Group and the individual Director. No Director individually decides or is involved in the determination of his own remuneration. The RC also reviews and approves recommendations on remuneration policies and packages for key executives.

The RC's review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, and benefits-in-kind. The RC has access to advice from the internal human resource department and, if necessary, expert advice from outside the Company. The RC's recommendations are submitted for endorsement by the entire Board.

The Company has a share option scheme known as Heatec Employee Share Option Scheme (the "Heatec ESOS") and a performance share plan known as Heatec Performance Share Plan (the "Performance Share Plan") which were approved by shareholders of the Company on 18 June 2009. The Heatec ESOS and Performance Share Plan comply with the relevant rules as set out in Chapter 8 the SGX-ST Listing Manual Section B: Rules of Catalist ("Rules of Catalist"). 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. The said scheme and plan are administered by the RC.

CORPORATE GOVERNANCE (CONT'D)

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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

Fees for the Non-Executive Directors are determined by the Executive Directors on the recommendation of the RC, based on the effort and time spent and the responsibilities of the Non-Executive Directors. The total remuneration of the Non-Executive Directors is recommended for approval at AGMs.

The remuneration for the Executive Directors comprises a basic salary and a variable component which is the annual bonus.

The Company had on 8 June 2009 entered into service agreements with the following Directors:

(a) Mr Johnny Soon, in relation to his appointment as Chairman and CEO of the Company;
(b) Mr Jimmy Yong, in relation to his appointment as Executive Director of the Company;
(c) Mr Yong Yeow Sin, in relation to his appointment as Executive Director of the Company;
(d) Mr Winston Chua, in relation to his appointment as Executive Director of the Company; and
(e) Mr Harold Sng, in relation to his appointment as Chief Financial Officer of the Company.

The service agreements took effect from 1 January 2009 for an initial period of 3 years, and shall be renewable on an annual basis thereafter. Details of such service agreements can be found in the company's offer document dated 30 June 2009.

Disclosure on Remuneration

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

Details of remuneration and fees paid to the Directors and key executives for the financial year ended 31 December 2009 are set out below:

Remuneration Band	Number of Directors	Number of Key Executives (who are not Directors)
$500,000 and above	0	0
$250,000 to below $500,000	1	0
Below $250,000	4	7
Total	5	7

CORPORATE GOVERNANCE (CONT'D)

A summary compensation table of the Directors' remuneration for the financial year ended 31 December 2009 (Group) is set out below:

Name of Director	Salary (%)	Bonus (%)	Fee (%)	Allowances and other benefits (%)	Total (%)
Johnny Soon Yeow Kwee	98.90	1.00	-	0.10	100
Jimmy Yong Li Vien	98.94	1.00	-	0.06	100
Yong Yeow Sin	98.94	1.00	-	0.06	100
Winston Chua Seng Chye	98.83	1.00	-	0.17	100
Harold Sng Yeow Huat [1]	98.92	1.00	-	0.08	100
Seah Kian Peng [2]	-	-	100	-	100
Michael Seow Teo Tiew [2]	-	-	100	-	100
Phillip Lee Soo Hoon [2]	-	-	100	-	100
Richard Ong Beng Chye [2]	-	-	100	-	100

[1] Appointed as Director on 8 May 2009.
[2] Appointed as Director on 22 June 2009.

The remuneration of the top five key executives (excluding Executive Directors) of the Group for the financial year ended 31 December 2009 is set out below:

Name of Executive	Salary (%)	Bonus (%)	Allowances and other benefits (%)	Total (%)
Richard Ho	97.44	2.50	0.06	100
Koh Lay Cheng	96.00	4.00	-	100
Soon Jeffrey	97.00	3.00	-	100
Srinivasan Saravanan	95.80	4.20	-	100
Soon Jenson	97.50	2.50	-	100

The RC will review the remuneration of the Directors and the executives from time to time.

There are no employees who are immediate family members of the Directors and the CEO whose remuneration exceeds $150,000 in FY 2009. Immediate family means the spouse, child, adopted child, step-child, brother, sister and parent.

The Company has not granted any options under the Heatec Employee Share Option Scheme nor awarded any shares under the Heatec Performance Share Plan since the date of approval of the Heatec ESOS and Performance Share Plan.

3. ACCOUNTABILITY AND AUDIT

Accountability

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

In presenting the annual financial statements and interim announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced assessment of the Group's performance, position and prospects. The management currently provides the Executive Directors with detailed management accounts of the Group performance, position and prospects on a regular basis. Non-Executive Directors are also briefed on significant matters when required and received reports on a regular basis.

CORPORATE GOVERNANCE (CONT'D)

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC was established on 26 June 2009 and comprises four Non-Executive Directors, of which three (including the Chairman) are independent; namely:

1. Michael Seow (Chairman) - Appointed on 26 June 2009
2. Seah Kian Peng (Member) – Appointed on 26 June 2009
3. Phillip Lee (Member) – Appointed on 26 June 2009
3. Richard Ong (Member) - Appointed on 26 June 2009

The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities.

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

(a) reviews and evaluates financial and operating results and accounting policies;
(b) reviews the audit plans and scope of audit examination of the external audit;
(c) reviews the annual and interim financial statements and announcements before submission to the Board for adoption;
(d) reviews transactions falling within the scope of Chapter 9 of the Rules of Catalist;
(e) considers the appointment/re-appointment of external auditors;
(f) examines the scope of internal audit procedures and the results of the internal audit; and
(g) reviews the adequacy of the Company's internal financial controls, operational 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 and/or external auditors.

The AC is also tasked to conduct an annual review of the independence of external auditors and the total fees for non-audit compared with audit services to satisfy itself that the nature and volume of non-audit services will not prejudice the independence and objectivity of the auditors before confirming their re-nomination. The AC has reviewed the volume of non-audit services to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment.

The AC has full access to the management and also full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its function properly. The AC meets with the internal and external auditors, without the presence of the Company's management as recommended by the Code at least once a year. The AC has reasonable resources to enable it to discharge its functions properly.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will 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 Audit Committee has reviewed, with the assistance of the internal and external auditors and the finance team of the Company, the effectiveness of the Company's material internal controls, including operational controls. Based on the review of the Audit Committee, the Board is of the view that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Company's management is currently adequate.

The Board will review periodically the effectiveness of all internal controls, including operational controls.

CORPORATE GOVERNANCE (CONT'D)

Internal Audit

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

The internal audit function of the Company is outsourced to a third party. The internal auditors report to the AC. In this regard, the AC is empowered to review any of the accounting, auditing and financial practices. The internal auditors submit their annual audit schedule for approval by the AC and report their findings to the AC. In the year under review, the internal auditors carried out review on certain areas to assess and evaluate:

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

The AC has reviewed with the internal auditors their audit plan and their evaluation of the system of internal controls, their audit findings and management's processes to those findings; the effectiveness of material internal controls, including financial, operational and compliance controls and overall risk management of the Company and the Group for FY2009. The AC is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group.

4. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company believes in timely and accurate dissemination of information to its shareholders. The Board makes every effort to comply with continuous disclosure obligations of the Company under the Rules of Catalist and the Singapore 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) half yearly financial results containing a summary of the financial information and affairs of the Group for the period;
(c) notices and explanatory memoranda for general meetings;
(d) disclosures to the SGX-ST via SGXNET; and
(e) press releases.

In addition, shareholders are encouraged to attend the AGMs to ensure a high level of participation and accountability. The AGM is the principal forum for dialogue with shareholders. The Company recognizes the value of feedback from shareholders. During the AGMs, shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend the annual general meetings and extraordinary general meetings, and shareholders will be given the chance to share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues.

The Chairmen of the AC, RC and NC as well as the external auditors will be present and on hand to address all issues raised at these meetings.

The Company allows members to appoint proxies to attend and vote at general meetings, as required under Section 181 of the Singapore Companies Act and Article 82 of the Company's articles of association.

Separate resolutions are proposed at general meetings for each distinct issue.

CORPORATE GOVERNANCE (CONT'D)

5. INTERESTED PERSON TRANSACTIONS

During the financial year, the AC has reviewed and concluded that there is no related party transactions that requires announcement or shareholders' approval pursuant to Chapter 9 of the Rules of Catalist.

6. MATERIAL CONTRACTS

During the financial year, there was no material contract entered into by the Company or any of its subsidiaries involving the interests of the CEO, any Director or the controlling shareholders of the Company.

7. DEALINGS IN SECURITIES

In line with Rule 1204(18) of the Rules of Catalist, the Company has issued an Internal Compliance Code relating to dealing in securities of the Company to Directors and key employees (including employees with access to price sensitive, financial or confidential information) of the Group and which sets out the implications of insider trading and guidance on such dealings. Directors and key executives are expected to observe insider trading laws at all times. Further, Directors and key employees (including employees with access to price sensitive, financial or confidential information) are not permitted to deal in the Company's shares during the periods commencing one month before the announcement of the Group's annual or half-yearly results and ending on the date of announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group. Directors and key employees (including employees with access to price sensitive, financial or confidential information) have also been discouraged from dealing in the Company's shares on short-term considerations.

