HEATEC JIETONG HOLDINGS LTD

Gearing Up

ANNUAL REPORT 2015

Our Mission

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

Our Vision

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

Quality Policy

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

Table of Contents

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this annual report.

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

The contact person for the Sponsor is Mr Tan Chong Huat, Registered Professional, RHT Capital Pte. Ltd., Six Battery Road, #10-01, Singapore 049909, telephone (65) 6381 6757.

Company Profile

Heatec Jietong Holdings Ltd. (the "Company" or "Heatec") is one of the leaders in piping and heat exchanger services for the marine and oil and gas industries.

PIPING SERVICES

We perform a variety of piping services which include:

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

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

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

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

HEAT EXCHANGERS SERVICES

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

Our heat exchanger services include:

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

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

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

Heatec is a member of the Heat Transfer Research Inc. and hence is able to design and manufacture Shell and Tube Heat Exchangers and Charged Air Coolers to meet the stringent requirements of any certification parties and is in compliance with ASME Section VIII Div 1 and API 661, 660. Heatec is also both an ASME-U & ASME-U2 Stamps, and National Board "R" Stamp certified fabricator which further enhances our commitment to quality and excellence in all the products and services that we provide.

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

CHEMICAL CLEANING SERVICES

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

Chem-Grow services includes:

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

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

Key Milestones

1991
- Jie Tong Engineering Pte. Ltd. was formed with fourteen (14) members to render piping services to local shipyards, mainly in Keppel Shipyard

1994
- Heatec (Asia Pacific) Pte. Ltd. was founded with ten (10) employees to provide heat exchanger services to the local marine industry

2001
- JieTong Engineering Pte. Ltd. acquired 75% share of Heatec (Asia Pacific) Pte. Ltd.

2002
- Heatec Shanghai Co., Ltd. was set up in China

2003
- JieTong Engineering Pte. Ltd. acquired 100% share of Heatec (Asia Pacific) Pte. Ltd.
- Jie Tong Engineering Pte. Ltd. transferred all operations to Heatec (Asia Pacific) Pte. Ltd. and ceased all operations
- Heatec (Asia Pacific) Pte. Ltd. was renamed Heatec Jietong Pte. Ltd., which specialises in heat transfer and piping

2005
- Achieved the ISO 9001:2000 certification in recognition of the Company's high quality standards in piping structure fabrication and heat exchanger manufacturing and repair
- Received various awards and accolades due to our dedication to observing safety practices in all projects undertaken by the Company
- Established Heat Transfer Services Pte. Ltd., a strategic alliance with Invensys APV (the inventor of plate heat exchangers)

2006
- Moved its facility to 18, Tuas Ave 18A to accommodate the Company's rapid business growth
- Established Heatec IMC-YY Engineering Co. Ltd. in Zhoushan IMC-YongYue Shipyard

2007
- Formed Heatec Marine Phils Inc in the Philippines
- Awarded the ENTERPRISE 50 Award by Accenture and The Business Times

2008
- Awarded the ASME-U certification by the American Society of Mechanical Engineers and National Board-R by the National Board

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

2010
- Awarded the Investors' Choice Awards 2010

2011
- Acquired a 51% equity interest in each of Chem-Grow Pte Ltd and Chem Grow Engineering Pte Ltd; Ventured into chemical cleaning business
- Incorporated wholly-owned subsidiary HJT Engineering & Construction Pte Ltd
- Awarded the ASME-U2 certificate
- DNV-Approved Manufacturer
- NKK-Approved Manufacturer

2012
- Acquired additional 19% equity interest in each of Chem-Grow Pte Ltd and Chem-Grow Engineering Pte Ltd.

2013
- Moved to its present facility at 10 Tuas South Street 15 to gear up Company's production capability for the Heat Exchanger segment
- Incorporated Heatec Oilfield Services Pte Ltd

2014
- Acquired 20% interest in Karnot Technology Pte. Ltd.
- Incorporated Chem Grow Services Pte. Ltd.

2015
- Incorporated Heatec Veslink Marine Services Corp.

2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015

Board of Directors

ONG BENG CHYE Non-Executive Chairman and Independent Director

Mr Ong Beng Chye is an Independent Director of our Company. He has more than twenty two years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Mr Ong is currently a Director of Appleton Global Pte Ltd, a business management and consultancy services firm. He is also serving as an Independent Director of other listed companies in Singapore. He is a shareholder and a director of a few private limited companies. He is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising member of the Institute of Singapore Chartered Accountants. Mr Ong obtained a Bachelor of Science (Honours) from The City University, London in 1990.

SOON JEFFREY Chief Executive Officer and Executive Director

Mr Soon is son of Mr Johnny Soon, a substantial Shareholder of the Company. Mr Soon was appointed to our Board on 1 January 2016. He oversees all day-to-day operations and determines the Group's strategic direction for business growth. Mr Soon joined Heatec in May 2005 as a Project Engineer. He has held the position as Group Sales & Business Development Director before assuming his current appointment. Mr Soon has a Master's degree in Business and Administration from Singapore Management University and a Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering) from Nanyang Technology University.

SEAH KIAN PENG Independent Director

Seah Kian Peng is our Independent Director and was appointed to our Board on 22 June 2009. He chairs our RC and NC, and is a member of our AC. He is currently the Chief Executive Officer of NTUC Fairprice Co-operative Limited, and a member of Parliament for Marine Parade GRC.

MICHAEL SEOW Independent Director

Michael Seow is our Independent Director and was appointed to our Board on 22 June 2009. He chairs our AC and is a member of our RC. He is currently an Associate Director at Engelin Teh Practice LLC, and has more than twenty (20) years of experience in the areas of conveyancing and property law, landlord and tenant law as well as general corporate and commercial work.

Chairman's Statement

DEAR SHAREHOLDERS,

As part of our succession plan, Mr Soon Yeow Kwee Johnny has stepped down as Chairman and Chief Executive Officer (CEO). Concurrently, the Board has appointed his son, Mr Soon Jeffrey, as the CEO and Executive Director since the 1 January 2016. The changes formed part of a generation shift that has been set in motion for the past few years. The other founders of Heatec Jietong Holdings Ltd. and its subsidiaries (the "Group"), Mr Yong Li Vien and Mr Yong Yeow Sin have also stepped down from their executive positions at the same time. The three founders are now serving as advisors to the Group. Together with the Board, we would like to extend our deepest gratitude and appreciation to the three founders for their invaluable contribution towards the Group since the founding years.

For the financial year ended 31 December 2015 ("FY2015"), the Group met with increasing challenges in the Oil & Gas and Marine Industry. In spite of that, I am pleased to announce that Heatec Jietong Group ("Heatec"), which comprises Heatec Jietong Holdings Ltd (the "Company") and its subsidiaries, remained resilient in our core businesses and ended the financial year with encouraging results.

DELIVERING OUR FINANCIAL PERFORMANCE

During the year, our Group faced significant challenges as oil price continued to trend below US$30 per barrel in January 2016 against a sharp contrast of over US$100 per barrel in January 2014.

Nevertheless, our Group reported S$0.4 million net profit in FY2015 compared with S$1.8 million net losses in the preceding year, which translated to an improvement of S$2.2 million. This was in line with an increase of 12% growth in revenue from S$29.9 million to S$33.3 million.

CONSOLIDATING OUR GROWTH

As we maneuvered through the challenging year, we exercised prudence and discretion in managing our operations, cutting costs and increasing efficiency in strategic ways to improve operations.

Moving forward, we expect the challenging business environment to persist and foresee continual spending cuts across the Oil & Gas and Marine industry, which will be compounded by the overall rising cost and tightening of labour supply in the local market. These factors will likely affect the Group's operating business.

Nevertheless, we will continue to focus on our core businesses by providing our customers with high quality service and timely delivery as we explore other growth opportunities to complement our principal activities.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank our valued shareholders, customers, bankers, business partners and associates for their unwavering faith and support towards the Group during the year.

On the same note, I am deeply grateful to the management, staff and professionals who have dedicated their time and effort towards helping the Group to grow from strength to strength. We would not have come this far without their contribution and commitment.

Additionally, I would like to take this opportunity to extend a warm welcome to Mr. Soon Jeffrey as a member of the Board of Directors, who is also now the Chief Executive Officer of the Group. He has already been serving in the Group in various executive capacities for over 10 years now. I believe that the Group will continue to prosper under the leadership of Mr. Soon Jeffrey, who has been competently developed for the role. I am confident that the management team would be able to lead with the same passion and drive as before, taking the Group to new heights.

ONG BENG CHYE
Non-Executive Chairman

CEO's Statement

DEAR SHAREHOLDERS,

Despite the financial year ended 31 December 2015 ("FY2015") being one fraught with challenges, I am pleased to announce that Heatec turned around to produce encouraging results.

GOING AGAINST THE TIDE

The Group registered revenue of S$33.31 million for the year, which translated to a year-on-year increase of 12% or S$3.45 million. This was mainly attributed to a surge in the Heat Exchanger segment revenue as a result of positive progress in its Floating Production Storage and Offloading (FPSO) project. The FPSO project was first announced on 27 February 2015 when the Group secured a Letter of Award to design, construct and supply various specialised topside heat exchangers for a FPSO vessel worth US$4.65 million.

This increase was, however, offset by a decline in the Piping segment revenue caused by the tightening of manpower policies in Singapore, thereby led to a reduction in the segment's workforce.

The Group also experienced a drop in revenue for its Chemical Cleaning segment due to certain lull periods in the second half year of FY2015. Despite this, our gross profit for the year was up by 13% to S$9.84 million as compared to S$8.72 million in the financial year ended 31 December 2014 ("FY2014") with gross profit margin at 30% against 29% for the previous year.

As part of the Group's strategy to manage expenses more prudently, we have embarked on a series of cost-cutting initiatives which resulted in 5% drop in our administrative expenses in FY2015. We also tapped on government's grants and schemes for small and medium enterprises to stay abreast with competition. That translated to a cost saving of S$0.15 million for us. Additionally, the Group made a gain on foreign exchange of S$75,000 due to appreciation of the US dollar.

During the year, the Group also recorded an impairment loss of S$68,000 for investing in an associated company, Karnot Technology Pte Ltd ("KTPL"), as well as a provision for doubtful debts due from the associate of about S$0.37 million for its underperformance and non-fulfillment of certain conditions pertaining to it. On the other hand, Heatec Marine Phils Construction Inc ("HMPC"), a non-performing associated company of the Group which ceased operations in June 2015 lowered the Group's share of loss of associates to S$0.10 million in FY2015 from S$0.14 million in FY2014.

Concurrently, the Group reported an increase in working capital and net assets in line with the profits reported by the Group in FY2015. As at 31 December 2015, the Group managed to register a positive working capital of S$13.21 million amidst challenging market conditions, while net asset value reported was 19.17 cents per share, up from 18.85 cents as at 31 December 2014.

A HEALTHY FINANCIAL POSITION

Despite the difficult business environment, the Group has maintained a positive cash and cash equivalents of S$1.13 million as at 31 December 2015.

There was a net decrease in cash and cash equivalents amounting to S$0.53 million for FY2015 as a result of net cash used in investing activities standing at S$0.28 million due to capital expenditure of S$0.39 million, which were channelled to facilitate the Group's operations. Meanwhile, net cash used in financing activities of S$0.27 million was largely attributed to repayment of bank loans and finance lease amounting to S$1.80 million and S$0.25 million respectively. These were partially offset by draw-down of trade facilities that amounted to S$1.74 million.

During the year, the movement in inventories of S$0.2 million between the financial year 2014 and 2015 were put into production and have been recognised as revenue. Correspondingly, trade and other receivables rose to S$19.81 million as at 31 December

2015 from S$18.72 million as at 31 December 2014 mainly attributed to increase in revenue in the same year. Concurrently, trade and other payables lowered to S$5.13 million as at 31 December 2015 from S$5.68 million as at 31 December 2014 as a result of the settlement of trade and other payables of S$0.55 million.

As announced, our FPSO project took place in the second half of FY2015. Consequently, this project together with other projects that were carried out in the same period drew down on trade facilities for financing, which led to the Group's bank overdraft and factoring loans to increase by S$2.14 million to S$4.90 million.

Meanwhile, the Group is pleased to announce earnings per ordinary share of 0.34 cents for the full year ended 31 December 2015, compared to a loss per ordinary share of 1.42 cents for the full year ended 31 December 2014.

CONSOLIDATING OUR GROWTH

The Group has proven its mettle by holding its ground during the challenging FY2015. We have used this opportunity to consolidate our position and refine our operations to be well poised for any strategic partnerships and projects that may arise.

Moving forward, we expect the business environment to remain challenging as oil price continues to trend below US$40 per barrel against a sharp contrast of over US$100 per barrel in January 2014. We anticipate that this trend will have an adverse impact on the Group even as we grapple with shortage of labour supply and tight labour cost.

In view of such situation, we will strive to increase our revenue stream by exploring other synergistic opportunities as we continually enhance our productivity.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to express my appreciation to our valued shareholders, customers, bankers, business partners and associates for their confidence and support towards the Group during the year.

To the management, staff and professionals, we have made good progress so far, though we still have much to do. We thank you for your commitment and hard work in steering the Group towards greater heights.

In closing, I would like to use this opportunity to express my excitement in coming onboard as the CEO since 1 January 2016. I am confident that together with the management team, we would be able to grow the Group with the same passion and drive as before, taking it to new heights.

SOON JEFFREY
Chief Executive Officer

Key Management Personnel

FOO QUEK CHENG

Chief Financial Officer

Ms Foo is responsible for Heatec's corporate finance and accounting function and corporate secretarial matters for the Group.

Prior to Ms Foo's appointment as Chief Financial Officer in July 2014, Ms Foo joined Heatec as Group Financial Controller in September 2011. Prior to joining the Group, Ms Foo was a Finance Manager of Asia Media Systems Pte Ltd from January 2008 to August 2011, and was responsible for regional financial reports and had involved in a number of corporate exercises. She has 10 years of experience in auditing and accounting in various sectors including manufacturing, trading, plantations, property developer and investment holding company.

