

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**

**(Company Registration No. 200717808Z)**

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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.

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## **Unaudited Financial Statements for the Half Year Ended 30 June 2018**

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**
**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

| <b>Group</b>                  | <b>Half Year Ended<br/>30.6.2018<br/>(unaudited)<br/>S\$'000</b> | <b>Half Year Ended<br/>30.6.2017<br/>(unaudited)<br/>S\$'000</b> | <b>Increase/<br/>(Decrease)<br/>%</b> |
|-------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------|
| <b>Revenue</b>                | <b>13,380</b>                                                    | <b>11,086</b>                                                    | <b>21</b>                             |
| Cost of sales                 | (10,958)                                                         | (7,527)                                                          | 46                                    |
| <b>Gross profit</b>           | <b>2,422</b>                                                     | <b>3,559</b>                                                     | <b>(32)</b>                           |
| Other income                  | 430                                                              | 199                                                              | n.m.                                  |
| Expenses                      |                                                                  |                                                                  |                                       |
| Administrative expenses       | (4,334)                                                          | (4,357)                                                          | (1)                                   |
| Other expenses                | (20)                                                             | (1,045)                                                          | (98)                                  |
| Share of profit of associates | 31                                                               | 5                                                                | n.m.                                  |
| Finance costs                 | (142)                                                            | (91)                                                             | 56                                    |
| <b>Loss before tax</b>        | <b>(1,613)</b>                                                   | <b>(1,730)</b>                                                   | <b>(7)</b>                            |
| Income tax expense            | (12)                                                             | (8)                                                              | 50                                    |
| <b>Loss for the period</b>    | <b>(1,625)</b>                                                   | <b>(1,738)</b>                                                   | <b>(7)</b>                            |
| <b>Loss attributable to :</b> |                                                                  |                                                                  |                                       |
| Owners of the Company         | (1,580)                                                          | (1,764)                                                          | (10)                                  |
| Non-controlling interests     | (45)                                                             | 26                                                               | n.m.                                  |
|                               | <b>(1,625)</b>                                                   | <b>(1,738)</b>                                                   | <b>(7)</b>                            |

n.m. denotes not meaningful

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

**Statement of Comprehensive Income for Half Year Ended 30 June 2018**

| <b>Group</b>                                                             | <b>Half Year Ended<br/>30.6.2018<br/>(unaudited)<br/>S\$'000</b> | <b>Half Year Ended<br/>30.6.2017<br/>(unaudited)<br/>S\$'000</b> | <b>Increase/<br/>(Decrease)<br/>%</b> |
|--------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------|
| <b>Loss for the period</b>                                               | <b>(1,625)</b>                                                   | <b>(1,738)</b>                                                   | <b>(7)</b>                            |
| <b>Other comprehensive income/(loss):</b>                                |                                                                  |                                                                  |                                       |
| <i>Items that may be reclassified subsequently to<br/>profit or loss</i> |                                                                  |                                                                  |                                       |
| Exchange differences on translation of<br>foreign operations             | 7                                                                | (52)                                                             | n.m.                                  |
| <b>Total comprehensive loss<br/>for the period, net of tax</b>           | <b>(1,618)</b>                                                   | <b>(1,790)</b>                                                   | <b>(10)</b>                           |
| <b>Total comprehensive loss<br/>attributable to:</b>                     |                                                                  |                                                                  |                                       |
| Owners of the Company                                                    | (1,573)                                                          | (1,816)                                                          | (13)                                  |
| Non-controlling interests                                                | (45)                                                             | 26                                                               | n.m.                                  |
| <b>Total comprehensive loss<br/>for the period</b>                       | <b>(1,618)</b>                                                   | <b>(1,790)</b>                                                   | <b>(10)</b>                           |

n.m. denotes not meaningful

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**
**1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