8. USE OF IPO PROCEEDS

The Company has utilised S$0.65 million of the IPO proceeds as working capital and the remaining S$3 million are kept in fixed deposits for the Company's planned expansion.

9. NON-SPONSOR FEES

The nature of non-sponsor services that were rendered by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., to the Group and their related fees for the financial year ended 31 December 2009 are as follows:

	S$
Fees to act as issue manager and sponsor to the Company's Listing	200,000

10. NON-AUDIT FEES

The nature of non-audit services that were rendered by the Company's auditors, Deloitte & Touche LLP, to the Group and their related fees for the financial year ended 31 December 2009 are as follows:

	S$
Services rendered in connection with the Company's Listing	118,250

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2009.

1 DIRECTORS

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

Jimmy Yong Li Vien	
Yong Yeow Sin	
Johnny Soon Yeow Kwee	
Winston Chua Seng Chye	
Harold Sng Yeow Huat	
Richard Ong Beng Chye	(Appointed on June 22, 2009)
Seah Kian Peng	(Appointed on June 22, 2009)
Phillip Lee Soo Hoon	(Appointed on June 22, 2009)
Michael Seow Teo Tiew	(Appointed on June 22, 2009)

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
Name of directors and companies in which interests are held	**At beginning of year or date of appointment, if later**	**At end of year**	**At beginning of year or date of appointment, if later**	**At end of year**
Heatec Jietong Holdings Ltd.	**Ordinary shares**		**Ordinary shares**	
Jimmy Yong Li Vien	7,624,117	9,530,146(3)	46,295,551	57,869,438(1)(3)
Yong Yeow Sin	7,624,117	9,530,146(3)	46,295,551	57,869,438(1)(3)
Johnny Soon Yeow Kwee	7,624,117	9,530,146(3)	46,295,551	57,869,438(1)(3)
Richard Ong Beng Chye	1,768,445	1,768,445	-	-
Winston Chua Seng Chye	-	-	-	65,000(2)

REPORT OF THE DIRECTORS (CONT'D)

(1) The directors are deemed interested in the shares held by:

(a) Armstrong Holdings Limited of 53,053,360 (December 31, 2008 : 42,442,689) shares, of which the directors have an interest;

(b) their individual spouse's shares of 4,816,078 (December 31, 2008 : 3,852,862).

(2) This is deemed interest in 65,000 shares at December 31, 2009 (December 31, 2008: Nil) held by the spouse.

(3) Resulting from shares split of every existing four shares into five shares of the Company during the year.

By virtue of Section 7 of the Singapore Companies Act, Mr Jimmy Yong Li Vien, Mr Yong Yeow Sin and Mr Johnny Soon Yeow Kwee are deemed to have an interest in the Company and all the related corporations of the Company.

The directors' interests in the shares of the Company at January 21, 2010 were the same at December 31, 2009.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) *Options exercised*

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

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

REPORT OF THE DIRECTORS (CONT'D)

6 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Mr Michael Seow, an independent director, and includes Mr Seah Kian Peng, an independent director, Mr Phillip Lee, an independent director and Mr Richard Ong Beng Chye, a non-executive/non-independent director. The Audit Committee has met three times since the Company was listed on July 8, 2009 and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
(b) the Group's financial and operating results and accounting policies;
(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
(d) 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;
(e) the co-operation and assistance given by the management to the Group's external auditors; and
(f) the re-appointment of the external auditors of the Group.

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

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

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

.......................……..................
Johnny Soon Yeow Kwee

.......................……..................
Harold Sng Yeow Huat

March 30, 2010

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 35 to 76 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2009, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

……………………………………………

Johnny Soon Yeow Kwee

……………………………………………

Harold Sng Yeow Huat

March 30, 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

We have audited the accompanying financial statements of Heatec Jietong Holdings Ltd. (the Company) and its subsidiaries (the Group) which comprise the statements of financial position of the Group and the Company as at December 31, 2009, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 76.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: 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 profit and loss accounts and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2009 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Singapore
March 30, 2010

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009

	Note	Group 2009	Group 2008	Company 2009	Company 2008
		$	$	$	$
ASSETS					
Non-current assets					
Property, plant and equipment	6	4,988,830	5,093,520	-	-
Subsidiaries	7	-	-	6,523,614	6,523,614
Associates	8	1,505,103	1,285,688	-	-
Total non-current assets		6,493,933	6,379,208	6,523,614	6,523,614
Current assets					
Inventories	9	818,230	1,158,615	-	-
Trade receivables	10	27,477,593	24,389,099	-	-
Other receivables	12	3,662,002	968,911	3,735,614	150,914
Cash and bank balances	13	4,362,381	1,168,919	3,153,287	43
Total current assets		36,320,206	27,685,544	6,888,901	150,957
Total assets		42,814,139	34,064,752	13,412,515	6,674,571
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	11,368,567	6,523,617	11,368,567	6,523,617
Reserves		13,512,875	9,789,753	1,214,995	(22,844)
Equity attributable to owners of the Company		24,881,442	16,313,370	12,583,562	6,500,773
Minority interests		605,028	-	-	-
Total equity		25,486,470	16,313,370	12,583,562	6,500,773
Non-current liabilities					
Bank loans	15	1,205,227	497,616	-	-
Finance leases	16	58,723	162,212	-	-
Deferred taxation	17	290,059	290,059	-	-
Total non-current liabilities		1,554,009	949,887	-	-
Current liabilities					
Trade payables	18	4,990,112	4,144,262	-	-
Other payables	19	4,179,314	5,294,419	828,953	173,798
Bank overdrafts and loans	15	5,526,372	5,799,586	-	-
Current portion of finance leases	16	103,591	144,985	-	-
Income tax payable		974,271	1,418,243	-	-
Total current liabilities		15,773,660	16,801,495	828,953	173,798
Total equity and liabilities		42,814,139	34,064,752	13,412,515	6,674,571

See accompanying notes to financial statements.

CONSOLIDATED INCOME STATEMENT

FINANCIAL YEAR ENDED DECEMBER 31, 2009

	Note	Group 2009 $	Group 2008 $
Revenue	20	42,446,169	46,500,941
Cost of sales		(28,875,110)	(28,419,477)
Gross profit		13,571,059	18,081,464
Other operating income	21	886,884	601,925
Administrative expenses		(9,303,717)	(10,165,238)
Other operating expenses	22	(192,357)	(231,557)
Share of profit of associates	8	219,415	533,652
Finance costs	23	(381,829)	(601,059)
Profit before income tax		4,799,455	8,219,187
Income tax expense	24	(1,080,881)	(1,579,298)
Profit for the year	25	3,718,574	6,639,889
Profit attributable to:			
Owners of the Company		3,744,396	6,639,889
Minority interests		(25,822)	-
		3,718,574	6,639,889
Basic and diluted earnings per share (cents)	27	3.38	6.55

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FINANCIAL YEAR ENDED DECEMBER 31, 2009

		Group	
	Note	2009	2008
		$	$
Profit for the year	26	3,718,574	6,6 39,889
Other comprehensive income:			
Exchange differences on translation of foreign operations		(21,274)	33,603
Revaluation of plant and equipment		-	1,227,128
Income tax relating to component of other comprehensive income		-	(220,883)
Other comprehensive income for the year, net of tax		(21,274)	1,039,848
Total comprehensive income for the year		3,697,300	7,679,737
Total comprehensive income attributable to:			
Owners of the Company		3,723,122	7,679,737
Minority interests		(25,822)	-
		3,697,300	7,679,737

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED DECEMBER 31, 2009

	Share capital	Revaluation reserve	Translation reserve	Merger reserve	Retained earnings	Attributable to equity holders of the Company	Minority interests	Total
	$	$	$	$	$	$	$	$
Group								
Balance at January 1, 2008	6,523,617	-	(23,031)	(3,913,614)	6,046,661	8,633,633	-	8,633,633
Total comprehensive income for the year	-	1,006,245	33,603	-	6,639,889	7,679,737	-	7,679,737
Balance at December 31, 2008	6,523,617	1,006,245	10,572	(3,913,614)	12,686,550	16,313,370	-	16,313,370
Total comprehensive income for the year	-	-	(21,274)	-	3,744,396	3,723,122	(25,822)	3,697,300
Issue of share capital (Note 14)	395,270	-	-	-	-	395,270	-	395,270
Issue of new shares pursuant to initial public offering, net of expenses (Note 14)	4,449,680	-	-	-	-	4,449,680	-	4,449,680
Acquisition of interest in subsidiaries by minority interests	-	-	-	-	-	-	630,850	630,850
Balance at December 31, 2009	11,368,567	1,006,245	(10,702)	(3,913,614)	16,430,946	24,881,442	605,028	25,486,470