Ms Foo is a certified Practicing Accountant of CPA Australia and holds a Degree of Bachelor of Commerce, major in Accounting from University of Adelaide, Australia.

SOON JENSON

Group General Manager (Operation)

Mr Soon is son of Mr Johnny Soon, a substantial Shareholder of the Company.

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

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

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

KOH LAY CHENG

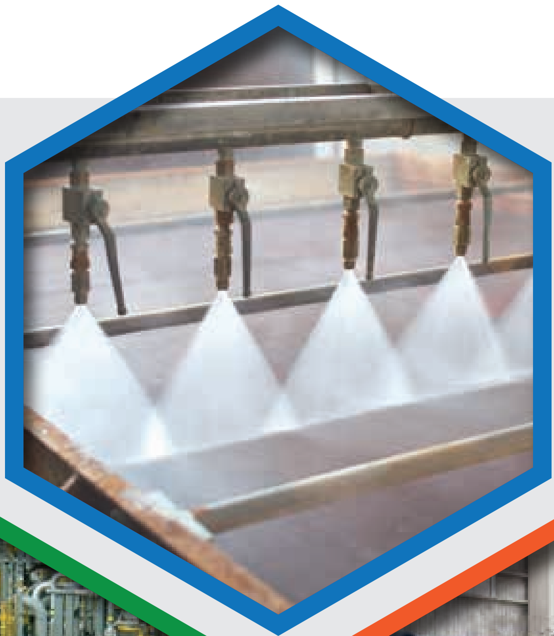
General Manager – Commercial & Procurement

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

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

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

Operations Review



CHEMICAL CLEANING

Consistent with other industries, the Chemical Cleaning segment was also affected by the challenging market conditions and experienced lull periods during certain months in the second half of FY2015.

As a result, the segment reported a fall in revenue by 18.3% from S$4.20 million in FY2014 to S$3.44 million in FY2015. Correspondingly, net profit was also down by 52.6% to S$0.13 million during FY2015.

PIPING

The Piping segment was adversely affected by the tightening of manpower policies in Singapore during the year, causing the workforce for the segment to be reduced by approximately 18%. As such, the Piping segment registered a 23.4% drop in revenue to S$11.39 million in FY2015. Resultantly, net profit turned from S$0.20 million in FY2014 to become net loss of S$0.27 million.

HEAT EXCHANGER

During the year, there was significant spending cuts across the Oil & Gas and Marine industry as oil price plummeted from US$100 in 2014 to below US$30 in 2016. Despite this, the Heat Exchanger segment managed to deliver a sharp rise in revenue by 71.4% or S$7.70 million to S$18.49 million in FY2015 as compared to S$10.78 million in FY2014.

This was largely attributed to the smooth progression of our Floating Production Storage and Offloading (FPSO) project, which was announced on 27 February 2015. The FPSO project involved designing, constructing and supplying various specialised topside heat exchangers for a FPSO vessel worth US$4.65 million.

As a result, the Heat Exchanger segment was back in the black with a net profit of S$0.85 million as compared to a net loss of S$1.67 million in the previous financial year.

Financial Review

A. PROFITABILITY ANALYSIS

REVENUE BY SEGMENTS

	FY2015		FY2014		Variance	
	S$	%	S$	%	S$	%
Piping	11,385,125	34.2	14,868,579	49.8	(3,483,454)	(23.4)
Heat Exchanger	18,487,383	55.5	10,783,746	36.1	7,703,637	71.4
Chemical Cleaning	3,436,091	10.3	4,203,185	14.1	(767,094)	(18.3)
Others	–	–	3,316	–	(3,316)	(100.0)
	33,308,599	100.0	29,858,826	100.0	3,449,773	11.6

The Group reported an increase in revenue by 11.6% or S$3.45 million to S$33.31 million in FY2015.

1. As a result of the tightening of manpower policies in Singapore, the workforce for Piping segment reduced by approximately 18%. Correspondingly, the Piping segment reported a decline in revenue from S$14.87 million in FY2014 to S$11.39 million in FY2015.
2. The Group progressed well for the FPSO project as announced on 27 February 2015. The Group reported a hike in Heat Exchanger revenue by 71.4% or S$7.70 million from S$10.78 million in FY2014 to S$18.49 million in FY2015.
3. The Group saw a decline in revenue for Chemical Cleaning segment by 18.3% from S$4.20 million to S$3.44 million mainly due to lull periods for certain reporting months for the second half of FY2015.

OVERALL PROFITABILITY

	FY2015	FY2014	Variance	
	S$	S$	S$	%
Gross Profit	9,837,630	8,718,906	1,118,724	12.8
Other Income	947,805	478,824	468,981	97.9
Administrative Expenses	(9,364,388)	(9,858,396)	494,008	(5.0)
Other Expenses	(612,257)	(676,624)	64,367	(9.5)
Share of Profits of Associates	(102,865)	(143,108)	40,243	(28.1)
Finance Cost	(265,176)	(317,869)	52,693	(16.6)
Profit/(Loss) Before Income Tax	440,749	(1,798,267)	2,239,016	n.m.
Income Tax Expense	(69,525)	(17,235)	(52,290)	303.4
Profit/(Loss) for the year	371,224	(1,815,502)	2,186,726	n.m.

The Group reported similar gross profit margin of 29.5% for FY2015 as compared to FY2014.

Since FY2014, the Group had embarked on various cost cutting measures. Compared to FY2014, the Group further reduced its administrative expenses by S$0.49 million or 5% in FY2015.

Other significant factors that affected the Group's profitability are discussed below:

1. The Group recorded higher other operating income compared to FY2014 mainly due to:

   (a) Recognition for foreign exchange gain of S$75,000 due to appreciation of US dollar;

   (b) Receipt of Productivity and Innovation Credit (PIC) cash pay-out for qualifying expenditure amounted to approximately S$0.15 million;

   (c) Increase in other non-business income.

2. Heatec Marine Phils Construction Inc ("HMPC"), a non-performing associated company of the Group had ceased operation in June 2015. Hence, the Group recorded lower share of loss of associates of S$0.10 million in FY2015, as compared to S$0.14 million in FY2014.

3. Included in other operating expenses was an impairment loss on the cost of investment in Karnot Technology Pte Ltd ("KTPL"), an associated company of the Group, amounted to S$68,000 and a provision for doubtful debts due from KTPL amounted to approximately S$0.37 million in aggregate, due to underperformance of KTPL and non-fulfillment of various conditions precedent pertaining to the associate.

4. As part of the Group's accounting policy, the Group performed a revaluation on plant and equipment in November 2014, correspondingly, the Group recognized lower carrying amount of the plant and equipment in FY2015 as compared to FY2014. As a result, the Group recognized lower depreciation expense by S$0.21 million or 18% in FY2015.

Finance expense

The Group's finance expense decreased by 16.7% or S$53,000 from S$0.32 million in FY2014 to S$0.27 million in FY2015. The decrease in finance expense was in tandem with the decrease in bank loans.

Income tax expense

The increase in tax expense from S$17,000 in FY2014 to S$70,000 in FY2015 was mainly attributed to under provision for tax expense in prior years.

B. BALANCE SHEET ANALYSIS

BALANCE SHEET

	FY2015	FY2014	Variance	
	S$	S$	S$	%
Non-current Asset	14,320,881	15,067,520	(746,639)	(5.0)
Current Asset	23,512,396	21,750,742	1,761,654	8.1
Non-current Liabilities	2,711,017	3,723,558	(1,012,541)	(27.2)
Current Liabilities	10,301,136	8,709,735	1,591,401	18.3
Working Capital	13,211,260	13,041,007	170,253	1.3
Equity Attributable to Owners of the Company	23,572,405	23,181,007	391,398	1.7
Net Asset Value Per Share (Cents)	19.17	18.85	0.32	1.7

Financial Review

The Group's working capital and net assets increased in tandem with the profits reported by the Group in FY2015. As at 31 December 2015, the Group recorded positive working capital of S$13.21 million and the net asset value stood firm at 19.17 cents per share.

(i) Non-current assets and current assets

(a) Property, plant and equipment decreased marginally from S$13.13 million as at 31 December 2014 to S$12.60 million as at 31 December 2015. The decrease was mainly due to depreciation charge of S$0.97 million, offset by new purchases of plant and equipment amounted to S$0.46 million.

(b) The Group's investment in associated companies declined from S$0.47 million in FY2014 to S$0.27 million in FY2015 due to recognition for impairment loss in KTPL amounted to S$68,000 and the share of current year loss of associates.

(c) Inventories as at 31 December 2015 decreased by S$0.20 million or 21.9% mainly due to raw materials that were put into production which resulted in decrease in stock level.

(d) Trade and other receivables increased from S$18.72 million as at 31 December 2014 to S$19.81 million as at 31 December 2015. The increase in trade and other receivables corresponded to the increase in revenue reported by the Group in FY2015.

(ii) Current liabilities

(a) The Group's bank overdraft and factoring loans increased by S$2.14 million from last financial year end to $4.90 million in FY2015. The increase was mainly attributed to utilization of trade facilities to finance the FPSO project and other projects in progress in second half of FY2015.

(b) Trade and other payables decreased from S$5.68 million as at 31 December 2014 to S$5.13 million as at 31 December 2015.

(iii) Non-current liabilities

The Group recorded a net decrease in total bank loans of S$0.75 million from S$2.66 million as at 31 December 2014 to S$1.91 million as at 31 December 2015, due to repayment of non-current portion of bank loans during FY2015.

The non-current portion of finance leases also decreased from S$0.66 million as at 31 December 2014 to S$0.41 million as at 31 December 2015 due mainly to repayment of non-current portion of finance leases.

C. CASHFLOW ANALYSIS

STATEMENT OF CASHFLOW

	FY2015 S$	FY2014 S$	Variance S$	Variance %
Net Cash From Operating Activities	21,004	3,692,799	(3,671,795)	(99.4)
Net Cash (Used In)/from Investing Activities	(282,968)	2,820,176	(3,103,144)	n.m.
Net Cash Used in Financing Activities	(271,250)	(4,018,492)	3,747,242	(93.2)
Net Cash and Cash Equivalents At The End Of The Year	1,124,673	1,654,558	(529,885)	(32.0)

The Group's cash and cash equivalents as per consolidated statement of cash flow was S$1.12 million as at 31 December 2015. The net decrease in cash and cash equivalents of S$0.53 million for FY2015 were mainly due to:

(i) net cash used in investing activities of S$0.28 million attributable to capital expenditure of S$0.46 million to facilitate the Group's operations; and

(ii) net cash used in financing activities of S$0.27 million attributable to repayment of bank loans and finance lease amounting to S$1.80 million and S$0.25 million respectively. The repayments were partially offset by drawdown of trade facilities amounted to S$1.80 million.

Financial Contents

Corporate Governance Report

The Board of Directors (the "**Board**" or the "**Directors**") of Heatec Jietong Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining a high standard of corporate governance within the Company by complying with the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") and 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 throughout the financial year ended 31 December 2015 ("**FY2015**").

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 long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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

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

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

Mr Ong Beng Chye	–	Non-Executive Chairman and Independent Director
Mr Soon Jeffrey	–	Executive Director and Chief Executive Officer ("**CEO**")
Mr Seah Kian Peng	–	Independent Director
Mr Michael Seow Teo Tiew	–	Independent Director

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

To assist the Board in the execution of its responsibilities and to provide independent oversight of the Management, the Board has established a number of board committees, namely the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**"). The Board 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 schedule of all the Board and Board Committee meetings as well as the annual general meeting ("**AGM**") for the next calendar year is planned well in advance. The Board meets at least twice yearly and whenever warranted by particular circumstances. Ad-hoc, non-scheduled Board meetings may be convened to deliberate on urgent substantial matters. In addition to these meetings, corporate events and actions requiring the Board's approval may be discussed over the telephone, followed by Directors' resolutions in writing being passed. Regulation 104(4) of the Company's Constitution (the "**Constitution**") provides for telephonic and videoconference meetings.

Corporate Governance Report

The attendance of the members of the Board and Board Committee meetings during FY2015 is set out in the table below:–

Name of Directors	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Ong Beng Chye	2	2	2	2	1	1	1	1
Soon Jeffrey[1]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Seah Kian Peng	2	2	2	2	1	1	1	1
Michael Seow Teo Tiew	2	2	2	2	N.A.	N.A.	1	1
Soon Yeow Kwee Johnny[2]	2	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Jimmy Yong Li Vien[3]	2	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Yong Yeow Sin[2]	2	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Phillip Lee Soo Hoon[3]	2	1	2	1	1	1	N.A.	N.A.

N.A. – Not applicable

(1) Mr Soon Jeffrey attended the Board meetings by invitation in his capacity as Group Sales & Business Development Director prior to his appointment as Executive Director and CEO of the Company with effect from 1 January 2016.

(2) Mr Soon Yeow Kwee Johnny and Mr Yong Yeow Sin resigned with effect from 31 December 2015.

(3) Mr Jimmy Yong Li Vien and Mr Phillip Lee Soo Hoon retired at the AGM held on 17 April 2015.

Matters Requiring Board's Approval

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

(a) approval of announcements released via SGXNET, including financial results announcements;
(b) approval of operating budgets, annual and interim reports, financial statements, Directors' statement and annual report;
(c) declaration of interim and/or final dividends;
(d) authorisation of transactions;
(e) authorisation of new banking facilities and corporate guarantee;
(f) approval of change in corporate business strategy and direction;
(g) any matters relating to AGM, Board and Board Committees; and
(h) approval of major investment and divestment proposals, acquisitions and disposals, and funding of investments.