The loss for the period is arrived at after charging/ (crediting) the following items:

| <b>Group</b>                                                                    | <b>Half Year<br/>Ended<br/>30.6.2018<br/>(unaudited)<br/>S\$'000</b> | <b>Half Year<br/>Ended<br/>30.6.2017<br/>(unaudited)<br/>S\$'000</b> | <b>Increase/<br/>(Decrease)<br/>%</b> |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------------------|
|                                                                                 |                                                                      |                                                                      |                                       |
| Depreciation of property, plant and equipment <sup>(1)</sup>                    | 534                                                                  | 513                                                                  | 4                                     |
| Employee benefits expense<br>(including directors' remuneration) <sup>(2)</sup> | 7,586                                                                | 8,222                                                                | (8)                                   |
| Cost of defined contribution plans<br>(included in staff costs)                 | 254                                                                  | 253                                                                  | n.m.                                  |
| Cost of inventories recognised as expense                                       | 2,887                                                                | 1,104                                                                | n.m.                                  |
| Plant and equipment written off                                                 | -                                                                    | 1                                                                    | (100)                                 |
| Net foreign exchange (gain)/loss                                                | (56)                                                                 | 46                                                                   | n.m.                                  |
| Reversal of allowance for sales discount                                        | (73)                                                                 | (45)                                                                 | 62                                    |
| Allowance /(Reversal of allowance) for doubtful debts                           | 16                                                                   | (111)                                                                | n.m.                                  |
| Write-off for inventory obsolescence                                            | 16                                                                   | -                                                                    | n.m.                                  |
| Loss/(Gain) on disposal of plant and equipment                                  | 35                                                                   | (13)                                                                 | n.m.                                  |
| Interest income                                                                 | (5)                                                                  | (3)                                                                  | 67                                    |
| Share-based payments                                                            | 23                                                                   | 42                                                                   | (45)                                  |
| Loss on liquidation of a subsidiary                                             | -                                                                    | 997                                                                  | (100)                                 |
| Adjustment for underprovision of income tax in<br>respect of prior years        | 12                                                                   | -                                                                    | n.m.                                  |

**Notes:**

<sup>(1)</sup> Included in cost of sales and administrative expenses.

<sup>(2)</sup> Employee benefits expense amounting to S\$4.98 million and S\$2.61 million (30.6.2017: S\$5.47 million and S\$2.75 million) is included in cost of sales and administrative expenses respectively.

n.m. denotes not meaningful

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**
**1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

|                                              | <u>Group</u>                                 |                                               | <u>Company</u>                               |                                             |
|----------------------------------------------|----------------------------------------------|-----------------------------------------------|----------------------------------------------|---------------------------------------------|
|                                              | As at<br>30.6.2018<br>(unaudited)<br>S\$'000 | As at<br>31.12.2017<br>(restated)*<br>S\$'000 | As at<br>30.6.2018<br>(unaudited)<br>S\$'000 | As at<br>31.12.2017<br>(audited)<br>S\$'000 |
| <b><u>ASSETS</u></b>                         |                                              |                                               |                                              |                                             |
| <b>Non-current assets</b>                    |                                              |                                               |                                              |                                             |
| Property, plant and equipment                | 11,332                                       | 11,789                                        | 5,031                                        | 5,243                                       |
| Subsidiaries                                 | -                                            | -                                             | 6,624                                        | 6,624                                       |
| Associates                                   | 279                                          | 276                                           | -                                            | -                                           |
| Goodwill                                     | 288                                          | 288                                           | -                                            | -                                           |
| Total non-current assets                     | 11,899                                       | 12,353                                        | 11,655                                       | 11,867                                      |
| <b>Current assets</b>                        |                                              |                                               |                                              |                                             |
| Inventories                                  | 656                                          | 555                                           | -                                            | -                                           |
| Trade and other receivables                  | 18,091                                       | 15,925                                        | 3,294                                        | 2,543                                       |
| Cash and bank balances                       | 2,730                                        | 2,601                                         | 46                                           | 40                                          |
| Total current assets                         | 21,477                                       | 19,081                                        | 3,340                                        | 2,583                                       |
| <b>Total assets</b>                          | <b>33,376</b>                                | <b>31,434</b>                                 | <b>14,995</b>                                | <b>14,450</b>                               |
| <b><u>EQUITY AND LIABILITIES</u></b>         |                                              |                                               |                                              |                                             |
| <b>Capital and reserves</b>                  |                                              |                                               |                                              |                                             |
| Share capital                                | 11,555                                       | 11,555                                        | 11,555                                       | 11,555                                      |
| Reserves                                     | (3,666)                                      | (3,644)                                       | 70                                           | 99                                          |
| Retained earnings                            | 10,347                                       | 11,875                                        | 699                                          | 547                                         |
| Equity attributable to owners of the Company | 18,236                                       | 19,786                                        | 12,324                                       | 12,201                                      |
| Non-controlling interests                    | 2,273                                        | 2,295                                         | -                                            | -                                           |
| Total equity                                 | 20,509                                       | 22,081                                        | 12,324                                       | 12,201                                      |

