HEATEC JIETONG HOLDINGS LTD

RESPONSE TO SGX QUERIES

The board of directors (the "**Board**") of Heatec Jietong Holdings Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in an email to the Company (through the Sponsor) dated 15 April 2020 and (as set out below) and wishes to respond as follows:

SGX-ST Query 1

*The Group reported a net loss of $(2.4) million for the financial year ended 31 December 2019 ("**FY2019**"). In the past three financial years, losses ranged from $(4.3) million to $(2.4) million. While the loss in FY2019 has narrowed, total losses over the three years add up to $(10.4) million. FY2020 will likely be another challenging year due to the impact of the COVID-19 pandemic and the oil supply shock.*

Can management please update shareholders of their plans, as well as the impact arising from Covid-19, industry downturn and depressed oil prices?

Company's Response

The Company had on 24 March 2020 announced that it had been awarded two (2) supply contracts for Floating Production Storage and Offloading ("**FPSO**") vessels, worth about $7 million, despite the COVID-19 pandemic and the recent oil crisis. Since 2019, there has been a rising global demand for FPSO vessels, fueled by an uptick in deepwater exploration and field developments. However, with the pandemic and oil crisis happening at the same time, we remain cautiously optimistic that the market for FPSOs will continue to be positive in 2020, when various governments collectively bring COVID-19 under control.

On another front, the Company has been approved by the Ministry of Trade & Industry to continue its operations during the Circuit Breaker period. However, due to the recent outbreak of the Covid-19 virus among foreign workers and the dormitories, the Company does receive from time to time, requests for temporary cessation of work from its clients. The Covid-19 pandemic has created uncertainties for most industries globally. Likewise, the exact extent of the impact from the Covid-19 pandemic for the Company and the Group is still currently uncertain, and will depend on how fast the government can control the spread of the Covid-19 virus. To mitigate and minimise the financial impact of the Covid-19 pandemic and to manage costs, the Company has already explored various options, including taking advantage of grants and subsidies from the Unity, Resilience and Solidarity Budgets that have been recently made available.

Management is of the view that the depressed oil prices will recover once demand picks up when the COVID-19 pandemic is contained. As per our Annual Report under Message to our Shareholders, the Company's plan is to focus on FPSO projects, which we believe will be in a better spot when the market picks up. FPSOs, traditionally used by oil companies for large-scale deepwater projects, are increasingly favoured for a wide range of fields in more shallow waters. In many cases, FPSO projects are more practical than alternative platform solutions, primarily due to the installation costs and decommissioning challenges associated with fixed platforms. The built-in storage capacity of FPSOs has also proven to be especially advantageous for remote offshore locations, where pipeline infrastructure is not viable economically. The Group expects FPSOs to continue to be an attractive development option for both deep and shallow water.

Barring further delays arising from the Covid-19 pandemic and oil crisis, the FPSO projects are expected to be completed in the current financial year ending 31 December 2020, and will contribute positively to the Group's revenue in 2020.

SGX-ST Query 2

The Group's working capital has also slipped from $15.4 million as at 31 December 2016 to $6.1 million as at the end of the last financial year. Over the same period, equity has dropped from $24.3 million to $13.9 million. As disclosed on page 111 of the annual report (Note 21 – Borrowings), the Group breached certain financial covenants on its loans for the second year running. What are management's plans to address the breach of the financial covenants?

Company's Response

As always, Management has been working very closely with the Group's principal banker and keeping them updated on the Company's latest developments and financial situation. As such, the relevant bank has issued a confirmation letter to accommodate the breach of the relevant financial covenants in respect of FY2019. Moving forward, we will continue to work closely with the bank, and take all reasonable steps to comply with the financial covenants.

By Order of the Board

Soon Jeffrey
Executive Director and CEO

16 April 2020

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

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

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