Corporate Governance Report

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

The Directors, Mr Soon Jeffrey, Mr Ong Beng Chye and Mr Michael Seow Teo Tiew, had attended the "SGX Listed Companies Development Programme – Understanding the Regulatory Environment in Singapore" course, conducted by the Singapore Institute of Directors (the "**SID**"), and are aware of the roles and responsibilities of a Director of a public-listed company in Singapore. Mr Ong Beng Chye also sits on the board of other public-listed companies and therefore has the appropriate experience and is familiar with the roles and responsibilities of a Director of a public-listed company in Singapore.

The Company encourages the Directors to attend training courses organised by the SID or other training institutions in connection with their duties, and such training will be funded by the Company.

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

Seminars and Trainings Attended by Directors in FY2015

The details of updates, seminars and training programmes attended by the Directors in FY2015 include, amongst others:–

- the external auditors, Deloitte & Touche LLP ("**Deloitte**"), briefed the AC and the Board on the developments in financial reporting and governance standards;
- the CEO updated the Board at each meeting on business and strategic developments pertaining to the Group's business;
- Seminar on "Is your Board Getting the Right Assurance?" organized by RSM Ethos Pte. Ltd. ("**RSM Ethos**");
- Seminar on "Financial Reporting Standards" organised by Deloitte; and
- "Being Listed on SGX-ST: Where are Share Prices Headed?" organised by RHTLaw Taylor Wessing LLP.

Corporate Governance Report

Board Composition and Guidance

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

Currently, the Board consists of one (1) Executive Director and three (3) Non-Executive Independent Directors, all of whom, collectively, possess the right core competencies and diversity of experience that enable them to effectively contribute to the Board. Their varied experiences are particularly important in ensuring that the strategies proposed by the Management are fully discussed and examined, taking into account the long-term interests of the Company, the Group and its shareholders.

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

The Board has three (3) Independent Directors, representing the majority of the Board. They are Mr Ong Beng Chye, Mr Seah Kian Peng, and Mr Michael Seow Teo Tiew. There is a strong and independent element on the Board, with Independent Directors making up majority of the Board. No individual or group of individuals dominates the Board's decision making. In addition, the roles of Chairman and CEO are assumed by different persons.

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

The Independent Directors have confirmed that they do not have any relationship with the Company nor its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company. The Board, based on the review conducted by the NC, has determined that the said Directors are independent.

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

Although all Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and rigorously examined, assessing the performance of the Management in meeting the agreed goals and objectives, as well as monitoring the reporting of performance. The Independent Directors are encouraged to meet, without the presence of the Management, so as to facilitate a more effective check on the Management. During FY2015, the Independent Directors had met on a need-basis without the presence of the Management, not less than four times to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of Directors and key management personnel.

Corporate Governance Report

The Board has considered its present size and is satisfied that the current Board size has the appropriate mix of expertise and experience for facilitating effective decision making and is appropriate for the nature and scope of the Group's operations. The Board noted that gender diversity on the boards of directors is also one of the recommendations under the Code to provide an appropriate balance and diversity. Although there is currently no female Director appointed to the Board of Directors, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board's consideration. Each Director has been appointed based on his skills, experience and knowledge, and is expected to bring forth his experience and expertise to the Board for the continuous development of the Group. As the date of this report, the Board comprises of one (1) Executive Director and three (3) Non-Executive Independent Directors.

Chairman and Chief Executive Officer

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

The Board has appointed Mr Ong Beng Chye as the Non-Executive Chairman and Mr Soon Jeffrey as the CEO with effect from 1 January 2016. There is a clear separation of the roles and responsibilities of the Non-Executive Chairman and CEO. The Non-Executive Chairman and the CEO are not related to each other, nor is there any business relationship between them. The distinct separation of responsibilities between the Non-Executive Chairman and CEO ensures that that there is a balance of power, increased accountability and greater capacity of the Board for independent decision making.

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

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

All major proposals and decisions made by the CEO are discussed and reviewed by the Non-Executive Chairman and AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the AC, NC and RC consist of all Independent Directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Corporate Governance Report

Board Membership

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

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

1. Ong Beng Chye (Chairman)
2. Seah Kian Peng
3. Michael Seow Teo Tiew

The NC has written Terms of Reference that sets out its duties and responsibilities. Amongst them, the NC is responsible for:–

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

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

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

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

Annually, the NC is required to determine the independence of the Directors, bearing in mind the circumstances set forth in the Code and any other salient factors. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

Corporate Governance Report

Regulation 98 of the Company's Constitution provides that at each AGM, at least one third (1/3) of the Directors for the time being shall retire from office by rotation and submit themselves for re-election, provided that all Directors shall retire from office at least once every three (3) years.

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

There is no alternate Director on the Board.

The NC recommended to the Board that Mr Ong Beng Chye, who is retiring by rotation pursuant to Regulations 98 and 99 of the Company's Constitution, as well as Mr Soon Jeffrey, who is retiring under Regulation 102 of the Company's Constitution, be nominated for re-election at the forthcoming AGM of the Company.

Mr Ong Beng Chye will, upon re-appointment as a Director of the Company, remain as the Non-Executive Chairman and the Chairman of the NC, as well as a member of the RC and AC. Mr Ong Beng Chye is considered independent for the purpose of Rule 704(7) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**").

In making the recommendation, the NC has considered the Directors' overall contributions and performance. Mr Ong Beng Chye has abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own performance or re-election and re-appointment as a Director.

Process for Selection and Appointment of New Directors

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

When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new Director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy. During FY2015, Mr Soon Yeow Kwee Johnny has stepped down as the Executive Chairman and CEO as part of the succession planning process. The other founders of the Group, Mr Jimmy Yong Li Vien and Mr Yong Yeow Sin have also stepped down as Executive Directors in April 2015 and December 2015 respectively. The Board has worked diligently with the Management and the three founders (who are not related by family ties) and Mr Soon Jeffrey (Mr Soon Yeow Kwee Johnny's son) to successfully develop and prepare him for his new role as the CEO appointed since beginning 2016. Mr Soon Jeffrey has been with the Group in various executive positions since 2005. The NC and the Board considered Mr Soon Jeffrey as the best fit for the position.

Corporate Governance Report

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

Name of Directors	Date of 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 principal commitments
Ong Beng Chye	27 April 2011	Non-Executive/ Independent	Chairman of the Board and NC and Member of RC and AC	Bachelor of Science (Economics). A fellow of Chartered Accountants of England and Wales, UK. Member of The Institute of Chartered Financial Analyst. Non-practising member of the Institute of Singapore Chartered Accountants.	Other Principal Commitments Director of Appleton Global Private Limited Present Directorships Hafary Holdings Limited Kitchen Culture Holdings Ltd Geo Energy Resources Ltd IPS Securex Holdings Limited Past Directorship –
Soon Jeffrey	Not Applicable	Executive	Not Applicable	Master's Degree in Business and Administration. Degree of Bachelor of Engineering (Honours) (Mechanical and Production Engineering)	Nil
Seah Kian Peng	17 April 2015	Non-Executive/ Independent	Chairman of RC and Member of NC and AC	Bachelor of Building (First Class Honours). Fellow of Chartered Institute of Marketing. Fellow of Singapore Institute of Directors.	Other Principal Commitments Member of Parliament for Marine Parade GRC CEO, NTUC Fairprice Co-Operative Ltd Present Directorships Director & Chairman of HR and Compensation Committee of National Parks Board Director/Chairman of Audit Committee of Singapore Olympic Foundation Chairman of Marine Parade Leadership Foundation Past Directorship Skywest Airlines Ltd
Michael Seow Teo Tiew	17 April 2015	Non-Executive/ Independent	Chairman of AC and Member of NC and RC	Bachelor of Law, National University of Singapore.	Other Principal Commitments Consultant at Engeline Teh Practice LLP

Information of the interests of Directors who held office at the end of the financial year in shares, debentures and share options in the Company and its related corporations (other than the wholly-owned subsidiaries) are set out in the Directors' Statement on page 34 of this Annual Report.

Corporate Governance Report

Board Performance

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

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

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

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

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

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

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

In assessing Directors' contribution and performance of the Board, the NC also takes into consideration the Directors' attendance, preparedness, participation and candour of the meetings. In view of the re-constitution of the Board on 1 January 2016, the Board will adopt a formal evaluation of its Board Committees and each Director for the financial year ending 31 December 2016.

Corporate Governance Report

Access to Information

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

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

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

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

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

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

1. Seah Kian Peng (Chairman)
2. Michael Seow Teo Tiew
3. Ong Beng Chye

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

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

Corporate Governance Report

The RC has written Terms of Reference that sets out its duties and responsibilities. Amongst them, the RC is responsible for:–

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

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

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

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

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

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

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

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

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

The RC's review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share option scheme, share based incentives and awards, and benefits-in-kind. The RC has access to advice from the internal human resource department and, if necessary, external expert advice of which the expenses will be borne by the Company.

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

Corporate Governance Report

Level and Mix of Remuneration

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

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

The Independent Directors receive Directors' fees in accordance with their contributions. Directors' fees for the Independent Directors are proposed by the Executive Director(s) and reviewed and recommended by the RC, based on the effort and time spent and the responsibilities of the Independent Directors. The total remuneration of the Independent Directors is recommended for shareholders' approval at each AGM.

The Executive Director does not receive Directors' fees. The remuneration for the Executive Director comprises a basic salary and a variable component which is the annual bonus. The performance-related component of remuneration is designed to align interests of Executive Director with those of the shareholders and link rewards to the Group's financial performance. The performance condition is based on the Group's profit before tax in excess of S$5.5 million for the financial year. The performance condition has not been met in respect of FY2015.

The remuneration of Mr Soon Jeffrey, the Executive Director and CEO of the Company, is governed by his service agreement effective 1 January 2016. To align the interest of Executive Director with those of the shareholders, the Executive Director is allowed to participate in a profit sharing incentive scheme.

Having reviewed and considered the variable components in the remuneration packages of the Executive Director and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years.

Disclosure on Remuneration

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

Corporate Governance Report

A summary compensation table of the Directors' remuneration for FY2015 is set out below:–

Name of Director	Salary (%)	Bonus (%)	Fee (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000					
Soon Yeow Kwee Johnny[(1)]	89.6			10.4	100
Jimmy Yong Li Vien[(2)]	93.8	–	–	6.2	100
Yong Yeow Sin[(1)]	93.9	–	–	6.1	100
Seah Kian Peng	–	–	100	–	100
Phillip Lee Soo Hoon[(2)]	–	–	100	–	100
Michael Seow Teo Tiew	–	–	100	–	100
Ong Beng Chye	–	–	100	–	100

(1) Mr Soon Yeow Kwee Johnny and Mr Yong Yeow Sin resigned with effect from 31 December 2015.
(2) Mr Jimmy Yong Li Vien and Mr Phillip Lee Soo Hoon retired at the AGM held on 17 April 2015.

The remuneration of the top four (4) key management personnel (excluding Executive Directors), including the immediate family members of a Director or the CEO exceeding S$50,000 for FY2015 is set out below:–

Name of Key Management Personnel	Salary (%)	Bonus (%)	Fee (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000					
Soon Jenson[(1)]	90.4	6.4	–	3.2	100
Soon Jeffrey[(2)]	90.4	6.4	–	3.2	100
Koh Lay Cheng	89.2	10.7	–	0.1	100
Foo Quek Cheng	90.6	4.5	1.6	3.3	100

(1) Son of Mr Soon Yeow Kwee Johnny, a substantial shareholder of the Company.
(2) Son of Mr Soon Yeow Kwee Johnny, a substantial shareholder of the Company. Appointed as Executive Director and CEO with effect from 1 January 2016.

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

Save as disclosed above, the Code recommends that:

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

Corporate Governance Report

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

All Directors and key management personnel are remunerated on an earned basis and there were no termination, retirement and post-employment benefits granted during FY2015.

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

As at 7 August 2014, the Company issued and allotted an aggregate of 1,772,000 ordinary shares, representing 1.46% of the issued and paid-up share capital of the Company, to employees of the Company and/or its subsidiaries being the performance bonus in lieu of cash for FY2013, which was approved by the shareholders at the AGM held on 17 April 2014. Save for the above-mentioned allotment, the Company has not awarded any shares under the Performance Share Plan.

As at the date of this report, the Company has not granted any options under the Heatec ESOS since the date of approval of the Heatec ESOS. The Group will be obtaining shareholders' approval on the proposed share issuance mandate and grant of options to Mr Soon Jeffrey, the Executive Director and CEO of the Company, and an Associate of a Controlling Shareholder of the Company under the Heatec ESOS at the forthcoming AGM. Please refer to Resolutions 9 and 10 of the Notice of AGM.

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

Corporate Governance Report

3. ACCOUNTABILITY AND ADUIT

Accountability

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

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

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

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

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

4. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The AC has reviewed, with the assistance of the internal and external auditors, the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls.

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

Corporate Governance Report

The Group has an Enterprise Risk Management Framework in place to manage its exposure to risks that are associated with the conduct of its business. The independent risk management consultants would undertake the Enterprise Risk Assessment to produce an Enterprise Risk Management Report for AC's review. The AC, on behalf of the Board, also reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting its business.

The Board has also received assurance from the CEO and Chief Financial Officer:

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

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

Based on the work performed by the internal and external auditors, the review undertaken by the Management, and the existing internal controls in place, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls in place were adequate and effective in addressing the risks relating to financial, operational, compliance and information technology, and risk management systems for FY2015.

Audit Committee

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

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

1. Michael Seow Teo Tiew (Chairman)
2. Seah Kian Peng
3. Ong Beng Chye

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. The duties of the AC include:

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

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

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

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

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

Corporate Governance Report

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

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

8. reviewing the independence of the external auditors annually.

The aggregate amount of audit fees paid to the external auditors of the Company, Deloitte, in FY2015 was S$140,000. There were no non-audit fees paid to the external auditors of the Company in FY2015.

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

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

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

The Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.

The AC has full access to the Management and also full discretion to invite any Director or key management personnel to attend its meetings. The AC has met with the internal and external auditors without the presence of the Management during FY2015. The AC has reasonable resources to enable it to discharge its functions properly.