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**
**1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year (Cont'd)**

|                                     | <b>Group</b>                               |                                             | <b>Company</b>                             |                                           |
|-------------------------------------|--------------------------------------------|---------------------------------------------|--------------------------------------------|-------------------------------------------|
|                                     | <b>As at<br/>30.6.2018<br/>(unaudited)</b> | <b>As at<br/>31.12.2017<br/>(restated)*</b> | <b>As at<br/>30.6.2018<br/>(unaudited)</b> | <b>As at<br/>31.12.2017<br/>(audited)</b> |
|                                     | <b>S\$'000</b>                             | <b>S\$'000</b>                              | <b>S\$'000</b>                             | <b>S\$'000</b>                            |
| <b>Non-current liabilities</b>      |                                            |                                             |                                            |                                           |
| Bank loans                          | 4,566                                      | 1,363                                       | -                                          | -                                         |
| Finance leases                      | 76                                         | 94                                          | -                                          | -                                         |
| Deferred tax liabilities            | 366                                        | 373                                         | -                                          | -                                         |
| Total non-current liabilities       | 5,008                                      | 1,830                                       | -                                          | -                                         |
| <b>Current liabilities</b>          |                                            |                                             |                                            |                                           |
| Bank loans and overdraft            | 3,801                                      | 3,523                                       | -                                          | -                                         |
| Trade and other payables            | 3,975                                      | 3,799                                       | 2,671                                      | 2,249                                     |
| Finance leases                      | 79                                         | 200                                         | -                                          | -                                         |
| Income tax payable                  | 4                                          | 1                                           | -                                          | -                                         |
| Total current liabilities           | 7,859                                      | 7,523                                       | 2,671                                      | 2,249                                     |
| <b>Total equity and liabilities</b> | <b>33,376</b>                              | <b>31,434</b>                               | <b>14,995</b>                              | <b>14,450</b>                             |

\*restated – Refer to paragraph 5 of this announcement for further information

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**
**1(c) Aggregate amount of group's borrowings and debt securities**
**Amount repayable in one year or less, or on demand**

| Group                       |           |                            |           |
|-----------------------------|-----------|----------------------------|-----------|
| As at 30.6.2018 (unaudited) |           | As at 31.12.2017 (audited) |           |
| Secured                     | Unsecured | Secured                    | Unsecured |
| S\$'000                     | S\$'000   | S\$'000                    | S\$'000   |
| 3,880                       | -         | 3,723                      | -         |

**Amount repayable after one year**

| Group                       |           |                            |           |
|-----------------------------|-----------|----------------------------|-----------|
| As at 30.6.2018 (unaudited) |           | As at 31.12.2017 (audited) |           |
| Secured                     | Unsecured | Secured                    | Unsecured |
| S\$'000                     | S\$'000   | S\$'000                    | S\$'000   |
| 4,642                       | -         | 1,457                      | -         |

**Details of any collateral**

- (a) As at 30 June 2018, bank overdraft amounting to S\$87,000 (31.12.2017: Nil) is repayable on demand and secured by:
- (i) a legal mortgage over the Group's leasehold property; and
  - (ii) a corporate guarantee by the Company.
- (b) The bank loans are secured by:
- (i) a first legal mortgage over the Group's leasehold property;
  - (ii) pledge of certain fixed deposits; and/or
  - (iii) corporate guarantees by a subsidiary and the Company.
- (c) The revolving credit facilities are repayable on demand and are secured by:
- (i) a first legal mortgage over the Group's leasehold property;
  - (ii) proceeds from 3 projects in the Heat Exchanger segment; and/or
  - (iii) a corporate guarantee by the Company.
- (d) The finance leases are secured by the lessor's title to the leased assets and corporate guarantees by the Company.