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FINANCIAL YEAR ENDED DECEMBER 31, 2009

	Share capital	(Accumulated losses) Retained Earnings	Total
	$	$	$
Company			
Balance at January 1, 2008	6,523,617	(5,000)	6,518,617
Total comprehensive income for the year	-	(17,844)	(17,844)
Balance at December 31, 2008	6,523,617	(22,844)	6,500,773
Total comprehensive income for the year	-	1,237,839	1,237,839
Issue of share capital (Note 14)	395,270	-	395,270
Issue of new shares pursuant to initial public offering, net of expenses (Note 14)	4,449,680	-	4,449,680
Balance at December 31, 2009	11,368,567	1,214,995	12,583,562

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED DECEMBER 31, 2009

	Group	
	2009	2008
	$	$
Operating activities		
Profit before income tax	4,799,455	8,219,187
Adjustments for:		
Interest income	(4,791)	(3,501)
Interest expenses	381,829	601,059
Reversal for doubtful receivables	(70,478)	(39,795)
Allowance for sales discount	1,514,397	1,352,961
Depreciation of property, plant and equipment	701,977	568,949
Plant and equipment written off	14,218	-
Share of profit of associates	(219,415)	(533,652)
Fair value changes on derivative financial instrument	(200,000)	102,000
Unrealised exchange differences	(8,404)	6,800
Operating cash flows before movements in working capital	6,908,788	10,274,008
Trade and other receivables	(7,225,504)	(6,495,318)
Inventories	340,385	587,289
Trade and other payables	(69,256)	2,106,605
Cash (used in) generated from operations	(45,587)	6,472,584
Interest received	2,833	3,501
Interest paid	(362,357)	(601,059)
Income tax paid	(1,524,853)	(1,326,859)
Net cash (used in) from operating activities	(1,929,964)	4,548,167
Investing activity		
Purchase of property, plant and equipment	(621,308)	(709,060)
Net cash used in investing activities	(621,308)	(709,060)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)
FINANCIAL YEAR ENDED DECEMBER 31, 2009

	Group	
	2009	**2008**
	$	$
Financing activities		
Decrease in pledged fixed deposit	1,270	(1,955)
Dividend paid	-	(2,500,000)
Proceeds from bank loans	22,246,074	23,207,061
Repayments of bank loans	(23,274,089)	(21,933,658)
Proceeds from issue of share capital to minority shareholders of subsidiary	630,850	-
Proceeds from issue of ordinary shares, net of issue share expenses	4,844,950	-
Repayment of finance leases	(144,884)	(173,050)
Net cash from (used in) financing activities	4,304,171	(1,401,602)
Net increase in cash and cash equivalents	1,752,899	2,437,505
Cash and cash equivalents at beginning of the year	595,845	(1,847,572)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(3,066)	5,912
Cash and cash equivalents at end of the year	2,345,678	595,845
Cash at bank (Note 13)	1,250,449	1,059,820
Fixed deposits	3,111,932	109,099
Sub-total	4,362,381	1,168,919
Fixed deposit pledged as a collateral for overdraft loan	(109,787)	(109,099)
Bank overdrafts (Note 15)	(1,906,916)	(463,975)
Net cash and cash equivalents	2,345,678	595,845

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

1 GENERAL

The Company (Registration No. 200717808Z) is incorporated in Singapore with its principal place of business and registered office at 18 Tuas Avenue 18A, Singapore 638868. The Company is listed on Catalist of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is to carry on the business of an investment holding Company.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2009 were authorised for issue by the Board of Directors on March 30, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost convention, except for the revaluation of certain non-current assets and as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

ADOPTION OF NEW AND REVISED STANDARDS – In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the annual periods beginning on or after January 1, 2009. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

FRS 1 – *Presentation of Financial Statements (Revised)*

FRS 1(2008) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position at the beginning of the earliest comparative period presented if the entity applies new accounting policies retrospectively or makes retrospective restatements or reclassifies items in the financial statements.

Amendments to FRS 107 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The amendments to FRS 107 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

FRS 108 – *Operating Segments*

The Group adopted FRS 108 with effect from January 1, 2009. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (FRS 14 Segment Reporting) required an entity to identify two sets of segments (Business and Geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

FRS 24 (Revised)	-	Related Party Disclosures
FRS 27 (Revised)	-	Consolidated and Separate Financial Statements
FRS 28 (Revised)	-	Investments in Associates
FRS 103 (Revised)	-	Business Combinations

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 24 ***(Revised) Related Party Disclosures***

FRS 24 (Revised) Related Party Disclosures is effective for annual periods beginning on or after January 1, 2011. The revised Standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity. In addition, the revised Standard provides partial exemption for government-related entities, in relation to the disclosure of transactions, outstanding balances and commitments. Where such exemptions apply, the reporting entity has to make additional disclosures, including the nature of the government's relationship with the reporting entity and information on significant transactions or Group of transactions involved. In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

FRS 27 ***(Revised) Consolidated and Separate Financial Statements; and*** **FRS 103** ***(Revised) Business Combinations***

FRS 27 (Revised) is effective for annual periods beginning on or after July 1, 2009. FRS 103 (Revised) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

Apart from matters of presentation, the principal amendments to FRS 27 that will impact the Group concern the accounting treatment for transactions that result in changes in a parent's interest in a subsidiary. It is likely that these amendments will significantly affect the accounting for such transactions in future accounting periods, but the extent of such impact will depend on the detail of the transactions, which cannot be anticipated. The changes will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

Similarly, FRS 103 is concerned with accounting for business combination transactions. The changes to the Standard are significant, but their impact can only be determined once the detail of future business combination transactions is known. The amendments to FRS 103 will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

FRS 28 ***(Revised) Investments in Associates***

In FRS 28 (Revised), the principle adopted under FRS 27 (Revised) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendment to FRS 28 (Revised); therefore, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

FRS 28 (Revised) will be adopted for periods beginning on or after July 1, 2009 and will be applied prospectively in accordance with the relevant transitional provisions and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

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

BUSINESS COMBINATIONS – The acquisition of subsidiaries from common shareholders is accounted for using the merger accounting method. Under this method, the Company has been treated as the holding company of the subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries.

The acquisition of subsidiaries from a party other than common shareholders is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* are recognised at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those financial instruments "at fair value through profit or loss".

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets

Trade and other receivables

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

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

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

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

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

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

Derecognition of financial assets

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

The Group as lessee

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

Leasehold property	-	2%
Plant and equipment	-	10% to 33%
Motor vehicles	-	10% to 20%
Renovation	-	10%

During the financial year ended December 31, 2009, management has reviewed the useful lives of certain plant and equipment and concluded that their useful lives should be 10 years with no residual value. In accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the change has been applied prospectively in the year ended December 31, 2009 and the impact of the change in the current and future period is not significant.

Prior to the change, these plant and equipment were depreciated over a 5 year period with no residual value.

No depreciation is charged for equipment under construction.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

ASSOCIATES - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or trade payments on behalf of the associate.

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

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Rendering of services</u>

Except for contract to provide services, revenue from rendering of services is recognised when the services are completed.

Revenue from contract to provide services is recognised by reference to the stage of completion and the outcome of such work can be reliably estimated.

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

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

<u>Interest income</u>

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes, such as the Singapore Central Provident Fund) are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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

BORROWING COSTS - Borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

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

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in a separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in foreign currency translation reserve (attributed to minority interest, as appropriate).

CASH AND CASH EQUIVALENTS - Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts, 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.

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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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

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

(ii) ***Key sources of estimation uncertainty***

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

Depreciation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful life reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the management's estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

The carrying amount of property, plant and equipment at the end of the reporting period are disclosed in Note 6 to the financial statements.

Allowance for doubtful receivables

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

The carrying amount of trade and other receivables at the end of the reporting period as disclosed in Notes 10 and 12 to the financial statements respectively, approximate their recoverable amounts as there has not been a significant change in their credit quality since the statement of financial position date.

Revenue and costs of contracts

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

Management has performed the cost studies, taking into account the costs to date and costs to complete each project. Management has also reviewed the physical proportion of the contract work completed of such projects and is satisfied that the estimates to complete are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery. The carrying amount of work-in-progress is disclosed in Note 11 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) ***Categories of financial instruments***

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$	$	$	$
Financial Assets				
Loans & receivables				
at amortised cost:				
Trade receivables	27,477,593	24,389,099	-	-
Other receivables	3,405,095	655,877	3,723,114	120,000
Cash and bank balances	4,362,381	1,168,919	3,153,287	43
	35,245,069	26,213,895	6,876,401	120,043
Financial Liabilities				
Derivative financial instrument at fair value	-	200,000	-	-
Other financial liabilities				
at amortised cost:				
Trade payables	4,990,112	4,144,262	-	-
Other payables	4,179,314	5,094,419	828,953	167,048
Bank overdrafts and loans	6,731,599	6,297,202	-	-
Finance leases	162,314	307,197	-	-
	16,063,339	16,043,080	828,953	167,048

(b) ***Financial risk management policies and objectives***

The financial risk management of the Group is handled by management of the Company as part of the operations of the Group. Management seeks to mitigate risk through monitoring of exposures to financial risks arising in the normal course of operations. The Group may enter into foreign exchange forward contracts to mitigate its foreign exchange exposure from time to time. The Group does not hold or issue derivative financial instruments for speculative purposes.