The Company has implemented a Whistle Blowing Policy which provides the mechanism for which staff of the Company may in confidence, raise concerns about possible improprieties of financial reporting or other matters. The AC oversees the administration of the policy. Where a complaint has been made, a report will be submitted to the AC for investigation and follow-up. There were no reported incidents pertaining to whistle-blowing for FY2015.

The external auditors provided regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

Internal Audit

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

The internal audit function of the Company is outsourced to RSM Ethos. The internal auditors report to the AC on audit matters and the AC is empowered to review any of the accounting, auditing and financial practices of the Company. The internal auditors will submit their annual audit planning for approval by the AC and report their findings to the AC. In FY2015, the internal auditors carried out the review on certain key areas to assess and evaluate:–

Corporate Governance Report

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

The AC has reviewed with the internal auditors their audit plan and their evaluation of the system of internal controls, and has evaluated their audit findings and management's responses to those findings, the effectiveness of material internal controls, including financial, operational, compliance and information technology controls and overall risk management of the Company and the Group for FY2015. The AC is satisfied that the outsourced internal audit function is adequately resourced, effective and has the appropriate standing within the Group. The AC is also of the view that the outsourced internal audit function is staffed with persons with the relevant qualifications and experience, and adheres to professional standards including those promulgated by The Institute of Internal Auditors.

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

5. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

Communication with Shareholders

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

Conduct of Shareholder Meetings

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

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

(a) annual reports that are prepared and issued to all shareholders;
(b) annual and half-yearly financial 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.

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

Corporate Governance Report

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

The Company's Management, the Chairmen of the AC, RC and NC will be present and on hand to address all issues raised by shareholders at such general meetings. The external auditors will also be present at the AGM to address the shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

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

The Company allows members to appoint not more than two (2) proxies to attend and vote at general meetings, as required under Section 181 of the Act and Regulation 77 of the Company's Constitution.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

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

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

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

Dividend Policy

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

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

Based on FY2015 financial performance of the Group, the Board has not recommended any dividends for FY2015.

Corporate Governance Report

6. INTERESTED PERSON TRANSACTIONS

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

The Company confirms that there were no interested person transactions of S$100,000 or more during FY2015.

7. MATERIAL CONTRACTS

Save for the service agreement between the Executive Director/CEO and the Company, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder which are either still subsisting as at the end of FY2015 or if not then subsisting, entered into since the end of the previous financial year.

8. DEALINGS IN SECURITIES

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

(a) The Company had devised and adopted its own internal compliance code to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;

(b) Officers of the Company did not deal in the Company's securities on short-term considerations; and

(c) The Company and its officers did not deal in the Company's shares (i) during the periods commencing one month before the announcement of the Company's half year and full year financial statements, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

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

9. NON-SPONSOR FEES

No non-sponsor fees were paid to the Company's sponsors, RHT Capital Pte. Ltd. in FY2015.

Directors' Statement

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2015.

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 37 to 88 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Ong Beng Chye
Soon Jeffrey (Appointed on January 1, 2016)
Seah Kian Peng
Michael Seow Teo Tiew

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	
Name of directors and companies in which interests are held	**At beginning of year**	**At end of year**
Heatec Jietong Holdings Ltd.	**Ordinary shares**	
Ong Beng Chye	2,148,445	2,148,445

The directors' interests in the shares of the Company at January 21, 2016 were the same at December 31, 2015.

Mr. Jeffrey Soon who was appointed subsequent to the financial year had 1,100,000 ordinary shares of the Company at the date of his appointment and at January 21, 2016.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

The Company has adopted the Heatec Employee Share Option Scheme (the "Scheme") and the Heatec Performance Share Plan which were approved by the shareholders at an Extraordinary General Meeting held on June 18, 2009. During the financial year, no options have been granted under the Scheme.

(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.

Directors' Statement

4 SHARE OPTIONS (cont'd)

(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.

5 AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Ong Beng Chye Soon Jeffrey

March 18, 2016

Independent Auditors' Report

TO THE MEMBERS OF HEATEC JIETONG HOLDINGS LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Heatec Jietong Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2015, and the consolidated statement of profit or loss and other 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 88.

Management's Responsibility for the Financial Statements

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

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 about 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 of financial statements that give a true and fair view 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, 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 financial position of the Group and of the Company as at December 31, 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations 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
Chartered Accountants
Singapore

Lim Bee Hui
Partner
Appointed from financial year ended December 31, 2015

March 18, 2016

Statements of Financial Position

DECEMBER 31, 2015

	Note	Group 2015 $	Group 2014 $	Company 2015 $	Company 2014 $
ASSETS					
Non-current assets					
Property, plant and equipment	6	12,601,520	13,129,948	6,092,815	6,449,174
Subsidiaries	7	-	-	6,623,614	6,623,614
Associates	8	265,868	472,444	-	-
Available-for-sale investments	9	266,060	277,695	-	-
Trade receivables	12	427,532	427,532	-	-
Goodwill	10	288,000	288,000	-	-
Deferred tax assets	20	471,901	471,901	-	-
Total non-current assets		14,320,881	15,067,520	12,716,429	13,072,788
Current assets					
Inventories	11	724,957	928,418	-	-
Trade receivables	12	18,030,552	17,347,138	-	-
Other receivables	14	1,783,813	1,377,686	3,363,794	2,522,666
Cash and bank balances	15	2,973,074	2,097,500	43,865	45,542
Total current assets		23,512,396	21,750,742	3,407,659	2,568,208
Total assets		37,833,277	36,818,262	16,124,088	15,640,996
EQUITY AND LIABILITIES					
Capital, reserves and non-controlling interests					
Share capital	16	11,554,627	11,554,627	11,554,627	11,554,627
Reserves	17	12,017,778	11,626,380	598,076	439,890
Equity attributable to owners of the Company		23,572,405	23,181,007	12,152,703	11,994,517
Non-controlling interests		1,248,719	1,203,962	-	-
Total equity		24,821,124	24,384,969	12,152,703	11,994,517
Non-current liabilities					
Bank loans	18	1,910,151	2,658,632	-	-
Finance leases	19	413,832	658,767	-	-
Deferred tax liabilities	20	387,034	406,159	-	-
Total non-current liabilities		2,711,017	3,723,558	-	-
Current liabilities					
Bank overdrafts and loans	18	4,896,176	2,754,671	-	-
Trade payables	21	2,033,742	1,992,020	-	-
Other payables	22	3,099,252	3,692,264	3,971,385	3,646,479
Current portion of finance leases	19	244,936	250,042	-	-
Income tax payable		27,030	20,738	-	-
Total current liabilities		10,301,136	8,709,735	3,971,385	3,646,479
Total equity and liabilities		37,833,277	36,818,262	16,124,088	15,640,996

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss

FINANCIAL YEAR ENDED DECEMBER 31, 2015

	Note	Group 2015 $	Group 2014 $
Revenue	23	33,308,599	29,858,826
Cost of sales		(23,470,969)	(21,139,920)
Gross profit		9,837,630	8,718,906
Other income	24	947,805	478,824
Administrative expenses		(9,364,388)	(9,858,396)
Other expenses	25	(612,257)	(676,624)
Share of loss of associates		(102,865)	(143,108)
Finance costs	26	(265,176)	(317,869)
Profit (Loss) before income tax		440,749	(1,798,267)
Income tax expense	27	(69,525)	(17,235)
Profit (Loss) for the year	28	371,224	(1,815,502)
Profit (Loss) attributable to:			
Owners of the Company		412,245	(1,736,785)
Non-controlling interests		(41,021)	(78,717)
		371,224	(1,815,502)
Basic and diluted profit (loss) per share (cents)	29	0.34	(1.42)

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

FINANCIAL YEAR ENDED DECEMBER 31, 2015

	Note	Group 2015 $	Group 2014 $
Profit (Loss) for the year	28	371,224	(1,815,502)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation surplus of plant and equipment		-	103,510
Income tax relating to revaluation surplus of plant and equipment		-	(17,597)
Income tax relating to revaluation reserves reclassified to retained earnings		-	103,579
		-	189,492
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(19,617)	28,531
Available-for-sale investments		(1,230)	-
		(20,847)	28,531
Other comprehensive (loss) income for the year, net of tax		(20,847)	218,023
Total comprehensive income (loss) for the year		350,377	(1,597,479)
Total comprehensive income (loss) attributable to:			
Owners of the Company		391,398	(1,518,762)
Non-controlling interests		(41,021)	(78,717)
		350,377	(1,597,479)

See accompanying notes to financial statements.

Statements of Changes in Equity

FINANCIAL YEAR ENDED DECEMBER 31, 2015

Group	Note	Share capital $ (Note 16)	Revaluation reserve $ (Note 17)	Other reserve $ (Note 17)	Translation reserve $ (Note 17)	Merger reserve $ (Note 17)	Retained earnings $	Attributable to equity holders of the Company $	Non controlling interests $	Total $
Balance at January 1, 2014		11,368,567	506,933	221,206	17,991	(3,913,614)	16,918,563	25,119,646	1,290,119	26,409,765
Total comprehensive income for the year:										
Loss for the year		-	-	-	-	-	(1,736,785)	(1,736,785)	(78,717)	(1,815,502)
Other comprehensive income for the year		-	189,492	-	28,531	-	-	218,023	-	218,023
Total		-	189,492	-	28,531	-	(1,736,785)	(1,518,762)	(78,717)	(1,597,479)
Transfer	17	-	(609,281)	-	-	-	609,281	-	-	-
Transactions with owners, recognised directly in equity:										
Non-controlling interest arising from incorporation of subsidiary		-	-	-	-	-	-	-	45,000	45,000
Shares issued to employees	16	186,060	-	-	-	-	-	186,060	-	186,060
Dividends paid to:										
- Equity shareholders	30	-	-	-	-	-	(605,937)	(605,937)	-	(605,937)
- Non-controlling shareholders	5	-	-	-	-	-	-	-	(52,440)	(52,440)
Total		186,060	-	-	-	-	(605,937)	(419,877)	(7,440)	(427,317)
Balance at December 31, 2014		11,554,627	87,144	221,206	46,522	(3,913,614)	15,185,122	23,181,007	1,203,962	24,384,969

Statements of Changes in Equity

FINANCIAL YEAR ENDED DECEMBER 31, 2015

	Note	Share capital $ (Note 16)	Revaluation reserve $ (Note 17)	Other reserve $ (Note 17)	Translation reserve $ (Note 17)	Merger reserve $ (Note 17)	Retained earnings $	Attributable to equity holders of the Company $	Non controlling interests $	Total $
Group										
Balance at January 1, 2015		11,554,627	87,144	221,206	46,522	(3,913,614)	15,185,122	23,181,007	1,203,962	24,384,969
Total comprehensive income for the year:										
Profit for the year		-	-	-	-	-	412,245	412,245	(41,021)	371,224
Other comprehensive loss for the year		-	(1,230)	-	(19,617)	-	-	(20,847)	-	(20,847)
Total		-	(1,230)	-	(19,617)	-	412,245	391,398	(41,021)	350,377
Transactions with owners, recognised directly in equity:										
Non-controlling interest arising from incorporation of subsidiary		-	-	-	-	-	-	-	110,858	110,858
Dividends paid to non-controlling shareholders	5	-	-	-	-	-	-	-	(25,080)	(25,080)
Total		-	-	-	-	-	-	-	85,778	85,778
Balance at December 31, 2015		11,554,627	85,914	221,206	26,905	(3,913,614)	15,597,367	23,572,405	1,248,719	24,821,124

Statements of Changes in Equity

FINANCIAL YEAR ENDED DECEMBER 31, 2015

	Share capital $ (Note 16)	Retained earnings $	Total $
Company			
Balance at January 1, 2014	11,368,567	1,038,740	12,407,307
Profit for the year, representing total comprehensive income for the year	-	7,087	7,087
Transactions with owners, recognised directly in equity:			
Shares issued to Employees (Note 16)	186,060	-	186,060
Dividend (Note 30)	-	(605,937)	(605,937)
Total	186,060	(605,937)	(419,877)
Balance at December 31, 2014	11,554,627	439,890	11,994,517
Profit for the year, representing total comprehensive income for the year	-	158,186	158,186
Balance at December 31, 2015	11,554,627	598,076	12,152,703

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

FINANCIAL YEAR ENDED DECEMBER 31, 2015

	Group	
	2015 $	2014 $
Operating activities		
Profit (Loss) before income tax	440,749	(1,798,267)
Adjustments for:		
Interest income	(11,540)	(14,057)
Interest expenses	265,176	317,869
Dividend income from available-for-sale investment	(725)	(815)
Allowance for doubtful debts	471,512	380,427
Allowance for sales discount	125,852	69,447
Depreciation of property, plant and equipment	964,838	1,175,134
Plant and equipment written off	29,861	7,538
(Gain) Loss on disposal of property, plant and equipment	(65,263)	6,036
Share of loss of associates	102,865	143,108
Impairment loss on available-for-sale investment	10,405	-
Impairment loss (Reversal of impairment) on investment in an associate company	67,844	(72,000)
Unrealised exchange (gain) loss	(38,444)	28,830
Bad debts written off	15,626	35,208
Fair value adjustment of non-current receivables	-	49,610
Revaluation loss of plant and machineries	-	154,952
Operating cash flows before movements in working capital	2,378,756	483,020
Trade and other receivables	(1,673,929)	3,986,981
Inventories	203,461	44,726
Trade and other payables	(551,290)	(435,641)
Cash generated from operations	356,998	4,079,086
Interest received	11,540	14,057
Interest paid	(265,176)	(317,869)
Income tax paid	(82,358)	(82,475)
Net cash from operating activities	21,004	3,692,799
Investing activities		
Purchase of property, plant and equipment (Note A)	(391,023)	(428,574)
Proceeds from disposal of property, plant and equipment (Note B)	70,481	2,419,719
Proceeds from liquidation of an associate	-	985,000
Investment in equity interest of an associate	-	(200,000)
Dividend received from available-for-sale investment	725	815
Dividends received from an associate	36,849	43,216
Net cash (used in) from investing activities	(282,968)	2,820,176
Financing activities		
Increase in pledged fixed deposit	(24,599)	(14,749)
Dividend paid to:		
- equity holders of the Company	-	(605,937)
- non-controlling shareholders	(25,080)	(52,440)
Capital injection from non-controlling interest (Note C)	6,188	45,000
Proceeds from bank loans	-	1,000,000
Repayments of bank loans	(1,802,912)	(2,100,732)
Proceeds from factoring loans	85,861	-
Repayments of factoring loans	-	(1,574,627)
Proceeds from trade financing loans	1,739,333	-
Net repayment of finance leases	(250,041)	(715,007)
Net cash used in financing activities	(271,250)	(4,018,492)

Consolidated Statement of Cash Flows

FINANCIAL YEAR ENDED DECEMBER 31, 2015

	Group	
	2015	2014
	$	$
Net (decrease) increase in cash and cash equivalents	(533,214)	2,494,483
Cash and cash equivalents (Overdrafts) at beginning of the year	1,654,558	(830,133)
Effect of exchange rate changes on the balance of cash held in foreign currencies	3,329	(9,792)
Cash and cash equivalents at end of the year (Note D)	1,124,673	1,654,558

Note A: The Group acquired property, plant and equipment with an aggregate cost of $467,291 (2014 : $582,326) of which $Nil (2014 : $153,752) was acquired by means of finance leases and $76,268 (2014 : $Nil) was contributed by non-controlling shareholders of a subsidiary. Cash payments of $391,023 (2014 : $428,574) were made to purchase such property, plant and equipment.