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**
**1(d) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

|                                                                 | Half Year Ended<br>30.6.2018<br>(unaudited)<br>S\$'000 | Half Year Ended<br>30.6.2017<br>(unaudited)<br>S\$'000 |
|-----------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|
| <b>Group</b>                                                    |                                                        |                                                        |
| <b>Operating activities</b>                                     |                                                        |                                                        |
| <b>Loss before income tax</b>                                   | <b>(1,613)</b>                                         | <b>(1,730)</b>                                         |
| <b>Adjustments for:</b>                                         |                                                        |                                                        |
| Interest income                                                 | (5)                                                    | (3)                                                    |
| Interest expenses                                               | 142                                                    | 91                                                     |
| Reversal of allowance for sales discount                        | (73)                                                   | (45)                                                   |
| Depreciation of property, plant and equipment                   | 534                                                    | 513                                                    |
| Plant and equipment written off                                 | -                                                      | 1                                                      |
| Share of profit of associates                                   | (31)                                                   | (5)                                                    |
| Allowance/(Reversal of allowance) for doubtful debts            | 16                                                     | (111)                                                  |
| Write-off for inventory obsolescence                            | 16                                                     | -                                                      |
| Loss/(Gain) on disposal of plant and equipment                  | 35                                                     | (13)                                                   |
| Reversal of provision for foreseeable losses                    | (167)                                                  | -                                                      |
| Share-based payments                                            | 23                                                     | 42                                                     |
| Loss on liquidation of a subsidiary                             | -                                                      | 997                                                    |
| Loss on striking off of a subsidiary                            | 23                                                     | -                                                      |
| Unrealised exchange differences                                 | 7                                                      | (37)                                                   |
| <b>Operating cash flows before movements in working capital</b> | <b>(1,093)</b>                                         | <b>(300)</b>                                           |
| <b>Change in operating assets and liabilities</b>               |                                                        |                                                        |
| Trade and other receivables                                     | (1,942)                                                | 2,154                                                  |
| Inventories                                                     | (117)                                                  | 38                                                     |
| Trade and other payables                                        | 176                                                    | (888)                                                  |
| <b>Cash (used in)/generated from operations</b>                 | <b>(2,976)</b>                                         | <b>1,004</b>                                           |
| Interest received                                               | 5                                                      | 3                                                      |
| Interest paid                                                   | (142)                                                  | (91)                                                   |
| Income tax paid                                                 | (16)                                                   | (31)                                                   |
| <b>Net cash (used in)/from operating activities</b>             | <b>(3,129)</b>                                         | <b>885</b>                                             |

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**
**1(d) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

| <b>Group</b>                                                     | <b>Half Year Ended<br/>30.6.2018<br/>(unaudited)<br/>S\$'000</b> | <b>Half Year Ended<br/>30.6.2017<br/>(unaudited)<br/>S\$'000</b> |
|------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|
| <b>Investing activities</b>                                      |                                                                  |                                                                  |
| Proceeds from disposal of plant and equipment                    | -                                                                | 14                                                               |
| Purchase of plant and equipment                                  | (112)                                                            | (421)                                                            |
| Dividend received from an associate                              | 28                                                               | -                                                                |
| <b>Net cash used in investing activities</b>                     | <b>(84)</b>                                                      | <b>(407)</b>                                                     |
| <b>Financing activities</b>                                      |                                                                  |                                                                  |
| Decrease in pledged fixed deposit                                | -                                                                | 15                                                               |
| Dividend paid to equity holders of the Company                   | -                                                                | (246)                                                            |
| Capital injection from<br>non-controlling shareholders           | -                                                                | 66                                                               |
| Proceeds from bank loans                                         | 4,000                                                            | -                                                                |
| Repayment of bank loans                                          | (297)                                                            | (295)                                                            |
| Proceeds from trade financing loans                              | -                                                                | 70                                                               |
| Repayment of trade financing loans                               | (149)                                                            | (178)                                                            |
| Repayment of revolving credit line                               | (160)                                                            | -                                                                |
| Repayment of finance leases                                      | (139)                                                            | (143)                                                            |
| <b>Net cash from/(used in) financing activities</b>              | <b>3,255</b>                                                     | <b>(711)</b>                                                     |
| <b>Net increase/(decrease) in cash and cash equivalents</b>      | <b>42</b>                                                        | <b>(233)</b>                                                     |
| Cash and cash equivalents<br>at beginning of financial period    | 2,601                                                            | 3,442                                                            |
| Effects of exchange rate changes on cash and cash<br>equivalents | -                                                                | (6)                                                              |
| <b>Cash and cash equivalents<br/>at end of financial period</b>  | <b>2,643</b>                                                     | <b>3,203</b>                                                     |