(i) Foreign exchange risk management

The Group's currency exposures are in United States dollars, Euro, Great Britain Pound and Malaysian Ringgit. The Company also has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not hedge against foreign exchange exposure as the currency risk is not expected to be significant.

NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) ***Financial risk management policies and objectives (cont'd)***

(i) Foreign exchange risk management (cont'd)

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

	Liabilities		Assets	
	2009	2008	2009	2008
	$	$	$	$
United States dollars	260,914	136,706	972,126	8,137
Euro	38,735	17,516	-	52,258
Great Britain Pound	2,882	-	-	-
Malaysian Ringgit	14,724	46,500	-	-

Foreign currency sensitivity

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

If the relevant foreign currency weakens by 10% against the functional currency of each group entity, profit will increase (decrease) by:

	United States Dollar impact		Euro impact		Great Britain Pound impact		Malaysian Ringgit impact	
	2009	2008	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$	$	$
Group								
Profit	(71,121)	12,857	3,874	(3,474)	288	-	1,472	4,650

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit will (decrease) increase by:

	United States Dollar impact		Euro impact		Great Britain Pound impact		Malaysian Ringgit impact	
	2009	2008	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$	$	$
Group								
Profit	71,121	(12,857)	(3,874)	3,474	(288)	-	(1,472)	(4,650)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) *Financial risk management policies and objectives (cont'd)*

(ii) Interest rate risk management

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

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

The interest rates and terms of maturity and repayment of borrowings of the Group are disclosed in Notes 15 and 16 to the financial statements.

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended December 31, 2009 would decrease/increase by $33,658 (2008 : decrease/increase by $31,486). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(iii) Credit risk management

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

The Group performs ongoing credit evaluation of its customers' financial condition and may require certain customers to furnish letters of credit from creditworthy institutions. This evaluation includes the assessment and valuation of customers' credit reliability. As at year end, the Group has 3 major customers which accounted for $13,543,896 or 49% (2008 : $14,829,856 or 61%) of the net trade receivable balance.

The maximum amount the Group and Company could be forced to settle under the corporate guarantee in Note 32, if the full guaranteed amount is claimed by the counterparty to the guarantee is $6.74 million (2008: $Nil). Based on expectations at the end of the reporting period, the Group and Company consider that it is more than likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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

Further details of credit risks on trade and other receivables are disclosed in Note 10 and 12.

(iv) Liquidity risk management

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) ***Financial risk management policies and objectives (cont'd)***

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Adjustments	Total
	%	$	$	$	$
Group					
2009					
Non-interest bearing		9,169,426	-	-	9,169,426
Finance lease liability (fixed rate)	6.26	110,238	60,678	(8,602)	162,314
Variable interest rate instruments	5.10	5,805,961	1,268,791	(343,153)	6,731,599
		15,085,625	1,329,469	(351,755)	16,063,339
2008					
Non-interest bearing		9,238,681	-	-	9,238,681
Finance lease liability (fixed rate)	6.26	154,059	172,363	(19,225)	307,197
Variable interest rate instruments	5.90	6,141,112	527,473	(371,383)	6,297,202
		15,533,852	699,836	(390,608)	15,843,080
Company					
2009					
Non-interest bearing		828,953	-	-	828,953
2008					
Non-interest bearing		167,048	-	-	167,048

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) ***Financial risk management policies and objectives (cont'd)***

(iv) Liquidity risk management (cont'd)

The maximum amount the Group and Company could be forced to settle under the corporate guarantee in Note 32, if the full guaranteed amount is claimed by the counterparty to the guarantee is $6.74 million (2008: $Nil). The earliest period that guarantee could be called is within 1 year (2008: Nil) from the end of the reporting period. As mentioned in Note 4b(iii), the Group and Company consider that it is more likely than not that no amount will be payable under the arrangement.

Non-derivative financial assets and derivative financial liabilities

All the non-derivative financial assets and gross settled derivative financial liabilities are repayable within one year and non interest bearing except for the interest bearing fixed deposits (Note 13).

(v) Fair value of financial instruments

The carrying amounts of cash and cash equivalent, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements

(c) ***Capital risk management policies and objectives***

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 15 and 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital, reserves and retained earnings. The Group is required to maintain net worth of a specified amount in order to comply with a covenant in a loan agreement with a bank.

The Group's risk management committee reviews the capital structure on a semi-annual basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The committee also ensures that the Group maintains net worth of a specified amount to comply with the loan covenant imposed by a bank.

The Group's overall strategy remains unchanged from 2008. The Group is in compliance with externally imposed capital requirements for the financial years ended December 31, 2009 and 2008.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

5 RELATED PARTY TRANSACTIONS

Related parties are entity with common direct or indirect shareholders and/or director. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

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

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

	2009	2008
	$	$
Associates		
Rendering of services	(3,534,801)	(3,383,439)
Other operating income	(336,794)	(569,694)
Purchase of goods	6,652,051	4,595,877

Compensation of directors and key management personnel

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

	2009	2008
	$	$
Short-term benefits	1,712,618	1,252,702
Post-employment benefits	100,754	131,773
Other long- term benefits	-	9,659
	1,813,372	1,394,134

The remuneration of directors and key management is determined by the remuneration committee having regard the performance of individuals and market trends.

NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold property	Equipment under construction	Plant and equipment	Motor vehicles	Renovation	Total
	$	$	$	$	$	$
Group						
Cost or valuation						
At January 1, 2008	1,420,000	-	2,218,352	861,247	1,099,895	5,599,494
Exchange translation	-	-	37,776	-	-	37,776
Additions	-	15,847	447,904	-	245,309	709,060
Revaluation increase	-	-	1,227,128	-	-	1,227,128
At December 31, 2008	1,420,000	15,847	3,931,160	861,247	1,345,204	7,573,458
Exchange translation	-	(397)	(15,774)	-	-	(16,171)
Additions	-	-	559,043	-	62,265	621,308
Written off	-	-	(445,263)	-	-	(445,263)
Reclassification	-	(15,450)	15,450	-	-	-
At December 31, 2009	1,420,000	-	4,044,616	861,247	1,407,469	7,733,332
Comprising:						
December 31, 2008						
At cost	1,420,000	15,847	827,214	861,247	1,345,204	4,469,512
At valuation	-	-	3,103,946	-	-	3,103,946
	1,420,000	15,847	3,931,160	861,247	1,345,204	7,573,458
December 31, 2009						
At cost	1,420,000	-	1,187,586	861,247	1,407,469	4,876,302
At valuation	-	-	2,857,030	-	-	2,857,030
	1,420,000	-	4,044,616	861,247	1,407,469	7,733,332
Accumulated depreciation:						
At January 1, 2008	56,800	-	1,325,750	301,117	210,437	1,894,104
Exchange translation	-	-	16,885	-	-	16,885
Depreciation	28,400	-	254,549	172,252	113,748	568,949
At December 31, 2008	85,200	-	1,597,184	473,369	324,185	2,479,938
Exchange translation	-	-	(6,368)	-	-	(6,368)
Written off	-	-	(431,045)	-	-	(431,045)
Depreciation	28,400	-	371,823	164,669	137,085	701,977
At December 31, 2009	113,600	-	1,531,594	638,038	461,270	2,744,502
Carrying amount:						
At December 31, 2009	1,306,400	-	2,513,022	223,209	946,199	4,988,830
At December 31, 2008	1,334,800	15,847	2,333,976	387,878	1,021,019	5,093,520

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

6 PROPERTY, PLANT AND EQUIPMENT

Leasehold property is pledged to secure banking facilities granted to the Group (Note 15).

Motor vehicles are secured in respect of assets held under finance leases (Note 16).

Certain plant and equipment were revalued at December 31, 2008 by an independent valuer, by reference to market value on a willing buyer and willing seller basis for existing use.

At December 31, 2009, had the plant and equipment been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately $1,597,184 (2008 : $1,106,848).

No separate valuation has been carried out during the financial year, as the management is of the opinion that the carrying amount approximates its fair value as at December 31, 2009.