Note B: In 2014, $81,176 of the outstanding balances from 2013 relating to the disposal of property, plant and equipment were received while the remaining $356,353 were provided for. Cash receipts during 2014 also included sales proceeds of $2,332,063 from disposal of non-current held for sale.

Note C: During the year, the non-controlling shareholders contributed cash and plant and equipment amounting to $6,188 and $76,268 respectively for the incorporation of Heatec Veslink Marine Services Corp. As at December 31, 2015, $28,402 remains outstanding from the non-controlling shareholder (Note 14).

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

	Group	
	2015	2014
	$	$
Cash at bank (Note 15)	2,552,680	1,701,705
Fixed deposits (Note 15)	420,394	395,795
Sub-total	2,973,074	2,097,500
Fixed deposit pledged as a collateral for overdraft loan	(420,394)	(395,795)
Bank overdrafts (Note 18)	(1,428,007)	(47,147)
Cash and cash equivalents at year end	1,124,673	1,654,558

See accompanying notes to financial statements.

Notes to Financial Statements

DECEMBER 31, 2015

1 GENERAL

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

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2015 were authorised for issue by the Board of Directors on March 18, 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

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

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

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

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

Adoption of new and revised standards

On January 1, 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. 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.

Notes to Financial Statements

DECEMBER 31, 2015

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:

- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*[1]
- Amendments to FRS 110 *Consolidated Financial Statements,* FRS 112 *Disclosure of Interests in Other Entities,* FRS 28 *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*[1]
- FRS 109 *Financial Instruments*[2]
- FRS 115 *Revenue from Contracts with Customers*[2]
- Improvements to Financial Reporting Standards (November 2014)[1]

1 Applies to annual periods beginning on or after January 1, 2016, with early application permitted.

2 Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

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 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:

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed

Management is currently evaluating the potential impact of the application of Amendments to FRS 1 on the financial statements of the Group and of the Company in the period of initial application.

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Notes to Financial Statements

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management is currently evaluating the potential impact of the application of FRS 109 on the financial statements of the Group and of the Company in the period of initial application.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Notes to Financial Statements

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management anticipates that the initial application of the new FRS 115 will result in changes to the accounting policies relating to revenue recognition. Additional disclosures will also be made with respect of trade receivables and revenue, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the entity's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 115.

Basis of consolidation

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

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

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

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

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

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

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

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

Notes to Financial Statements

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

Business combinations

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

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

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

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

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

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

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

Notes to Financial Statements

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

Financial instruments

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

<u>Effective interest method</u>

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

Financial assets

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

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

<u>Available-for-sale investments</u>

Certain shares and debt securities held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Loan and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to Financial Statements

DECEMBER 31, 2015

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

Leases

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

The Group as lessee

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

Notes to Financial Statements

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Inventories

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Notes to Financial Statements

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

Goodwill

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

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

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

Notes to Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Associates

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

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

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

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

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

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

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

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

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.

Notes to Financial Statements

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Merger Reserve

Merger reserve represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

Construction Contracts

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

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

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

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

Revenue recognition

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

Rendering of services

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

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

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

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

Notes to Financial Statements

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Interest income

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

Referral income

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

Dividend income

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

Retirement benefit costs

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

Employee leave entitlement

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

Borrowing costs

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

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

Income Tax

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

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

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

Notes to Financial Statements

DECEMBER 31, 2015

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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

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

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

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

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

Foreign currency transactions and translation

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

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

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

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

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

Notes to Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments

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

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 17. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. 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 statement of financial position 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.

Cash and cash equivalents in the statement of cash flows

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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Notes to Financial Statements

DECEMBER 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(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:

Allowance for doubtful receivables and sales discount

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

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

The carrying amount of trade and other receivables at the end of the reporting period as disclosed in Notes 12 and 14 to the financial statements respectively, approximate their recoverable amounts as there has not been a significant change in their credit quality and the expected discount to customers since the end of the reporting period.

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 cost-to-cost method. When it is probable that the total project costs will exceed the total project revenue, the expected loss is recognised as an expense immediately. These computations are based on the presumption that the outcome of a project can be estimated reliably.

Management has performed the cost studies, taking into account the costs to date and costs to complete for each project. Management has also reviewed the physical proportion of the contract work completed of such projects and is satisfied that the estimates to complete are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery. The carrying amount of work-in-progress is disclosed in Note 13 to the financial statements.

Useful live of property, plant and equipment

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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of the future cash flows. The carrying amount of goodwill at the end of the reporting period is $288,000. Details of the impairment assessment are provided in Note 10 to the financial statements.

Notes to Financial Statements

DECEMBER 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Recoverability of deferred tax asset

The Group reviewed the carrying amount of the deferred tax assets at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Details of deferred tax are included in Note 20.

Impairment of plant and equipment

The Group's policy is to revalue the plant and equipment at least once every three years. In estimating the fair value of the plant and equipment, the Group uses market-observable data to the extent it is available.

In the last financial year, the Group engaged third party qualified valuers to perform the valuation on the plant and equipment. Management worked closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of plant and equipment is included in Note 6 to the financial statements.

Plant and equipment are reviewed for impairment in the current financial year whether there is any indication that there is a significant decline in fair value since the last valuation. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the impairment loss.

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	
	2015	2014	2015	2014
	$	$	$	$
Financial assets				
Available-for-sale investments	266,060	277,695	-	-
Loans and receivables at amortised cost:				
Trade receivables	18,458,084	17,774,670	-	-
Other receivables	1,568,630	1,079,379	3,356,213	2,514,457
Cash and cash equivalents	2,973,074	2,097,500	43,865	45,542
	23,265,848	21,229,244	3,400,078	2,559,999
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	1,740,557	1,541,270	-	-
Other payables	3,086,475	3,661,577	3,971,385	3,646,479
Bank overdrafts and loans	6,806,327	5,413,303	-	-
Finance leases	658,768	908,809	-	-
	12,292,127	11,524,959	3,971,385	3,646,479

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

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

Notes to Financial Statements

DECEMBER 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives

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

(i) Foreign exchange risk management

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

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

	Liabilities		Assets	
	2015	2014	2015	2014
	$	$	$	$
United States dollars	612,056	153,123	4,666,495	1,448,759
Euro	-	86,310	1,070	-
British Pound	-	-	7,182	-

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/strengthens by 10% against the functional currency of each group entity, profit before tax will decrease/increase (2014: loss before tax will increase/decrease) by:

	Group	
	2015	2014
	$	$
United States dollars	405,444	129,564

Sensitivity analysis for Euro and British Pound are not included in the table above as the impact on foreign currency fluctuation is immaterial.

(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 18 and 19 to the financial statements.

Notes to Financial Statements

DECEMBER 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

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 before tax would decrease/increase by $34,032 (2014 : loss before tax would increase/decrease by $27,067). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(iii) Credit risk management

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

The Group performs ongoing credit evaluation of its customers' financial condition and may require certain customers to furnish letters of credit from creditworthy institutions. This evaluation includes the assessment and valuation of customers' credit reliability. As at year end, the Group has 3 major customers which accounted for $6,172,601 or 52% (2014 : $8,236,581 or 59%) of the net trade receivable balance and the Company has significant concentration risk with its subsidiaries.

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

The maximum amount the Group could be forced to settle under the corporate guarantee in Note 33, if the full guaranteed amount is claimed by the counterparty to the guarantee is $7.2 million (2014 : $5.7 million). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

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

Further details of credit risks on trade and other receivables are disclosed in Notes 12 and 14.

(iv) Liquidity risk management

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

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

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

As at December 31, 2015, the Group has $4,967,684 (2014 : $4,402,548) of undrawn committed bank credit facilities for working capital purposes.

Notes to Financial Statements

DECEMBER 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS 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	After 5 years	Adjustments	Total
	%	$	$	$	$	$
Group						
2015						
Non-interest bearing	-	4,827,032	-	-	-	4,827,032
Finance lease liabilities (fixed rate)	4.15	264,864	426,871	-	(32,967)	658,768
Variable interest rate instruments	3.83	5,031,160	2,118,548	-	(343,381)	6,806,327
		10,123,056	2,545,419	-	(376,348)	12,292,127
2014						
Non-interest bearing	-	5,202,847	-	-	-	5,202,847
Finance lease liabilities (fixed rate)	4.50	279,508	691,734	-	(62,433)	908,809
Variable interest rate instruments	3.20	2,852,946	2,831,540	92,121	(363,304)	5,413,303
		8,335,301	3,523,274	92,121	(425,737)	11,524,959

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	$	$	$	$	$
Company						
2015						
Non-interest bearing	-	3,971,385	-	-	-	3,971,385
2014						
Non-interest bearing	-	3,646,479	-	-	-	3,646,479

Notes to Financial Statements

DECEMBER 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Non-derivative financial assets

All the non-derivative financial assets are expected to be repayable within one year, except for an amount due from a customer amounting to $427,532 (Note 12). All non-derivative financial assets are non-interest bearing except for the interest bearing fixed deposits (Note 15) and unquoted debt securities (Note 9).

(v) Fair value of financial assets and financial liabilities

The Group determines fair values of various financial assets and financial liabilities in the following manner:

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at ($'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2015	2014				
	Assets	Assets				
Available-for-sale investments (see note 9)						
Quoted equity shares	14,560	19,020	Level 1	Quoted bid prices in an active market.	N/A	N/A
Unquoted debt securities	251,500	258,675	Level 2	Latest transacted price before the period end.	N/A	N/A

Except as mentioned above, management considers that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values in relation to their short term nature of the financial assets and financial liabilities.

There is no significant transfers between Level 1 and Level 2 of the fair value hierarchy in the period.

Company

The Company had no financial assets or liabilities carried at fair value in 2014 and 2015.

(d) 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 Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 18 and 19, and equity attributable to equity holders of the Company, comprising share capital, reserves and retained earnings. Management reviews the capital structure on a semi-annual basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group is required to maintain net worth of a specified amount in order to comply with covenant in loan agreements with banks. The Group is in compliance with the financial covenants imposed by the banks for the financial year ended December 31, 2015 and 2014.

Notes to Financial Statements

DECEMBER 31, 2015

5 RELATED PARTY TRANSACTIONS

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

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

	2015 $	2014 $
Associates		
Rendering of services	(60,741)	(32,470)
Rental income	(11,000)	-
Management fee income	(18,000)	(18,000)
Non-controlling shareholder of subsidiary		
Dividend paid	25,080	52,440

Compensation of directors and key management personnel

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

	Group	
	2015 $	2014 $
Short-term benefits	1,329,700	1,373,597
Post-employment benefits	77,023	66,328
	1,406,723	1,439,925

Notes to Financial Statements

DECEMBER 31, 2015

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Leasehold improvement	Plant and equipment	Motor vehicles	Renovation	Total
	$	$	$	$	$	$
Group						
At January 1, 2014	9,760,184	-	5,125,711	830,593	376,308	16,092,796
Exchange translation	-	-	23,471	6,049	10,486	40,006
Additions	-	68,042	449,531	30,048	34,705	582,326
Written off	-	-	(27,827)	(11,017)	-	(38,844)
Disposals	-	-	(86,464)	(41,604)	-	(128,068)
Revaluation adjustment (Note A)	-	-	(1,657,161)	-	-	(1,657,161)
At December 31, 2014	9,760,184	68,042	3,827,261	814,069	421,499	14,891,055
Exchange translation	-	-	7,741	2,153	4,003	13,897
Additions	-	48,000	350,024	45,933	23,334	467,291
Written off	-	-	(77,836)	(109,000)	-	(186,836)
Disposals	-	-	-	(240,769)	-	(240,769)
At December 31, 2015	9,760,184	116,042	4,107,190	512,386	448,836	14,944,638
Comprising:						
December 31, 2014						
At cost	9,760,184	68,042	-	814,069	421,499	11,063,794
At valuation	-	-	3,827,261	-	-	3,827,261
	9,760,184	68,042	3,827,261	814,069	421,499	14,891,055
December 31, 2015						
At cost	9,760,184	116,042	-	512,386	448,836	10,837,448
At valuation	-	-	4,107,190	-	-	4,107,190
	9,760,184	116,042	4,107,190	512,386	448,836	14,944,638