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**
**1(d) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)**

|                                                                        | Half Year Ended<br>30.6.2018<br>(unaudited) | Half Year Ended<br>30.6.2017<br>(unaudited) |
|------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| <u>Group</u>                                                           | S\$'000                                     | S\$'000                                     |
| Comprising:                                                            |                                             |                                             |
| Cash at bank                                                           | 2,312                                       | 3,203                                       |
| Fixed deposits                                                         | 418                                         | 415                                         |
| Sub-total                                                              | 2,730                                       | 3,618                                       |
| Fixed deposit pledged as a collateral for bank overdraft and bank loan | -                                           | (415)                                       |
| Bank overdraft                                                         | (87)                                        | -                                           |
| Cash and cash equivalents at end of financial period                   | 2,643                                       | 3,203                                       |

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**

- 1(e) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

|                                                         | Share capital | Revaluation reserve (restated)* | Other reserve | Translation reserve (restated)* | Merger reserve | Share option reserve | Retained earnings (restated)* | Attributable to equity holders of the Company | Non-controlling interests | Total          |
|---------------------------------------------------------|---------------|---------------------------------|---------------|---------------------------------|----------------|----------------------|-------------------------------|-----------------------------------------------|---------------------------|----------------|
| Group (Unaudited)                                       | S\$'000       | S\$'000                         | S\$'000       | S\$'000                         | S\$'000        | S\$'000              | S\$'000                       | S\$'000                                       | S\$'000                   | S\$'000        |
| <b>Balance at 31 December 2017</b>                      | <b>11,555</b> | <b>45</b>                       | <b>221</b>    | <b>(175)</b>                    | <b>(3,914)</b> | <b>99</b>            | <b>11,665</b>                 | <b>19,496</b>                                 | <b>2,295</b>              | <b>21,791</b>  |
| Adoption of SFRS (I)*                                   | -             | (45)                            | -             | 125                             | -              | -                    | 210                           | 290                                           | -                         | 290            |
| <b>Balance at 1 January 2018</b>                        | <b>11,555</b> | <b>-</b>                        | <b>221</b>    | <b>(50)</b>                     | <b>(3,914)</b> | <b>99</b>            | <b>11,875</b>                 | <b>19,786</b>                                 | <b>2,295</b>              | <b>22,081</b>  |
| Total comprehensive income/(loss) for the year:         |               |                                 |               |                                 |                |                      |                               |                                               |                           |                |
| Loss for the period                                     | -             | -                               | -             | -                               | -              | -                    | (1,580)                       | (1,580)                                       | (45)                      | (1,625)        |
| Other comprehensive income for the period               | -             | -                               | -             | 7                               | -              | -                    | -                             | 7                                             | -                         | 7              |
| <b>Total</b>                                            | <b>-</b>      | <b>-</b>                        | <b>-</b>      | <b>7</b>                        | <b>-</b>       | <b>-</b>             | <b>(1,580)</b>                | <b>(1,573)</b>                                | <b>(45)</b>               | <b>(1,618)</b> |
| Transactions with owners, recognised directly in equity |               |                                 |               |                                 |                |                      |                               |                                               |                           |                |
| Recognition of share-based payments                     | -             | -                               | -             | -                               | -              | (29)                 | 52                            | 23                                            | -                         | 23             |
| Striking off of a subsidiary                            | -             | -                               | -             | -                               | -              | -                    | -                             | -                                             | 23                        | 23             |
|                                                         | -             | -                               | -             | -                               | -              | (29)                 | 52                            | 23                                            | 23                        | 46             |
| <b>Balance at 30 June 2018</b>                          | <b>11,555</b> | <b>-</b>                        | <b>221</b>    | <b>(43)</b>                     | <b>(3,914)</b> | <b>70</b>            | <b>10,347</b>                 | <b>18,236</b>                                 | <b>2,273</b>              | <b>20,509</b>  |