7 SUBSIDIARIES

	Company	
	2009	**2008**
	$	$
Unquoted equity shares, at cost	6,523,614	6,523,614

The details of the subsidiaries of the Group are set out below:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest and voting power held		Principal activity
		2009	**2008**	
		%	%	
Heatec Jietong Pte. Ltd. [(1)]	Singapore	100	100	Provision of marine services including piping and heat exchanger services
JJY Engineering & Construction Pte. Ltd. [(1)]	Singapore	100	100	To carry on the businesses of repairing ships, tankers and other sea-going vessels
Held by Heatec Jietong Pte. Ltd.				
Heatec (Shanghai) Co. Ltd [(2)]	People's Republic of China	100	100	Manufacture and repair of air cooler(s) evaporator, heat exchanger and related auxiliaries
Heatec Chariot Envirobotics Pte. Ltd. [(3)]	Singapore	72.5	-	To remove coating and corrosion of ship hull using envirobotic technology (Dormant)

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

[(2)] Audited by Shanghai LSC CPA Co., Ltd, People's Republic of China.

[(3)] Not audited as the subsidiary was incorporated during the year, results and financial position are not material.

NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

8 ASSOCIATES

	Group 2009	Group 2008
	$	$
Cost of investment in associates	609,617	609,617
Share of post-acquisition reserves	895,486	676,071
	1,505,103	1,285,688

The details of the associates of the Group are set out below:

Name of associate	Country of incorporation and operation	Proportion of ownership interest and voting power held 2009	2008	Principal activity
		%	%	
Held by Heatec Jietong Pte. Ltd.				
Heat Transfer Services Pte Ltd [1]	Singapore	40	40	Supply, installation, maintenance and repair of plate heat exchangers
Zhoushan Heatec IMC-YY Engineering Co., Ltd [2]	People's Republic of China	45	45	Service and repair, all kinds of heat exchangers and piping works
Heatec Marine Phils Construction Inc [3]	Philippines	39.97	39.97	Maintenance of vessels, other related activities and contracting and subcontracting, ship repair
Ipromar (Pte) Ltd [4]	Singapore	25	25	Dormant
Sing Partners Marine Pte. Ltd. [5]	Singapore	20	20	Dormant

(1) Reviewed by Deloitte & Touche LLP, Singapore, for consolidation purposes

(2) Audited by Shanghai LSC CPA Co., People's Republic of China, for consolidation purposes

(3) Audited by Tan Chan & Partners CPA, Singapore, for consolidation purposes

(4) Not audited as the associate is dormant and not significant to the Group

(5) Not audited as the associate is in the process of liquidation

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

8 ASSOCIATES (CONT"D)

Summarised financial information in respect of the Group's associates is set out below:

	2009	2008
	$	$
Total assets	6,378,831	5,629,044
Total liabilities	(2,891,629)	(2,601,683)
Net assets	3,487,202	3,027,361
Group's share of associates' net assets	1,505,103	1,285,688
Revenue	7,386,449	10,194,533
Profit for the year	518,115	1,298,501
Group's share of associates' profit for the year	219,415	533,652

9 INVENTORIES

	Group	
	2009	2008
	$	$
Raw materials and supplies	818,230	1,158,615

10 TRADE RECEIVABLES

	Group	
	2009	2008
	$	$
Outside parties	20,183,097	20,185,677
Associates (Note 8)	1,523,377	1,631,450
Allowance for doubtful debts - outside parties	(79,800)	(150,278)
Allowance for sales discount - outside parties	(1,514,397)	(1,352,961)
	20,112,277	20,313,888
Amount due from customers for contract work (Note 11)	7,365,316	4,075,211
	27,477,593	24,389,099

The average credit period on rendering of services is 60 to 90 days (2008 : 60 to 90 days). No interest is charged on the trade receivables. Trade receivables amounting to $3,550,025 (2008 : $6,548,154) are assigned to secure the factoring loan facilities (Note 15).

NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

10 TRADE RECEIVABLES (CONT'D)

Included in the Group's trade receivables balance are debtors with a carrying amount of $8,938,122 (2008 : $1,146,559) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

An allowance has been made for estimated irrecoverable amounts from outside parties of $79,800 (2008 : $150,278). This allowance has been determined by reference to past default experience. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and expected proceeds. The Group does not hold any collateral over these balances.

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

	Group	
	2009	2008
	$	$
Not past due and not impaired	11,174,155	18,537,077
Past due but not impaired (i)	8,938,122	1,146,559
	20,112,277	19,683,636
Impaired receivables - collectively assessed (ii)	79,800	780,530
Less: Provision for impairment	(79,800)	(150,278)
	-	630,252
Total trade receivables, net	20,112,277	20,313,888
(i) Aging of receivables that are past due but not impaired:		
< 3 months	3,692,268	625,388
3 months to 6 months	2,861,733	463,817
6 months to 12 months	2,333,432	865
> 12 months	50,689	56,489
	8,938,122	1,146,559

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

Movement in the allowance for doubtful debts

	Group	
	2009	2008
	$	$
Balance at beginning of the year	150,278	202,025
Amounts written off during the year	-	(11,952)
Allowance reversed in profit or loss	(70,478)	(39,795)
Balance at the end of the year	79,800	150,278

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

10 TRADE RECEIVABLES (CONT'D)

The Group's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	2009	2008
	$	$
United States dollars	967,892	8,038
Euro	-	52,258

11 WORK-IN-PROGRESS

	Group	
	2009	2008
	$	$
Work-in-progress at end of reporting period:		
Amounts due from contract customers included in trade receivables (Note 10)	7,365,316	4,075,211
Contract costs incurred plus recognised profits	15,373,778	6,938,370
Less: Progress billings	(8,008,462)	(2,863,159)
	7,365,316	4,075,211

12 OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
Subsidiary (Note 7)	-	-	3,723,114	120,000
Associates (Note 8)	99,128	99,128	-	-
Other receivables	118,204	42,525	-	-
Deposit	3,187,763	514,224	-	-
Prepayments	256,907	313,034	12,500	30,914
Total	3,662,002	968,911	3,735,614	150,914

Amount receivable from subsidiary, associates and related party are unsecured, interest-free and repayable on demand.

Other receivables as at year end are within their cash collection cycles and are not past due.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

13 CASH AND BANK BALANCES

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
Cash at bank	1,250,449	1,059,820	151,142	43
Fixed deposits	3,111,932	109,099	3,002,145	-
	4,362,381	1,168,919	3,153,287	43

Fixed deposits bear average interest rate of 0.353% (2008 : 0.625%) per annum and for a tenure of approximately 3 to 6 months (2008 : 365 days) without significant risk of changes in value.

Certain fixed deposits are pledged to secure banking facilities granted to the Group (Note 15).

The Group's and Company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2009	2008
	$	$
United States dollars	4,234	99

14 SHARE CAPITAL

	Group and Company			
	2009	2008	2009	2008
	Number of ordinary shares		$	$
Issued and paid up:				
At beginning of year	81,000,000	6,523,617	6,523,617	6,523,617
Subdivision of shares	20,250,000	74,476,383	-	-
Issuance of share capital	1,437,345	-	395,270	-
Issue of new shares pursuant to initial public offering, net of expenses	18,500,000	-	4,449,680	-
At end of year	121,187,345	81,000,000	11,368,567	6,523,617

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

On April 29, 2008, the shareholders passed a resolution approving the sub-division of each ordinary share in the existing issued share capital of the Company into 81,000,000 ordinary shares. The sub-division took place on April 30, 2008.

On June 22, 2009, the shareholders passed a resolution approving the sub-division of each ordinary share in the existing issued share capital of the Company into 101,250,000 ordinary shares. The sub-division took place on June 22, 2009.

NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

14 SHARE CAPITAL (CONT'D)

1,437,345 of new shares at an issue price of $0.275 per share were issued pursuant to financial advisory and co-ordination work provided in connection with the listing of the Company.

On July 8, 2009, the Group issued 18,500,000 new shares at an issue price of $0.275 per share pursuant to initial public offering.

During the year, $637,820 of direct expenses relating to the issue of new shares pursuant to the initial public offering were set off against share capital.

15 BANK OVERDRAFT AND LOANS

	Group	
	2009	2008
	$	$
Bank overdrafts	1,906,916	463,975
Term loans	3,867,385	2,071,689
Factoring loans	957,298	3,761,538
	6,731,599	6,297,202
The borrowings are repayable as follows:		
On demand or within one year	5,526,372	5,799,586
In the second year	1,052,865	167,541
In the third year	152,362	177,874
In the fourth year	-	152,201
	6,731,599	6,297,202
Less: Amount due for settlement within 12 months (shown under current liabilities)	(5,526,372)	(5,799,586)
Amount due for settlement after 12 months	1,205,227	497,616

The effective interest rates are as follows:

	Group	
	2009	2008
	$	$
Bank overdrafts	5.00% to 5.75%	5.00% to 5.75%
Term loans	5.00% to 6.00%	5.00% to 7.00%
Factoring loans	4.98% to 10.86%	4.50% to 9.75%

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

The fair value of the Group's borrowings approximate the carrying amounts of the borrowings.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

15 BANK OVERDRAFT AND LOANS (CONT'D)

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

(a) Bank overdrafts are repayable on demand and secured by a charge over the followings:

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

(ii) legal mortgage over the properties of the directors of a subsidiary;

(iii) joint and several guarantees of the directors of a subsidiary for all the monies owing;

(iv) pledge of fixed deposits (Note 13) amounting to $109,787 (2008 : $109,099); and

(v) corporate guarantees issued by the Company and a subsidiary.