Notes to Financial Statements

DECEMBER 31, 2015

6 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold properties $	Leasehold improvement $	Plant and equipment $	Motor vehicles $	Renovation $	Total $
Accumulated depreciation:						
At January 1, 2014	275,830	-	1,198,594	642,002	188,699	2,305,125
Exchange translation	-	-	18,473	5,121	9,540	33,134
Written off	-	-	(22,490)	(8,816)	-	(31,306)
Disposals	-	-	(77,818)	(37,443)	-	(115,261)
Depreciation	435,839	353	563,448	86,750	88,744	1,175,134
Revaluation adjustment (Note A)	-	-	(1,605,719)	-	-	(1,605,719)
At December 31, 2014	711,669	353	74,488	687,614	286,983	1,761,107
Exchange translation	-	-	5,482	1,251	2,966	9,699
Written off	-	-	(47,975)	(109,000)	-	(156,975)
Disposals	-	-	-	(235,551)	-	(235,551)
Depreciation	435,909	4,230	394,838	58,207	71,654	964,838
At December 31, 2015	1,147,578	4,583	426,833	402,521	361,603	2,343,118
Carrying amount:						
At December 31, 2014	9,048,515	67,689	3,752,773	126,455	134,516	13,129,948
At December 31, 2015	8,612,606	111,459	3,680,357	109,865	87,233	12,601,520

Notes to Financial Statements

DECEMBER 31, 2015

6 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold properties $	Leasehold improvements $	Plant and equipment $	Total $
Company				
At January 1, 2014	6,036,700	-	855,535	6,892,235
Additions	-	68,042	41,925	109,967
At December 31, 2014	6,036,700	68,042	897,460	7,002,202
Additions	-	48,000	-	48,000
At December 31, 2015	6,036,700	116,042	897,460	7,050,202
Comprising:				
December 31, 2014				
At cost	6,036,700	68,042	-	6,104,742
At valuation	-	-	897,460	897,460
	6,036,700	68,042	897,460	7,002,202
Comprising:				
December 31, 2015				
At cost	6,036,700	116,042	-	6,152,742
At valuation	-	-	897,460	897,460
	6,036,700	116,042	897,460	7,050,202
Accumulated depreciation:				
At January 1, 2014	88,402	-	21,329	109,731
Depreciation	353,295	353	89,649	443,297
At December 31, 2014	441,697	353	110,978	553,028
Depreciation	353,364	4,230	46,765	404,359
At December 31, 2015	795,061	4,583	157,743	957,387
Carrying amount:				
At December 31, 2014	5,595,003	67,689	786,482	6,449,174
At December 31, 2015	5,241,639	111,459	739,717	6,092,815

Note A: During the last financial year, the Group engaged third party qualified valuers to perform the valuation on the plant and equipment. Management worked closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

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

The significant inputs included the market value and depreciation factor of the plant and equipment. An increase in market value of the plant and equipment would result in an increase in the fair value and a slight increase in the depreciation factor would result in a significant decrease in the fair value, and vice versa. Plant and equipment are considered as level 3 in the fair value hierarchy and there were no transfers into or out of level 3 of the fair value hierarchy during the financial year.

Certain plant and equipment of the Group and Company of $379,061 and $229,357 respectively were not revalued by the independent valuer in 2014 as the management compared the carrying value against market value and determined that the difference is not material.

As at the end of the current reporting period, no separate valuation has been carried out as the management is of the opinion that the carrying amount approximates its fair value.

Notes to Financial Statements

DECEMBER 31, 2015

6 PROPERTY, PLANT AND EQUIPMENT (cont'd)

As at December 31, 2015, had the Group's plant and equipment been carried at historical cost less accumulated depreciation and deemed impairment loss, their carrying amounts would have been approximately $3,135,000 (2014 : $3,331,000).

The Group's and Company's leasehold properties with carrying amount of $8,612,606 (2014 : $9,048,515) and $5,241,639 (2014 : $5,595,003) respectively are pledged to secure certain banking facilities granted to the Group (Note 18).

The Group's certain plant and equipment with carrying amount of $1,162,943 (2014 : $1,248,381) are secured in respect of assets held under finance leases (Note 19) and are secured by a corporate guarantee by the Company.

7 SUBSIDIARIES

	Company	
	2015 $	2014 $
Unquoted equity shares, at cost	6,623,614	6,623,614

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 2015 %	2014 %	Principal activity
Heatec Jietong Pte. Ltd. (1)	Singapore	100	100	Servicing and fabrication of heat exchanger
JJY Engineering & Construction Pte. Ltd. (1)	Singapore	100	100	To carry on the businesses of repairing ships, tankers and other ocean-going vessels
HJT Engineering & Construction Pte. Ltd. (1)	Singapore	100	100	To carry on the businesses of repairing ships, tankers and other ocean-going vessels
Held by Heatec Jietong Pte. Ltd.				
Heatec (Shanghai) Co., Ltd. (2)	People's Republic of China	100	100	Manufacture and repair of air cooler(s) evaporator, heat exchanger and related auxiliaries
Heatec Chariot Envirobotics Pte. Ltd. (2)	Singapore	72.5	72.5	Dormant
Chem-Grow Pte Ltd (1)	Singapore	70	70	Provide chemical cleaning services to ships and tankers

Notes to Financial Statements

DECEMBER 31, 2015

7 SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest and voting power held		Principal activity
		2015	2014	
		%	%	
Chem Grow Engineering Pte. Ltd. (1)	Singapore	70	70	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers
Heatec Oilfield Services Pte. Ltd. (1)	Singapore	55	55	To manufacture and repair of oil rigs, other oilfield and gasfield machineries and equipment
Heatec Veslink Marine Services Corp. (2)	Philippines	60	-	To engage in the business of trading, selling, servicing, manufacturing, distributing, marketing, maintenance, export & import.
Held by Chem-Grow Pte. Ltd.				
Chem-Grow Services Pte. Ltd. (1)	Singapore	70	70	Provide repair services to ships, tankers and other ocean-going vessels, and chemical cleaning services to ships and tankers

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

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

Management has evaluated and concluded that the non-controlling interests of the subsidiaries are not individually and collectively material to the Group. Therefore, the information required by FRS 112 on the subsidiaries with material non-controlling interest is not disclosed.

8 ASSOCIATES

	Group	
	2015	2014
	$	$
Cost of investment in associates	437,616	437,616
Share of post-acquisition reserves, net of dividend received	(103,904)	34,828
Impairment loss	(67,844)	-
	265,868	472,444

Notes to Financial Statements

DECEMBER 31, 2015

8 ASSOCIATES (cont'd)

Movement in the impairment loss:

	Group	
	2015 $	2014 $
Balance at beginning of the year	-	72,000
Reversal of an impairment loss (Note 24)	-	(72,000)
Impairment loss recognised in profit or loss (Note 25)	67,844	-
Balance at the end of the year	67,844	-

At the end of each reporting period, the Group carried out a review whether there is an indication that the investment in associates are impaired. In the previous financial year, the review led to the reversal of an impairment loss of $72,000. In the current year, the review led to the recognition of an impairment loss of $67,844 as the associate is in the midst of winding up.

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 2015 %	2014 %	Principal activity
Held by Heatec Jietong Pte. Ltd.				
Zhoushan Heatec IMC-YY Engineering Co., Ltd. (HTIMCYY) [2]	People's Republic of China	45	45	Service and repair all kinds of heat exchangers and piping works
Heatec Marine Phils Construction Inc. (HTMPC) [2]	Philippines	39.97	39.97	Dormant
Ipromar (Pte) Ltd. (IPL) [2]	Singapore	25	25	Process plant and engineering services
Karnot Technology. Pte. Ltd. (Karnot) [1][2]	Singapore	20	20	Dormant
Held by Ipromar (Pte) Ltd.				
Ipromar Sdn. Bhd. (ISB) [2]	Malaysia	100	-	Process plant and engineering services

[1] In the progress of liquidation at the end of the reporting period.

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

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

Notes to Financial Statements

9 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2015	2014
	$	$
Quoted equity shares, at fair value	14,560	19,020
Unquoted debt securities, at fair value	251,500	258,675
	266,060	277,695

The above investments in quoted equity shares offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on the quoted closing market prices on the last market day of the financial year.

The above investment in unquoted debt securities have fixed coupon rate of 4.15% per annum and maturity date on October 27, 2021. The average effective interest rate is 3.06% (2014 : 3.06%) per annum.

10 GOODWILL

	Group	
	2015	2014
	$	$
Carrying amount	288,000	288,000

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

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to chemical cleaning business. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. As at December 31, 2015, management is of the view that no impairment is required.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and thereafter budget a perpetual growth rate of 1%. This rate does not exceed the average long term growth rate for the relevant markets.

The rate used to discount the forecast cash flows arising from this acquisition is 11.3% (2014: 11.3%)

As at December 31, 2015, any reasonably possible change to the key assumptions applied will not likely cause the recoverable amounts to be below the carrying amounts of the CGU.

11 INVENTORIES

	Group	
	2015	2014
	$	$
Raw materials and supplies	724,957	928,418

Notes to Financial Statements

DECEMBER 31, 2015

12 TRADE RECEIVABLES

	Group	
	2015	2014
	$	$
Outside parties	11,683,107	15,569,852
Unbilled revenue	1,089,765	1,420,895
Allowance for doubtful debts - outside parties	(199,833)	(338,966)
Allowance for sales discount - outside parties	(732,804)	(2,612,850)
	11,840,235	14,038,931
Amount due from customers for contract work (Note 13)	6,617,849	3,735,739
	18,458,084	17,774,670
Less: Non-current portion:		
Outside party	(427,532)	(427,532)
Current portion:		
Outside parties	18,030,552	17,347,138

The average credit period on rendering of services is 60 to 90 days (2014 : 60 to 90 days). No interest is charged on the overdue trade receivables. Trade receivables amounting to $974,308 (2014 : $Nil) are assigned to secure the factoring loan facilities (Note 18).

Non-current receivables included an amount due from a customer on March 31, 2017. The amount due is interest free and the Group does not hold any collateral over these balances. An estimated fair value loss had been recognised using the effective interest method amounting to $49,610 in 2014.

Included in the Group's trade receivables balance are debtors with a carrying amount of $3,332,489 (2014 : $6,134,913) 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 $199,833 (2014 : $338,966). This allowance has been determined by reference to past default experience. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and expected proceeds. The Group does not hold any collateral over these balances.

As at December 31, 2015, the Group has set aside an allowance for sales discount for outside parties of $732,804 (2014 : $2,612,850) for trade receivables. Management has assessed the adequacy of the allowance taking into account the historical settlement rate for past completed projects and their assessments based on on-going negotiation with customers.

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

	Group	
	2015	2014
	$	$
Not past due and not impaired	8,497,411	7,894,559
Past due but not impaired (i)	3,332,489	6,134,913
	11,829,900	14,029,472
Impaired receivables - collectively assessed (ii)	210,168	348,425
Less: Provision for impairment	(199,833)	(338,966)
	10,335	9,459
Total trade receivables, net	11,840,235	14,038,931

Notes to Financial Statements

12 TRADE RECEIVABLES (cont'd)

(i) Aging of receivables that are past due but not impaired:

	Group 2015 $	Group 2014 $
< 3 months	1,588,950	1,983,486
3 months to 6 months	563,280	1,439,669
6 months to 12 months	219,793	2,173,581
> 12 months	960,466	538,177
	3,332,489	6,134,913

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

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

	Group 2015 $	Group 2014 $
Balance at beginning of the year	338,966	350,041
Increase in allowance recognised in profit or loss	45,844	66,667
Amounts recovered during the year	(60,570)	(42,592)
Amounts written off during the year	(125,000)	(37,625)
Exchange translation	593	2,475
Balance at the end of the year	199,833	338,966

13 WORK-IN-PROGRESS

	Group 2015 $	Group 2014 $
Work-in-progress at end of reporting period:		
Amount due from contract customers included in trade receivables (Note 12)	6,617,849	3,735,739
Amount due to customers for contract work included in trade payables (Note 21)	(293,185)	(450,750)
	6,324,664	3,284,989
Contract costs incurred plus recognised profits	22,935,761	7,758,550
Less: Progress billings	(16,611,097)	(4,473,561)
	6,324,664	3,284,989

14 OTHER RECEIVABLES

	Group 2015 $	Group 2014 $	Company 2015 $	Company 2014 $
Non-controlling shareholders of subsidiaries (Note 5)	440,746	412,344	-	-
Allowance of doubtful debts - Non-controlling shareholder of a subsidiary	(356,352)	(356,352)	-	-
	84,394	55,992	-	-
Subsidiaries	-	-	2,605,310	1,621,583
Dividend receivables from subsidiaries	-	-	711,175	854,524
Other receivables	608,966	380,151	1,378	-
Tax receivable	-	25,391	-	-
Deposit	465,576	439,830	38,350	38,350
Prepayments	215,183	272,916	7,581	8,209
Associates	895,932	203,406	-	-
Allowance of doubtful debts - associate	(486,238)	-	-	-
	1,783,813	1,377,686	3,363,794	2,522,666

Notes to Financial Statements

DECEMBER 31, 2015

14 OTHER RECEIVABLES (cont'd)

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

Included in the non-controlling shareholders of subsidiaries is an amount of $28,402 which is required to be injected into a subsidiary as share capital.

Movement in the allowance for doubtful debts

	Group	
	2015	2014
	$	$
Balance at beginning of the year	356,352	-
Increase in allowance recognised in profit or loss	486,238	356,352
Balance at end of the year	842,590	356,352

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

15 CASH AND BANK BALANCES

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Cash at bank	2,552,680	1,701,705	43,865	45,542
Fixed deposits	420,394	395,795	-	-
	2,973,074	2,097,500	43,865	45,542

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

Short-term fixed deposits bear average interest rate of 0.1% to 0.32% (2014 : 0.1% to 0.21%) per annum and for a tenure of approximately 3 to 12 months (2014 : 3 to 12 months), without significant risk of changes in value.