\*restated – Refer to paragraph 5 of this announcement for further information

**HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES**
**(Company Registration No. 200717808Z)**

- 1(e) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd).**

|                                                         | Share capital | Revaluation reserve (restated)* | Other reserve | Translation reserve (restated)* | Merger reserve | Share option reserve | Retained earnings (restated)* | Attributable to equity holders of the Company | Non-controlling interests | Total          |
|---------------------------------------------------------|---------------|---------------------------------|---------------|---------------------------------|----------------|----------------------|-------------------------------|-----------------------------------------------|---------------------------|----------------|
| Group (Unaudited)                                       | S\$'000       | S\$'000                         | S\$'000       | S\$'000                         | S\$'000        | S\$'000              | S\$'000                       | S\$'000                                       | S\$'000                   | S\$'000        |
| <b>Balance at 31 December 2016</b>                      | <b>11,555</b> | <b>87</b>                       | <b>221</b>    | <b>(125)</b>                    | <b>(3,914)</b> | <b>83</b>            | <b>16,407</b>                 | <b>24,314</b>                                 | <b>1,328</b>              | <b>25,642</b>  |
| Adoption of SFRS (I)*                                   | -             | (87)                            | -             | 125                             | -              | -                    | (38)                          | -                                             | -                         | -              |
| <b>Balance at 1 January 2017</b>                        | <b>11,555</b> | <b>-</b>                        | <b>221</b>    | <b>-</b>                        | <b>(3,914)</b> | <b>83</b>            | <b>16,369</b>                 | <b>24,314</b>                                 | <b>1,328</b>              | <b>25,642</b>  |
| Total comprehensive income/(loss) for the year:         |               |                                 |               |                                 |                |                      |                               |                                               |                           |                |
| (Loss)/Profit for the period                            | -             | -                               | -             | -                               | -              | -                    | (1,764)                       | (1,764)                                       | 26                        | (1,738)        |
| Other comprehensive loss for the period                 | -             | -                               | -             | (52)                            | -              | -                    | -                             | (52)                                          | -                         | (52)           |
| <b>Total</b>                                            | <b>-</b>      | <b>-</b>                        | <b>-</b>      | <b>(52)</b>                     | <b>-</b>       | <b>-</b>             | <b>(1,764)</b>                | <b>(1,816)</b>                                | <b>26</b>                 | <b>(1,790)</b> |
| Transactions with owners, recognised directly in equity |               |                                 |               |                                 |                |                      |                               |                                               |                           |                |
| Liquidation of a subsidiary                             | -             | -                               | -             | -                               | -              | -                    | -                             | -                                             | 997                       | 997            |
| Recognition of share-based payments                     | -             | -                               | -             | -                               | -              | 42                   | -                             | 42                                            | -                         | 42             |
| Dividends                                               | -             | -                               | -             | -                               | -              | -                    | (246)                         | (246)                                         | -                         | (246)          |
| <b>Total</b>                                            | <b>-</b>      | <b>-</b>                        | <b>-</b>      | <b>-</b>                        | <b>-</b>       | <b>42</b>            | <b>(246)</b>                  | <b>(204)</b>                                  | <b>997</b>                | <b>793</b>     |
| <b>Balance at 30 June 2017</b>                          | <b>11,555</b> | <b>-</b>                        | <b>221</b>    | <b>(52)</b>                     | <b>(3,914)</b> | <b>125</b>           | <b>14,359</b>                 | <b>22,294</b>                                 | <b>2,351</b>              | <b>24,645</b>  |