(b) The Group has 2 bank loans as follows:

(i) A loan of $496,753 (2008: $2,071,689). The loan was raised on June 13, 2005. Repayments commenced on December 1, 2005 and will continue until December 1, 2012. The loan is secured by:

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

(b) personal guarantees of the directors of a subsidiary.

(ii) A loan of $3,370,632 (2008: $Nil). The loan was raised on March 11, 2009. Repayments commenced on April 1, 2009 and repayable over 24 months. The loan is secured by personal guarantees of certain directors of the Company for all the monies owing.

(c) The factoring facilities are secured by:

(i) legal mortgage over the properties of the directors of a subsidiary.

(ii) joint and several personal guarantees of the director of a subsidiary for all monies owned.

(iii) joint charge on the receivables of a subsidiary (Note 10).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

16 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
	$	$	$	$
Amounts payable under finance leases:				
Within one year	110,238	159,154	103,590	144,985
In the second to fifth years inclusive	60,677	170,815	58,724	162,212
	170,915	329,969	162,314	307,197
Less: Future finance charges	(8,601)	(22,772)	NA	NA
Present value of lease obligations	162,314	307,197	162,314	307,197
Less: Amount due for settlement within 12 months (shown under current liabilities)			(103,591)	(144,985)
Amount due for settlement after 12 months			58,723	162,212

For the year ended December 31, 2009, the average effective borrowing rate was 6.26% (2008 : 6.26%) per annum. The average lease term is 5 years. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Singapore dollars.

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

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

17 DEFERRED TAXATION

The following is the major deferred tax liability recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Group		
	Accelerated tax depreciation	Revaluation of plant and equipment	Total
	$	$	$
At January 1, 2008	41,993	-	41,993
Charge to profit or loss for the year (Note 24)	27,183	-	27,183
Charge to other comprehensive income for the year	-	220,883	220,883
At December 31, 2008 and December 31, 2009	69,176	220,883	290,059

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

18 TRADE PAYABLES

	Group	
	2009	2008
	$	$
Outside parties	2,302,097	1,822,313
Associate (Note 8)	2,688,015	2,321,949
	4,990,112	4,144,262

The average credit period on purchases of goods is 60 days (2008 : 60 days). No interest is charged on the trade payables except those under trade financing.

As at year end, the trade payables under trade financing amounted to $330,764 (2008 : $179,485) with an interest rate ranging from 2.34% to 6% (2008 : 4.5% to 9.75%). The trade financing facilities are secured by:

(a) legal mortgage over the properties of the directors of a subsidiary.

(b) joint and several personal guarantees of the directors of a subsidiary for all monies owned.

The Group's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	2009	2008
	$	$
United States dollars	66,332	137,706
Euro	38,735	17,516
Great Britain Pound	2,882	-
Malaysian Ringgit	14,724	46,500

19 OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	$	$	$	$
Accruals	2,603,545	2,995,941	240,800	18,000
Other payables	1,410,769	1,985,935	588,153	155,798
Directors (Note 5)	165,000	112,543	-	-
Derivative financial instrument	-	200,000	-	-
	4,179,314	5,294,419	828,953	173,798

In 2008, the Group granted a call option to a bank to subscribe for new shares pursuant to initial public offering for a consideration of $1 paid by the bank. The bank was entitled to exercise the call option to subscribe shares for total consideration not exceeding $1 million. The management estimated the fair value of the call option at the date of inception and as at December 31, 2008 to be $200,000, based on a discount of 20% to the estimated public offer price of the shares. The call option lapsed in current year.

Amounts due to directors are unsecured, interest-free and repayable on demand.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2009

20 REVENUE

	Group	
	2009	2008
	$	$
Rendering of services	42,446,169	46,500,941

21 OTHER OPERATING INCOME

	Group	
	2009	2008
	$	$
Service income from an associate (Note 5)	336,794	569,694
Fair value gain on derivative financial instrument	200,000	-
Income from job credit scheme	208,597	-
Sundry income	141,493	32,231
	886,884	601,925

22 OTHER OPERATING EXPENSES

	Group	
	2009	2008
	$	$
	192,357	119,371
Consultancy fee	-	102,000
Fair value loss on derivative financial instrument	-	10,186
Commission	192,357	231,557

23 FINANCE COSTS

	Group	
	2009	2008
	$	$
Interest on bank overdrafts	123,070	190,989
Interest on bank loans	213,445	241,363
Interest on hire purchases	14,271	24,528
Factoring charges	31,043	144,179
	381,829	601,059

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

24 INCOME TAX EXPENSE

	Group	
	2009	**2008**
	$	$
Current tax	905,954	1,552,115
Under provision for current tax in prior years	174,927	-
Deferred tax (Note 17)	-	27,183
Income tax expense for the year	1,080,881	1,579,298

Domestic income tax is calculated at 17% (2008 : 18%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the financial year can be reconciled to the accounting profit as follows:

	Group	
	2009	**2008**
	$	$
Profit before income tax	4,799,455	8,219,187
Income tax expense at statutory rate	815,907	1,479,454
Tax effect of share of results of associates	(37,301)	(96,057)
Effect of income not subject to tax	(79,507)	(82,794)
Effect of expenses that are not deductible for tax purpose	193,364	309,656
Effect of partial tax exempt income	(25,925)	(62,588)
Deferred tax benefits on tax losses not recognised	50,344	-
Under provision in prior years	174,927	-
Others	(10,928)	31,627
Total income tax expense	1,080,881	1,579,298

The Group has tax losses carry forward available for offsetting against future taxable income as follows:

	2009	**2008**
	$	$
Amount in current year and at end of year	296,141	-
Deferred tax benefit on above not recorded	50,344	-

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

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

24 INCOME TAX EXPENSE (CONT'D)

Income tax relating to each component of other comprehensive income:

	Group	
	2009	2008
	$	$
Deferred tax		
Plant and equipment revaluation	-	220,883

25 PROFIT FOR THE YEAR

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

	Group	
	2009	2008
	$	$
Depreciation of property, plant and equipment [1]	701,977	568,949
Directors' remuneration	1,241,619	918,973
Employee benefits expense (including directors' remuneration) [2]	20,082,473	19,745,241
Costs of defined contribution plans (included in employee benefits expense)	309,391	335,212
Cost of inventories recognised as expense	10,934,517	10,854,565
Plant and equipment written off	14,218	-
Reversal of allowance for doubtful debts	(70,478)	(39,795)
Allowance for sales discount	1,514,397	1,352,961
Fair value (gain) loss on derivative financial instrument	(200,000)	102,000
Net foreign exchange loss	41,181	139,618

(1) Included in administrative expenses.

(2) Employee benefits expense amounting to $4,723,349 (2008 : $3,838,734) is included in administrative expenses.

26 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Group	
	2009	2008
	$	$
Revaluation of plant and equipment:		
Gain on revaluation of plant and equipment	-	1,227,128
Deferred tax liability arising on revaluation of plant and equipment	-	(220,883)
Exchange differences on translation of foreign operations	(21,274)	33,603
Other comprehensive income for the year, net of tax	(21,274)	1,039,848

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

27 EARNINGS PER SHARE

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

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

	Group	
	2009	**2008**
Profit for the year	3,744,396	6,639,889
Weighted average number of ordinary shares on issue applicable to basic earnings per share	110,930,569	101,250,000[1]

[1] This is adjusted for the sub-division shares (Note 14) in the current year.

The diluted earnings per share is equivalent to the basic earnings per share.

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.

28 DIVIDEND

In respect of the current year, the directors propose that a first and final dividend of 1 cent per ordinary share will be paid to shareholders, payment date to be announced at a later date. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,211,873.

29 REVALUATION RESERVE

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

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

30 SEGMENT INFORMATION

Services from which reportable segments derive their revenue

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

Operating segments are aggregated into a single operating segment if they have similar economic characteristics.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

30 SEGMENT INFORMATION (CONT'D)

Services from which reportable segments derive their revenue (cont'd)

The Group's reportable operating segments under FRS 108 are as follows:

Segment	Principal activities
Piping	Fabrication and installation of all types of piping
Heat Exchanger	Servicing and fabrication of Heat Exchangers

The accounting policies of the reportable segments are as described in Note 2. Segment revenue represents revenue generated from external and internal customers. Segment profits represents the profit earned by each segment after allocating central administrative expense and finance costs. This is the measure reported to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources, the chief operating decision makers monitor the tangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Assets, if any, used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments.