As at December 31, 2015, fixed deposits of $420,394 (2014 : $395,795) are pledged to secure banking facilities granted to the Group (Note 18).

16 SHARE CAPITAL

	Group and Company			
	2015	2014	2015	2014
	Number of ordinary shares		$	$
Issued and paid up:				
At beginning of the year	122,959,345	121,187,345	11,554,627	11,368,567
Issue of shares	-	1,772,000	-	186,060
At end of the year	122,959,345	122,959,345	11,554,627	11,554,627

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

In 2014, the Group and the Company issued 1,772,000 ordinary shares to certain employees of the Group and the Company as settlement of the performance incentives accrued for in 2013. The estimated fair value of the shares issued was $0.105 which was determined based on the share price of the Company on the date of the grant. This is included as non-cash transaction in the statement of cash flows.

There is no issuance of shares in respect of the current financial year.

Notes to Financial Statements

DECEMBER 31, 2015

17 RESERVE

a) *Revaluation reserve*

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

Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

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

Movement in revaluation reserve:

	Group	
	2015	**2014**
	$	**$**
At January 1	87,144	506,933
Changes during the year in other comprehensive income	(1,230)	85,913
Transfer to retained earnings for fully depreciated items	-	(609,281)
Tax effect of the amount transferred to retained earnings	-	103,579
At December 31	85,914	87,144

b) *Other reserve*

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

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

c) *Translation reserve*

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

Movement in translation reserve:

	Group	
	2015	**2014**
	$	**$**
At January 1	46,522	17,991
Changes during the year in other comprehensive income	(19,617)	28,531
At December 31	26,905	46,522

Notes to Financial Statements

DECEMBER 31, 2015

17 RESERVE (cont'd)

d) *Merger reserve*

Merger reserve represents the difference between the amount of the share capital of the subsidiaries at the date on which it was acquired by the Company and the amount of the share capital issued as consideration for the acquisition.

18 BANK OVERDRAFTS AND LOANS

	Group	
	2015	**2014**
	$	**$**
Bank overdrafts	1,428,007	47,147
Term loans	2,603,685	4,406,597
Trade financing loans	1,729,215	-
Factoring loans	1,045,420	959,559
	6,806,327	5,413,303

The borrowings are repayable as follows:

On demand or within one year	4,896,176	2,754,671
Within two years to five years	1,910,151	2,528,222
More than five years	-	130,410
	6,806,327	5,413,303
Less: Amount due for settlement within 12 months (shown under current liabilities)	(4,896,176)	(2,754,671)
Amount due for settlement after 12 months	1,910,151	2,658,632

The effective interest rates per annum are as follows:

Bank overdrafts	4.33%	4.33%
Term loans	2.46% to 3.76%	2.42% to 3.77%
Factoring loans	5.12%	5.12%
Trade financing loans	2.82% to 5.75%	-

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

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

The Group's bank overdrafts 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 following:

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

(ii) pledge of certain fixed deposits (Note 15).

(b) The Group has 3 term loans (2014 : 5 term loans) as follows:

(i) A loan of $174,250 (2014 : $1,028.255). The loan was raised in October 18, 2011. Repayment commenced on December 1, 2012 and repayable over 48 months. The loan is secured by:

(a) a corporate guarantee by the Company; and

(b) statutory charge over 70% shares in Chem-Grow Pte Ltd and Chem Grow Engineering Pte. Ltd.

The loan carries interest at 2% plus cost of fund per annum.

Notes to Financial Statements

DECEMBER 31, 2015

18 BANK OVERDRAFTS AND LOANS (cont'd)

(ii) A loan of $595,732 (2014 : $710,937). The loan was raised in July 27, 2000. Repayment commenced on September 1, 2000 and repayable over 20 years. The loan is secured by:

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

(b) pledged on certain fixed deposits (Note 15); and

(c) a corporate guarantee by the its subsidiary

The loan carries interest at 1% plus effective financing rate per annum.

(iii) A loan of $1,833,703 (2014 : $2,246,079). The loan was raised in September 30, 2013. Repayment commenced on October 30, 2013 and repayable over 84 months. The loan is secured by:

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

(b) a corporate guarantee by the Company

The loan carries interest at 2.5% plus cost of fund per annum.

(iv) Two loans were paid during the year amounting to $421,326. The loans were secured by a corporate guarantee by the Company and carried an interest at 3.75% per annum.

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

(i) a corporate guarantee by the Company; and

(ii) joint charge on the receivables of subsidiaries (Note 12).

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

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

(ii) a corporate guarantee by the Company.

19 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
	$	$	$	$
Amounts payable under finance leases:				
Within one year	264,864	279,508	244,936	250,042
In the second to fifth years inclusive	426,871	691,734	413,832	658,767
Less: Future finance charges	(32,967)	(62,433)	-	-
Present value of lease obligations	658,768	908,809	658,768	908,809
Less: Amount due for settlement within 12 months (shown under current liabilities)			(244,936)	(250,042)
Amount due for settlement after 12 months			413,832	658,767

Notes to Financial Statements

DECEMBER 31, 2015

19 FINANCE LEASES (cont'd)

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 5 years. For the financial year ended December 31, 2015, the average effective borrowing rate was 4.15% (2014 : 4.50%) per annum. Interest rates are fixed and variable at the contract date and the Group is exposed to fair value interest rate risk for its fixed rate lease contracts. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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

20 DEFERRED TAXATION

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

Group	Accelerated tax depreciation	Revaluation of plant and equipment	Tax losses	Others	Total
	$	$	$	$	$
At January 1, 2014	422,327	103,577	(476,661)	(20,931)	28,312
Credit to other comprehensive loss for the year	-	(85,982)	-	-	(85,982)
Credit to profit or loss for the year (Note 27)	(8,072)	-	-	-	(8,072)
At December 31, 2014	414,255	17,595	(476,661)	(20,931)	(65,742)
(Credit) Charge to profit or loss for the year (Note 27)	(27,621)	-	-	8,496	(19,125)
At December 31, 2015	386,634	17,595	(476,661)	(12,435)	(84,867)

	Group 2015	Group 2014
	$	$
Deferred tax liabilities	387,034	406,159
Deferred tax assets	(471,901)	(471,901)
	(84,867)	(65,742)

21 TRADE PAYABLES

	Group 2015	Group 2014
	$	$
Outside parties	1,684,565	1,485,278
Non-controlling shareholder of a subsidiary (Note 5)	55,992	55,992
Amount due to customers for contract work (Note 13)	293,185	450,750
	2,033,742	1,992,020

The average credit period on purchases of goods is 60 days (2014 : 60 days). No interest is charged on the overdue trade payables.

Notes to Financial Statements

DECEMBER 31, 2015

22 OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Subsidiaries	-	-	3,564,675	3,118,200
Associates	3,633	3,633	-	-
Accruals	2,431,772	2,961,841	336,915	486,373
Other payables	651,070	696,103	69,795	41,906
Advance deposits received	12,777	30,687	-	-
	3,099,252	3,692,264	3,971,385	3,646,479

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

Amount payable to subsidiaries and associates are unsecured, interest-free and repayable on demand.

23 REVENUE

	Group	
	2015	2014
	$	$
Revenue from construction contracts	18,487,383	10,783,746
Rendering of services	14,821,216	19,075,080
	33,308,599	29,858,826

24 OTHER INCOME

	Group	
	2015	2014
	$	$
Sundry income	488,851	373,952
Net foreign exchange gain	74,796	-
Interest income	11,540	14,057
Management fee income (Note 5)	18,000	18,000
Rental income (Note 5)	11,000	-
Dividend income from available-for-sale investment	725	815
Gain on disposal of plant and equipment	65,263	-
Referral income	277,630	-
Reversal of impairment loss of investment in associate	-	72,000
	947,805	478,824

Notes to Financial Statements

DECEMBER 31, 2015

25 OTHER EXPENSES

	Group 2015 $	Group 2014 $
(Reversal) Allowance for doubtful debts (trade)	(14,726)	24,075
Allowance for doubtful debts (non-trade)	486,238	356,352
Impairment loss:		
- Investment in an associate	67,844	-
- Available-for-sale investment	10,405	-
Plant and equipment written off	29,861	7,538
Fixed asset expensed off	2,062	9,445
Net foreign exchange loss	-	6,127
Bad debt written off	15,626	35,208
Revaluation loss on plant and equipment	-	154,952
Loss on disposal of plant and equipment	-	6,036
Fair value adjustment of non-current trade receivables	-	49,610
Others	14,947	27,281
	612,257	676,624

26 FINANCE COSTS

	Group 2015 $	Group 2014 $
Interest on:		
- Bank overdrafts	53,281	51,589
- Bank loans	107,706	139,430
- Hire purchases	29,465	42,310
- Trade financing	15,114	-
Factoring charges	59,610	84,540
	265,176	317,869

27 INCOME TAX EXPENSE

	Group 2015 $	Group 2014 $
Current tax expense	22,475	2,243
Under provision for current tax in prior years	66,175	23,064
Over provision for deferred tax in prior years	(11,053)	-
Deferred tax benefit	(8,072)	(8,072)
Income tax expense for the year	69,525	17,235

Domestic income tax is calculated at 17% (2014 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notes to Financial Statements

DECEMBER 31, 2015

27 INCOME TAX EXPENSE (cont'd)

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

	Group	
	2015	2014
	$	$
Profit (Loss) before income tax	440,749	(1,798,267)
Income tax expense (benefit) at statutory rate	74,927	(305,705)
Tax effect of share of results of associates	17,487	24,328
Effect of income not subject to tax	(91,982)	(104,215)
Effect of tax concessions	(4,564)	(8,042)
Effect of expenses that are not deductible for tax purpose	194,775	328,320
Effect of partial tax exempt income	(28,956)	(7,149)
Deferred tax benefits on tax losses not recognised	57,173	86,033
Under provision in prior years	55,122	23,064
Deferred tax benefit arising from revaluation of plant and equipment	(8,072)	(8,072)
Effect of utilisation of previously unrecognised tax losses	(195,577)	-
Effect of different tax rates of subsidiary operating in other jurisdiction	12,415	(9,188)
Others	(13,223)	(2,139)
Total income tax expense	69,525	17,235

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of $ 5,054,133 (2014 : $6,086,733) available for offset against future profits. A deferred tax asset has been recognised in respect of $2,803,888 (2014 : $2,803,888) of such losses. No deferred tax asset has been recognised in respect of the remaining $2,250,260 (2014 : $3,282,845) due to the unpredictability of future profit streams. Consequently, the deferred tax asset not recorded is $382,544 (2014 : $566,830).

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.

28 PROFIT (LOSS) FOR THE YEAR

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

	Group	
	2015	2014
	$	$
Depreciation of property, plant and equipment	964,838	1,175,134
Audit fees paid to the auditors of the Company	140,000	150,000
Directors' remuneration of the Company	848,066	1,030,875
Employee benefits expense (including directors' remuneration)	17,701,405	19,792,210
Costs of defined contribution plans (included in employee benefits expense)	484,623	516,310
Cost of inventories recognised as expense	7,688,774	2,922,226
Plant and equipment written off	29,861	7,538
(Gain) Loss on disposal of property, plant and equipment	(65,263)	6,036
Allowance for doubtful debts	471,512	380,427
Allowance for sales discount	125,852	69,447
Impairment loss on investment in an associate	67,844	-
Reversal of Impairment loss on investment in associate	-	(72,000)
Net foreign exchange (gain) loss	(74,796)	6,127
Revaluation loss on plant and equipment	-	154,953
Bad debts written off	15,626	35,208
Fair value adjustment of non-current trade receivables	-	49,610

Notes to Financial Statements

DECEMBER 31, 2015

29 EARNINGS (LOSS) PER SHARE

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

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

	Group	
	2015 $	2014 $
Profit (Loss) for the year attributable to owners of the Company	412,245	(1,736,785)
Weighted average number of ordinary shares for the purpose of basic earnings per share	122,959,345	121,925,678

The diluted earnings (loss) per share is equivalent to the basic earnings (loss) 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.

30 DIVIDENDS

On May 16, 2014, a dividend of 0.5 cents per share (total dividend $605,937) was paid to shareholders.

No dividend has been declared and recommended in respect of the current financial year.