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

For the year ended December 31, 2009

	Revenue		Net Profit	
	2009	**2008**	**2009**	**2008**
	$	$	$	$
Piping	20,414,657	25,436,037	2,101,029	5,551,319
Heat Exchanger	22,031,512	21,064,904	2,749,588	3,359,247
	42,446,169	46,500,941	4,850,617	8,910,566
Other operating income			886,884	601,925
Administrative expense			(775,632)	(1,225,897)
Share of profit of associates			219,415	533,652
Finance costs			(381,829)	(601,059)
Profit before income tax			4,799,455	8,219,187
Income tax expense			(1,080,881)	(1,579,298)
Profit for the year			3,718,574	6,639,889

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

30 SEGMENT INFORMATION (CONT'D)

Services from which reportable segments derive their revenue (cont'd)

	Net Profit	
	2009	2008
	$	$
Segment assets		
Piping	18,298,688	14,682,503
Heat Exchanger	13,979,979	14,435,568
Total segment assets	32,278,667	29,118,071
Unallocated assets	10,535,472	4,946,681
Consolidated total assets	42,814,139	34,064,752

	2009	2008
	$	$
Segment liabilities		
Piping	1,086,425	996,582
Heat Exchanger	3,903,687	3,147,680
Total segment liabilities	4,990,112	4,144,262
Unallocated liabilities	12,337,557	13,607,120
Consolidated total liabilities	17,327,669	17,751,382

Other segment information	Piping		Heat Exchangers	
	2009	2008	2009	2008
	$	$	$	$
Reversal of allowance for doubtful debts	(70,478)	(39,795)	-	-
Allowance for sales discount	1,384,595	1,237,671	129,802	115,290
Capital additions	62,265	709,060	559,043	-
Plant and equipment written off	14,218	-	-	-
Depreciation of property, plant and equipment	165,225	185,660	536,752	383,289

Geographical information

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

Major customer information

Included in revenue arising from sales of piping of $20,414,657 (2008: $25,436,037) are revenue to a major customer amounting to $15,725,000 (2008: $20,506,000)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2009

31 OPERATING LEASE ARRANGEMENTS

	Group	
	2009	2008
	$	$
Minimum lease payments under operating leases recognised as an expense during the year	2,151,143	1,541,499

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

	Group	
	2009	2008
	$	$
Within one year	2,484,551	930,594
In the second to fifth year inclusive	826,246	611,243
After five years	412,700	457,261
	3,723,497	1,999,098

Operating lease payments represent rentals payable by the Group for residential premises, equipment and leasehold land. Leases are negotiated for a term of one to thirty (2008 : one to thirty) years and rentals are fixed for a term of one to two (2008 : one to five) years.

32 CONTINGENT LIABILITIES

	Group and Company	
	2009	2008
	$	$
Corporate guarantees for credit facilities granted to a subsidiary-secured	6,740,000	-

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

STATISTICS OF SHAREHOLDINGS

AS AT MARCH 18, 2010

Issued and fully paid-up capital	:	$12,006,387/-
Number of issued and paid-up shares	:	121,187,345
Class of shares	:	Ordinary Share
Voting rights	:	One vote per share

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	No. of shares (Direct Interest)	Percentage (%)	No. of shares (Deemed Interest)	Percentage (%)
Johnny Soon Yeow Kwee [1]	9,530,146	7.86	57,869,438	47.75
Jimmy Yong Li Vien [2]	9,530,146	7.86	57,869,438	47.75
Yong Yeow Sin [3]	9,530,146	7.86	57,869,438	47.75
Armstrong Holdings Limited	53,053,360	43.78	-	-

[1] Mr Johnny Soon is deemed to have an interest in the shares held by his spouse, Madam Jasmine Ow Ah Foong, and Armstrong Holdings Limited whereby the Soon Family Trust in which he is one of the beneficial owners, is a shareholder.

[2] Mr Jimmy Yong is deemed to have an interest in the shares held by his spouse, Madam Ong Ah Mooi, and Armstrong Holdings Limited whereby the Jimmy Yong Trust in which he is one of the beneficial owners, is a shareholder.

[3] Mr Yong Yeow Sin is deemed to have an interest in the shares held by his spouse, Madam Ng Guick Kim, and Armstrong Holdings Limited whereby the Summer Family Trust in which he is one of the beneficial owners, is a shareholder.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	63	27.04	448,000	0.37
10,001 - 1,000,000	157	67.38	13,409,310	11.06
1,000,001 AND ABOVE	13	5.58	107,330,035	88.57
TOTAL	233	100.00	121,187,345	100.00

STATISTICS OF SHAREHOLDINGS (CONT'D)
AS AT MARCH 18, 2010

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	ARMSTRONG HOLDINGS LIMITED	53,053,360	43.78
2	JOHNNY SOON YEOW KWEE	9,530,146	7.86
3	JIMMY YONG LI VIEN	9,530,146	7.86
4	YONG YEOW SIN	9,530,146	7.86
5	OW AH FOONG JASMINE	4,816,078	3.97
6	ONG AH MOOI	4,816,078	3.97
7	NG GUICK KIM	4,816,078	3.97
8	ONG AH WHATT	2,943,000	2.43
9	CHUA GOH TEE	2,210,558	1.82
10	MOHAMED ABDUL JALEEL S/O MUTHUMARICAR SHAIK MOHAMED	2,000,000	1.65
11	RICHARD ONG BENG CHYE	1,768,445	1.46
12	DMG & PARTNERS SECURITIES PTE LTD	1,206,000	1.00
13	TAN SEK KHOON	1,110,000	0.92
14	LOW CHEE WEE	857,965	0.71
15	WANG JIAN GUO	820,000	0.68
16	LEOW SAU CHING HELENA	770,000	0.64
17	PRIMEPARTNERS CORPORATE	718,673	0.59
18	PRIMEPARTNERS CORPORATE FINANCE PTE LTD	718,672	0.59
19	YEO AI TEE	553,000	0.46
20	CHIANG SOK YANG	405,000	0.33
	TOTAL	112,173,345	92.55

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 18 March 2010, approximately 15.48% of the issued shares of the Company is held by the public. Therefore, Rule 723 of the Rules of Catalist has been complied with.

The Company had no treasury shares as at 18 March 2010.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting (***"AGM"***) of Heatec Jietong Holdings Ltd. (***the "Company"***) will be held at 18 Tuas Avenue 18A, Singapore 638868 on Wednesday, 28 April 2010 at 10.00 a.m. for the purpose of transacting the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the audited financial statements of the Company for the financial year ended 31 December 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt one-tier dividend of S$0.01 for each ordinary share held in the capital of the Company for the financial year ended 31 December 2009. **(Resolution 2)**

3. To approve Directors' Fees of S$160,000/- payable by the Company for the financial year ended 31 December 2009. **(Resolution 3)**

4. To re-elect the following Directors who are retiring by rotation pursuant to Articles 98 and 99 of the Company's Articles of Association:

   (i) Mr Jimmy Yong Li Vien **(Resolution 4)**

   (ii) Mr Yong Yeow Sin **(Resolution 5)**

5. To re-elect the following Directors who are retiring pursuant to Article 102 of the Company's Articles of Association:

   (i) Mr Seah Kian Peng *[See Explanatory Note (a)]* **(Resolution 6)**

   (ii) Mr Michael Seow Teo Tiew *[See Explanatory Note (b)]* **(Resolution 7)**

   (iii) Mr Phillip Lee Soo Hoon *[See Explanatory Note (c)]* **(Resolution 8)**

   (iv) Mr Richard Ong Beng Chye *[See Explanatory Note (d)]* **(Resolution 9)**

6. To re-appoint Messrs Deloitte & Touche LLP as the auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**

7. To transact any other business which may properly be transacted at an AGM.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

AS SPECIAL BUSINESS

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

8. **Authority to allot and issue shares in the capital of the Company and/or Instruments (as defined hereinafter) ("Share Issue Mandate") (Resolution 11)**

That pursuant to Section 161 of the Companies Act, Cap. 50 (***"Act"***) and Rule 806 of the Singapore Exchange Securities Trading Limited (***"SGX-ST"***) Listing Manual Section B: Rules of Catalist (***"Rules of Catalist"***), the Directors be and are hereby authorised and empowered to:

(a) (1) allot and issue shares in the capital of the Company (***"Shares"***) whether by way of rights, bonus or otherwise; and/or

(2) 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 may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution is in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) and Instruments to be issued pursuant to this Ordinary Resolution shall not exceed 100% of the total issued Shares at the time of passing of this Ordinary Resolution (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders of the Company (***"Shareholders"***) shall not exceed 50% of the total issued Shares (excluding treasury shares) (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 and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the Company's total issued Shares (excluding treasury shares) at the time of the passing of this Ordinary Resolution, after adjusting for:

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

(ii) new Shares arising from exercising of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Ordinary Resolution provided that share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(iii) any subsequent bonus issue, consolidation or sub-division of Shares;

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Rules of Catalist for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and otherwise, and the Memorandum and Articles of Association for the time being of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