31 SEGMENT INFORMATION

Services from which reportable segments derive their revenue

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

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

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

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

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

Notes to Financial Statements

DECEMBER 31, 2015

31 SEGMENT INFORMATION (cont'd)

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

	Revenue		Net Profit (Loss)	
	2015	2014	2015	2014
	$	$	$	$
Piping	11,385,125	14,868,579	(274,749)	201,431
Heat Exchanger	18,487,383	10,783,746	849,314	(1,669,691)
Chemical Cleaning	3,436,091	4,203,185	126,011	266,146
Others	-	3,316	67,279	(380,764)
	33,308,599	29,858,826	767,855	(1,582,878)
Other income			246,847	478,824
Other expenses			(205,912)	(233,236)
Share of loss of associates			(102,865)	(143,108)
Finance costs			(265,176)	(317,869)
Profit (Loss) before income tax			440,749	(1,798,267)
Income tax expense			(69,525)	(17,235)
Profit (Loss) for the year			371,224	(1,815,502)

Segment assets

Piping	8,936,315	10,619,331
Heat Exchanger	14,040,089	9,553,764
Chemical Cleaning	5,852,413	6,696,935
Others	56,611	440,461
Total segment assets	28,885,428	27,310,491
Unallocated assets	8,947,849	9,507,771
Consolidated total assets	37,833,277	36,818,262

Segment liabilities

Piping	1,393,984	1,467,799
Heat Exchanger	9,819,722	3,742,970
Chemical Cleaning	1,013,555	4,013,641
Others	55,992	125,828
Total segment liabilities	12,283,253	9,350,238
Unallocated liabilities	728,900	3,083,055
Consolidated total liabilities	13,012,153	12,433,293

Notes to Financial Statements

DECEMBER 31, 2015

31 SEGMENT INFORMATION (cont'd)

Other segment information

	Piping		Heat Exchanger		Chemical cleaning		Others		Unallocated		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$	$	$	$	$	$	$
Allowance (Reversal) for sales discount	127,362	(31,719)	(8,429)	90,931	6,919	10,235	-	-	-	-	125,852	69,447
Bad debt written off	-	-	14,475	35,208	-	-	1,151	-	-	-	15,626	35,208
Allowance for doubtful debts	157,802	-	313,710	24,075	-	-	-	356,352	-	-	471,512	380,427
Impairment loss on investment in an associate	-	-	67,844	-	-	-	-	-	-	-	67,844	-
Reversal of Impairment loss of investment in an associate	-	-	-	-	-	-	-	-	-	(72,000)	-	(72,000)
Capital additions	12,284	27,213	349,624	303,377	57,383	141,769	-	-	48,000	109,967	467,291	582,326

Notes to Financial Statements

DECEMBER 31, 2015

**HEATEC JIETONG HOLDINGS LTD.
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

31 SEGMENT INFORMATION (cont'd)

Other segment information (cont'd)

	Piping		Heat Exchanger		Chemical cleaning		Others		Unallocated		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$	$	$	$	$	$	$
Plant and equipment written off	-	-	29,861	3,818	-	-	-	3,720	-	-	29,861	7,538
Revaluation loss on plant and equipment	-	-	-	134,611	-	20,342	-	-	-	-	-	154,953
Impairment loss of available-for-sale investments	-	-	-	-	10,405	-	-	-	-	-	10,405	-
(Gain) Loss on disposal of plant and equipment	-	-	(37,481)	8,001	(27,782)	-	-	(1,965)	-	-	(65,263)	6,036
Depreciation of property, plant and equipment	10,849	5,759	334,775	466,492	214,855	259,586	-	-	404,359	443,297	964,838	1,175,134

Geographical information

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

Notes to Financial Statements

DECEMBER 31, 2015

31 SEGMENT INFORMATION (cont'd)

Major customer information

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

	2015 $	2014 $
Piping segment		
Customer A	9,385,505	9,545,250
Customer B	1,896,202	3,778,500
	11,281,707	13,323,750

	2015 $	2014 $
Heat exchanger segment		
Customer C	7,203,674	819,243

32 OPERATING LEASE ARRANGEMENTS

	Group	
	2015 $	2014 $
Minimum lease payments under operating leases recognised as an expense during the year	1,939,681	2,522,172

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

	Group	
	2015 $	2014 $
Within one year	590,271	2,458,094
In the second to fifth year inclusive	53,994	528,861
	644,265	2,986,955

Operating lease payments represent rentals payable by the Group for residential premises, equipment and leasehold land. Rental are fixed for a term of one to five (2014 : one to five) years.

33 CONTINGENT LIABILITIES

	Company	
	2015 $	2014 $
Corporate guarantees for credit facilities granted to subsidiaries and associate	7,223,867	5,727,859

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

Statistics of Shareholdings

AS AT 7 MARCH 2016

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

The Company has no treasury shares as at 7 March 2016.

SUBSTANTIAL SHAREHOLDERS AS AT 7 MARCH 2016

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

Name of Substantial Shareholders	No. of shares (Direct Interest)	Percentage (%)	No. of shares (Deemed Interest)	Percentage (%)
Johnny Soon Yeow Kwee[1]	24,273,599	19.74	4,816,078	3.92
Jimmy Yong Li Vien[2]	27,214,600	22.13	4,816,078	3.92
Yong Yeow Sin[3]	27,214,599	22.13	4,816,078	3.92

1 Mr Johnny Soon is deemed to have an interest in the 4,816,078 shares held by his spouse, Madam Jasmine Ow Ah Foong.

2 Mr Jimmy Yong is deemed to have an interest in the 4,816,078 shares held by his spouse, Madam Ong Ah Mooi.

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	7	2.80	6,345	0.01
1,001 – 10,000	54	21.60	357,000	0.29
10,001 – 1,000,000	178	71.20	16,665,723	13.55
1,000,001 and above	11	4.40	105,930,277	86.15
TOTAL	**250**	**100.00**	**122,959,345**	**100.00**

Statistics of Shareholdings

AS AT 7 MARCH 2016

TWENTY LARGEST SHAREHOLDERS

NO	NAME	NO. OF SHARES	%
1	YONG LI VIEN	27,214,600	22.13
2	YONG YEOW SIN	27,214,599	22.13
3	SOON YEOW KWEE JOHNNY	24,273,599	19.74
4	LIM & TAN SECURITIES PTE LTD	6,525,800	5.31
5	NG GUICK KIM	4,816,078	3.92
6	ONG AH MOOI	4,816,078	3.92
7	OW AH FOONG JASMINE	4,816,078	3.92
8	ONG BENG CHYE	2,148,445	1.75
9	MOHAMED ABDUL JALEEL S/O MUTHUMARICAR SHAIK MOHAMED	2,000,000	1.63
10	SOON JEFFREY	1,100,000	0.89
11	CHIANG SOK YANG	1,005,000	0.82
12	SOON JENSON	1,000,000	0.81
13	SOON JI LING JACQUELINE (SUN JIELING)	1,000,000	0.81
14	WANG JIAN GUO	928,000	0.75
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	800,000	0.65
16	ESTATE OF LEOW SAU CHING HELENA, DECEASED	770,000	0.63
17	LOW CHEE WEE	560,965	0.46
18	MAYBANK KIM ENG SECURITIES PTE LTD	495,000	0.40
19	TAN XINGKUAN (CHEN XINGKUAN)	382,800	0.31
20	YONG LAY CHOO	360,000	0.29
	TOTAL	**112,227,042**	**91.27**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 7 March 2016, approximately 19.89% of the issued shares of the Company is held by the public. Therefore, Rule 723 of the Rules of Catalist has been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Heatec Jietong Holdings Ltd. (the "**Company**") will be held at 10 Tuas South Street 15, Singapore 637076 on Monday, 18 April 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Regulations 98, 99 and 102 of the Constitution of the Company:

   (i) Mr Ong Beng Chye (Retiring under Regulations 98 and 99) **(Resolution 2)**

   Mr Ong Beng Chye will, upon re-election as a Director of the Company, remain as Non-Executive Chairman of the Company, Chairman of the Nominating Committee, as well as a member of the Audit and Remuneration Committees and will be considered independent pursuant to Rule 704(7) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

   (ii) Mr Soon Jeffrey (Retiring under Regulation 102) **(Resolution 3)**

   Mr Soon Jeffrey will, upon re-election as a Director of the Company, remain as the Executive Director and Chief Executive Officer of the Company and will be considered non-independent.

3. To approve the payment of Directors' fees of S$151,726 for the financial year ended 31 December 2015 (2014: S$175,000). **(Resolution 4)**

4. To approve the payment of Directors' fees of S$175,000 for the financial year ending 31 December 2016, with payment to be made in arrears. **(Resolution 5)**

5. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

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

AS SPECIAL BUSINESS

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

7. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual – Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**"), the Directors of the Company be authorised and empowered to:

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

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

Notice of Annual General Meeting

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

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

provided that:

(1) the aggregate number of shares (including shares to be issued pursuant of the Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (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 shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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

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

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

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

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

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

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

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

That approval be and is hereby given to the Directors:

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

Notice of Annual General Meeting

(ii) pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such Shares as may be required to be issued pursuant to the exercise of options granted under the ESOS, as the case may be, and to do all such acts and things as may be necessary or expedient to carry the same into effect, provided always that the number of scheme Shares to be issued, when aggregated together with the number of ordinary shares issued and/or issuable pursuant to the Heatec Performance Share Plan and any other existing share schemes of the Company, shall not exceed fifteen per centum (15%) of the total number of issued shares of the Company (excluding treasury shares) from time to time; and

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

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

9. **Proposed grant of share options to subscribe for up to 1,800,000 shares under the Heatec Jietong Holdings Ltd.'s Employee Share Option Scheme to Soon Jeffrey, the Executive Director and Chief Executive Officer of the Company, and an associate of a controlling shareholder of the Company**

That subject to and contingent upon the passing of Ordinary Resolution 8, approval be and is hereby given to the Directors to grant to Soon Jeffrey, the Executive Director and Chief Executive Officer of the Company, and an associate of a controlling shareholder of the Company, up to an aggregate of options to subscribe for up to 1,800,000 shares of the Company (the "**Share Options**") in accordance with the rules of the ESOS and to allot and issue or deliver from time to time such number of fully paid-up ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the Share Options under the ESOS, on the following terms:

(a)	Proposed Date of Grant	:	Within one (1) month from the date of the Meeting
(b)	Number of new Share Options to be granted	:	Up to 1,800,000 Share Options
(c)	Exercise Price of Share Options	:	The average of the last dealt prices for a Share, as determined by reference to the daily official list published by the SGX-ST, for the 5 consecutive market days immediately preceding 21 March 2016, being the latest practicable date prior to the date of the circular to Shareholders
(d)	Exercise Period of the Share Options	:	The period from the day after the 1st anniversary of the date on which such Share Options are granted (the "**Offering Date**") to the day falling before the tenth anniversary of the Offering Date

(Resolution 9)

Notice of Annual General Meeting

10. **Proposed grant of share options to subscribe for up to 3,000,000 shares under the Heatec Jietong Holdings Ltd.'s Employee Share Option Scheme to Ong Beng Chye, the Non-Executive Chairman of the Company**

That subject to and contingent upon the passing of Ordinary Resolution 8, approval be and is hereby given to the Directors to grant to Ong Beng Chye, the Non-Executive Chairman of the Company, up to an aggregate of options to subscribe for up to 3,000,000 Share Options in accordance with the rules of the ESOS and to allot and issue or deliver from time to time such number of fully paid-up ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the Share Options under the ESOS, on the following terms:

(a)	Proposed Date of Grant	:	Within one (1) month from the date of the Meeting
(b)	Number of new Share Options to be granted	:	Up to 3,000,000 Share Options
(c)	Exercise Price of Share Options	:	The average of the last dealt prices for a Share, as determined by reference to the daily official list or any other publication published by the SGX-ST, for the 5 consecutive trading days immediately preceding the Offering Date of the Share Option, rounded up to the nearest whole cent, in the event of fractional prices
(d)	Exercise Period of the Share Options	:	The period from the day after the 1st anniversary of the Offering Date to the day falling before the fifth anniversary of the Offering Date

(Resolution 10)

On Behalf of the Board

Ong Beng Chye
Non-Executive Chairman
Singapore, 1 April 2016

EXPLANATORY NOTES:

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

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

Notice of Annual General Meeting

(ii) Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors, from the date of the AGM until the date of the next AGM, or the date by which the next AGM is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to offer and grant options under the ESOS (which was approved at the extraordinary general meeting of the Company held on 18 June 2009) and to allot and issue scheme Shares, pursuant to the exercise of options under the ESOS, provided that the aggregate number of scheme Shares to be issued under the ESOS and any other existing share incentive schemes of the Company does not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) of the Company for the time being.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10, Tuas South Street 15, Singapore 637076 not less than forty-eight (48) hours before the time appointed for holding the AGM.

4. This announcement and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the SGX-ST, this being the Catalist Rules. The Sponsor has not independently verified the contents of this announcement.

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

   The contact person for the Sponsor is Mr Tan Chong Huat, Registered Professional, RHT Capital Pte Ltd, Six Battery Road, #10-01, Singapore 049909, telephone (65) 6381 6757.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Notice of Annual General Meeting

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name) ______________________________ (NRIC/Passport No.)

of ____

being a member/members of **Heatec Jietong Holdings Ltd.** (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held on Monday, 18 April 2016 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*
1	Audited Financial Statements for the financial year ended 31 December 2015.		
2	Re-election of Mr. Ong Beng Chye as a Director.		
3	Re-election of Mr. Soon Jeffrey as a Director.		
4	Approval of Directors' fees amounting to S$151,726 for the financial year ended 31 December 2015.		
5	Approval of Directors' fees amounting to S$175,000 for the financial year ending 31 December 2016, with payment to be made in arrears.		
6	Re-appointment of Messrs Deloitte & Touche LLP as Auditors and authority to Directors to fix remuneration.		
7	Authority to issue shares.		
8	Authority to offer and grant options and to allot and issue shares under the Heatec Employee Share Option Scheme.		
9	The proposed grant of share options to Soon Jeffrey, the Executive Director and Chief Executive Officer of the Company, and an associate of a controlling shareholder of the Company.		
10	The proposed grant of share options to Ong Beng Chye, the Non-Executive Chairman of the Company.		

**If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ____________ day of ____________________ 2016

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s) or 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 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10, Tuas South Street 15, Singapore 637076 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized 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 authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 1 April 2016.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

This page has been intentionally left blank

This page has been intentionally left blank

Corporate Information

BOARD OF DIRECTORS

ONG BENG CHYE (Non-Executive Chairman and Independent Director)
SOON JEFFREY (Chief Executive Officer and Executive Director)
MICHAEL SEOW (Independent Director)
SEAH KIAN PENG (Independent Director)

COMPANY SECRETARIES

CHEW KOK LIANG
WONG CHUEN SHYA

REGISTERED OFFICE

No. 10 Tuas South Street 15
Singapore 637076

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

SPONSOR

RHT Capital Pte Ltd
Six Battery Road,
#10-01,
Singapore 049909

AUDITORS

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way, OUE Downtown 2
#33-00
Singapore 068809

Lim Bee Hui
Engagement Partner
Appointed since financial year ended 31 December 2015

PRINCIPAL BANKERS

DBS Bank Ltd
Enterprise Banking
12 Marina Boulevard, Level 43
DBS Asia Central
@ Marina Bay Financial Centre Tower 3
Singapore 018982

HEATEC JIETONG HOLDINGS LTD

Company Registration Number: 200717808Z

No. 10 Tuas South Street 15 Singapore 637076
T: +(65) 6861 1433 F: +(65) 6861 1347
Email: admin@heatec.com.sg