[*See Explanatory Note (e)]*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. **Authority to allot and issue shares at a discount exceeding 10% but not more than 20% (Resolution 12)**

That without prejudice to the generality of, and pursuant and subject to the approval of the Share Issue Mandate to issue new shares in the capital of the Company, set out in Resolution 11, authority be and is hereby given to the Directors of the Company to issue shares, other than on a pro-rata basis to shareholders of the Company, at an issue price per share which is at a discount to the weighted average price of the shares for trades done on the Catalist (as determined in accordance with the requirements of the SGX-ST) exceeding 10% but not more than 20%, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, provided that:

(a) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Rules of Catalist for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and otherwise, and the Memorandum and Articles of Association for the time being of the Company; and

(b) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until 31 December 2010 or such later date as may be determined by the SGX-ST, but in any event not later than the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (f)]

10. **Authority to grant options and to allot and issue Shares under the Heatec Employee Share Option Scheme (Resolution 13)**

That approval be and is hereby given to the Directors:

(i) to offer and grant options from time to time in accordance with the provisions of the Heatec Employee Share Option Scheme (***"Heatec ESOS"***); and

(ii) pursuant to Section 161 of the Act, to allot and issue from time to time such number of Shares in the capital of the Company (***"ESOS 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 ESOS Shares issued and/or issuable, when aggregated together with Shares issued and/or issuable pursuant to the Heatec Performance Share Plan and any other existing share scheme of the Company, shall not exceed 15% of the total number of issued Shares excluding treasury shares from time to time.

[See Explanatory Note (g)]

11. **Authority to grant awards and to allot and issue Shares under the Heatec Performance Share Plan (Resolution 14)**

That approval be and is hereby given to the Directors to grant awards from time to time in accordance with the provisions of the Heatec Performance Share Plan (***"Performance Share Plan"***), and, pursuant to Section 161 of the Act, to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be allotted, issued and/or delivered pursuant to the vesting of the awards under the Performance Share Plan, provided always that the aggregate number of Shares issued and/or issuable pursuant to the Performance Share Plan, when aggregated together with Shares and/or issuable issued pursuant to the Heatec ESOS and any other existing employee share schemes of the Company, shall not exceed 15% of the total number of issued Shares excluding treasury shares from time to time.

[See Explanatory Note (h)]

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

By Order of the Board

Johnny Soon Yeow Kwee
Chairman and CEO
Singapore

8 April 2010

Notes:

1. A member of the Company entitled to attend and vote at the AGM of the Company is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. The instrument appointing a proxy must be deposited at the registered office of the Company at 18 Tuas Avenue 18A, Singapore 638868 not less than forty-eight (48) hours before the time for holding the AGM of the Company.

Explanatory Notes:

(a) Mr Seah Kian Peng will, upon re-election as a Director, remain as a member of the Audit Committee and the Chairman of the Nomination and Remuneration Committee of the Company, and will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

(b) Mr Michael Seow Teo Tiew will, upon re-election as a Director, remain as the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company, and will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

(c) Mr Phillip Lee Soo Hoon will, upon re-election as a Director, remain as a member of the Audit and Nominating Committee of the Company, and will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

(d) Mr Richard Ong Beng Chye will, upon re-election as a Director, remain as a member of the Audit, Nominating and Remuneration Committee of the Company, and will be considered non-independent for the purposes of Rule 704(7) of the Rules of Catalist.

(e) The Ordinary Resolution 11 in item 8 above, if passed, will empower the Directors from the date of this AGM until the date of the next AGM of the Company, or the date which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in general meeting, whichever is the earlier, to issue Shares, make or grant instruments convertible into Shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the issued Shares (excluding treasury shares), of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company.

(f) The Ordinary Resolution 12 proposed in item 9 above, if passed, will empower the Directors of the Company, pursuant to the Share Issue Mandate to issue shares set out in Ordinary Resolution 11, to issue shares other than on a pro-rata basis to shareholders of the Company, at a discount not exceeding 20% to the weighted average price of the shares for trades done on the Catalist. In exercising the authority conferred by Ordinary Resolution 12, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Articles of Association. Rule 811(1) of the Rules of Catalist presently provides that an issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the Catalist for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day). On 19 February 2009, the SGX-ST released a press release of new measures effective on 20 February 2009 (the "Press Release"); the new measures include allowing issuers to undertake placements of new shares using the general mandate to issue shares, priced at discounts of up to 20%, subject to the conditions that the issuer seeks shareholders' approval in a separate resolution at a general meeting to issue new shares on a non pro-rata basis at a discount exceeding 10% but not more than 20%, and the general share issue mandate resolution is not conditional on this resolution. Ordinary Resolution 12, has been included following this new measure. The Press Release states that this new measure will be in effect until 31 December 2010 when it will be reviewed by the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(g) The Ordinary Resolution 13 in item 10 above, if passed, will empower the Directors, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant options under the Heatec ESOS and to allot and issue Shares in the Company pursuant to the exercise of options granted or to be granted under the Heatec ESOS up to a number (which includes shares issued and/or unable pursuant to any other existing employee share schemes of the Company) not exceeding in total (for the entire duration of the Scheme) 15% of the total issued Shares (excluding treasury shares) from time to time.

(h) The Ordinary Resolution 14 in item 11 above, if passed, will empower the Directors, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards under the Performance Share Plan and to allot and issue Shares in the Company pursuant to the vesting of the awards under the Performance Share Plan up to a number (which includes shares issued and/or unable pursuant to any other existing employee share schemes of the Company) not exceeding in total (for the entire duration of the Performance Share Plan) 15% of the total issued Shares (excluding treasury shares) from time to time.

NOTICE OF BOOKS CLOSURE DATE

NOTICE IS ALSO HEREBY GIVEN that subject to approval of Shareholders being obtained for the proposed first and final tax exempt one-tier dividend of S$0.01 per Share for the financial year ended 31 December 2009 (***"Dividend"***), the Share Transfer Books and Register of Members of the Company will be closed on 6 May 2010 ("***Books Closure Date"***) for the purpose of determining Shareholders' entitlements to the Dividend.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 up to 5.00 p.m. on 5 May 2010 will be registered to determine Shareholders' entitlements to the Dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with the Shares as at 5.00 p.m. on 5 May 2010 will be entitled to the Dividend.

Payment of the Dividend, if approved by Shareholders at the AGM of the Company, will be made on 18 May 2010.

By Order of the Board

Johnny Soon Yeow Kwee
Executive Director and CEO
Singapore

8 April 2010

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HEATEC JIETONG HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200717808Z)

PROXY FORM

(Please see notes overleaf before completing this form)

I/We, ____ (Name)

of ____ (Address)

being a *member/members of HEATEC JIETONG HOLDINGS LTD. (the "Company") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to vote for *me/us and on *my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held at 18 Tuas Avenue 18A, Singapore 638868 on Wednesday, 28 April 2010 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM of the Company as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM of the Company and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Ordinary Resolutions	For	Against
	Ordinary Business		
1.	To receive and adopt the Directors' Report and the audited financial statements for the financial year ended 31 December 2009, together with the Auditors' Report thereon.		
2.	To declare a first and final tax exempt one-tier dividend for the financial year ended 31 December 2009.		
3.	To approve Directors' Fees for the financial year ended 31 December 2009.		
4.	To re-elect Mr Jimmy Yong Li Vien as a Director (under Articles 98 and 99).		
5.	To re-elect Mr Yong Yeow Sin as a Director (under Articles 98 and 99).		
6.	To re-elect Mr Seah Kian Peng as a Director (under Article 102).		
7.	To re-elect Mr Michael Seow Teo Tiew as a Director (under Article 102).		
8.	To re-elect Mr Phillip Lee Soo Hoon as a Director (under Article 102).		
9.	To re-elect Mr Richard Ong Beng Chye as a Director (under Article 102).		
10.	To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company.		
	Special Business		
11.	To authorise Directors to allot and issue shares and/or Instruments pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore.		
12.	To authorise Directors to allot and issue shares at a discount exceeding 10% but not more than 20%.		
13.	To authorise Directors to offer and grant options and to allot and issue shares in accordance with the provisions of the Heatec ESOS.		
14.	To authorise Directors to grant awards and to allot and issue shares in accordance with the provisions of the Performance Share Plan.		

Dated this ________________________ 2010

Total Number of Shares in:	No. of Shares
CDP Register	
Register of Members	

____
Signature of Shareholder(s)/Common Seal of Corporate Shareholder
**Delete where inapplicable*

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 18 Tuas Avenue 18A, Singapore 638868, not less than 48 hours before the time appointed for the AGM of the Company.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM of the Company, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM of the Company, as certified by The Central Depository (Pte) Limited to the Company.

HEATEC JIETONG HOLDINGS LTD.
Heat Transfer & Piping System Specialist

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Email: admin@heatec.com.sg

Company Registration Number: 200717808Z