\*restated – Refer to paragraph 5 of this announcement for further information

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- 1(e) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

|                                                                               | Share capital | Share options reserve | Retained Earnings | Total         |
|-------------------------------------------------------------------------------|---------------|-----------------------|-------------------|---------------|
| Company (Unaudited)                                                           | S\$'000       | S\$'000               | S\$'000           | S\$'000       |
| <b>Balance at 1 January 2018</b>                                              | <b>11,555</b> | <b>99</b>             | <b>547</b>        | <b>12,201</b> |
| Profit for the period, representing total comprehensive income for the period | -             | -                     | 100               | <b>100</b>    |
| Total                                                                         | -             | -                     | 100               | <b>100</b>    |
| Recognition of share-based payments                                           | -             | (29)                  | 52                | <b>23</b>     |
| <b>Balance at 30 June 2018</b>                                                | <b>11,555</b> | <b>70</b>             | <b>699</b>        | <b>12,324</b> |

|                                                                              | Share capital | Share options reserve | Retained Earnings | Total         |
|------------------------------------------------------------------------------|---------------|-----------------------|-------------------|---------------|
| Company (Unaudited)                                                          | S\$'000       | S\$'000               | S\$'000           | S\$'000       |
| <b>Balance at 1 January 2017</b>                                             | <b>11,555</b> | <b>83</b>             | <b>637</b>        | <b>12,275</b> |
| Profit for the period representing total comprehensive income for the period | -             | -                     | 44                | <b>44</b>     |
| Total                                                                        | -             | -                     | 44                | <b>44</b>     |
| Recognition of share-based payments                                          | -             | 42                    | -                 | <b>42</b>     |
| Dividends                                                                    | -             | -                     | (246)             | <b>(246)</b>  |
| Total                                                                        | -             | 42                    | (246)             | <b>(204)</b>  |
| <b>Balance at 30 June 2017</b>                                               | <b>11,555</b> | <b>125</b>            | <b>435</b>        | <b>12,115</b> |

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- 1(f) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.**

|                                                        | Company            |                                                  |
|--------------------------------------------------------|--------------------|--------------------------------------------------|
|                                                        | No. of shares      | Resultant issued and paid-up share capital (S\$) |
| <b><u>Ordinary shares</u></b>                          |                    |                                                  |
| <b>Balance as at 31 December 2017 and 30 June 2018</b> | <b>122,959,345</b> | <b>11,554,627</b>                                |

There was no change in the Company's share capital from 1 January 2018 to 30 June 2018.

- 1(g) State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

As at 30 June 2018, there were 3,000,000 outstanding share options under the Heatec Employee Share Scheme that may be exercised into 3,000,000 new ordinary shares in the capital of the Company (30 June 2017: 5,800,000 outstanding share options).

Save as disclosed above, there were no convertibles, treasury shares or subsidiary holdings as at 30 June 2018 and 30 June 2017.

- (i) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

|                                                         | Company     |             |
|---------------------------------------------------------|-------------|-------------|
|                                                         | 30.6.2018   | 31.12.2017  |
| Total number of issued shares excluding treasury shares | 122,959,345 | 122,959,345 |

There were no treasury shares as at 30 June 2018 and 31 December 2017.

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**(ii) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company did not have treasury shares during and as at the end of the half year ended 30 June 2018 ("1H2018").

**(iii) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable. The Company did not have subsidiary holdings during and as at the end of 1H2018.

**2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures in this announcement have not been audited or reviewed by Company's auditors.

**3 Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of a matter).**

Not applicable.

**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The accounting policies and methods of computation applied by the Group for the financial statements for the current financial period reported on are consistent with those used in its most recently audited financial statements for the financial year ended 31 December 2017 ("FY2017") except as explained in paragraph 5 below.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.**

In adopting the new SFRS(I) framework with effect from 1 January 2018, the Group has applied certain specific transition requirements in SFRS(I) 1 First-time Adoption of International Financial Reporting Standards.

In addition, during the current financial year, the Group and the Company have adopted the following new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2018.

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- SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International);
- SFRS(I) 9 Financial Instruments which includes the amendment to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts; and
- SFRS(I) 15 Revenue from Contracts with Customers which includes the clarifications to IFRS 15 Revenue from Contracts with Customers.

**SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)**

The Group has adopted SFRS(I) for the financial year ending 31 December 2018 and has applied SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. The Group has elected the optional exemption in SFRS(I) 1 for the following:

- (i) The Group has reset its cumulative Foreign Currency Translation Reserve (“**FCTR**”) for all foreign operation to \$Nil at the date of transition, and reclassify the cumulative FCTR of approximately S\$125,000 as at 1 January 2017 as determined in accordance with the previous Financial Reporting Standards (FRS) at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.
- (ii) The Group has elected to use revaluation of an item of property, plant and equipment (“**PPE**”) before the date of transition as its deemed cost, as management has assessed that the deemed cost of the PPE is broadly comparable to its fair value. The Group has reset its cumulative Revaluation Reserve (“**RR**”) to \$Nil at the date of transition, and reclassify the cumulative RR of approximately S\$87,000 as at 1 January 2017 as determined in accordance with the previous Financial Reporting Standards (FRS) at that date to retained earnings.
- (iii) The Group has applied SFRS(I) 1-8 to change the accounting policy for measurement of PPE from revaluation model to cost model, as management is of the opinion that the change would result in reliable and more relevant financial information. The Group has derecognised the loss on revaluation of PPE and the corresponding deferred tax during FY2017.

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***SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)***

The line items on the Group's financial statements that have been adjusted from the adoption of SFRS(I) as described in point (i) to (iii) above are summarised below:

| <b>Statement of Financial Position and<br/>Statement of Changes in Equity</b> | <b>As<br/>previously<br/>reported<br/>S\$'000</b> | <b>Adjustments<br/>S\$'000</b> | <b>As<br/>restated<br/>S\$'000</b> |
|-------------------------------------------------------------------------------|---------------------------------------------------|--------------------------------|------------------------------------|
| <b><i>As at 1 January 2017</i></b>                                            |                                                   |                                |                                    |
| <u>Equity</u>                                                                 |                                                   |                                |                                    |
| Revaluation reserve                                                           | 87                                                | (87)                           | -                                  |
| Translation reserve                                                           | (125)                                             | 125                            | -                                  |
| Retained earnings                                                             | 16,407                                            | (38)                           | 16,369                             |
| <b><i>As at 31 December 2017</i></b>                                          |                                                   |                                |                                    |
| <u>Non-current assets</u>                                                     |                                                   |                                |                                    |
| Property, plant and equipment                                                 | 11,508                                            | 281                            | 11,789                             |
| <u>Non-current liabilities</u>                                                |                                                   |                                |                                    |
| Deferred tax liabilities                                                      | 382                                               | (9)                            | 373                                |
| <u>Equity</u>                                                                 |                                                   |                                |                                    |
| Revaluation reserve                                                           | 45                                                | (45)                           | -                                  |
| Translation reserve                                                           | (175)                                             | 125                            | (50)                               |
| Retained earnings                                                             | 11,665                                            | 210                            | 11,875                             |

#### SFRS(I) 9 Financial Instruments

SFRS(I) 9 replaces the current ‘incurred loss’ model with a forward-looking expected credit loss (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost or fair value through other comprehensive income, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

In compliance with SFRS(I) 9, the Group has applied the simplified approach and has recorded the amount of loss allowance on all trade and other receivables by ascertaining the amount of ECLs that would result from all possible default events over the expected life of a financial instrument (lifetime ECLs). Based on the assessment made, there were no significant changes in impairment for trade and other receivables for the Group and for the Company respectively as at 1 January 2018 with the adoption of SFRS(I) 9.

#### SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. There is no significant adjustments on adoption of SFRS(I) 15.

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- 6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

|                                                                | <b>Group (unaudited)</b>             |                                      |
|----------------------------------------------------------------|--------------------------------------|--------------------------------------|
|                                                                | <b>Half Year Ended<br/>30.6.2018</b> | <b>Half Year Ended<br/>30.6.2017</b> |
| Basic and diluted loss per ordinary share<br>(Singapore cents) | (1.28)                               | (1.43)                               |
| Weighted average number of ordinary shares in issue            | 122,959,345                          | 122,959,345                          |

Loss per ordinary share of the Group for 1H2018 and the half year ended 30 June 2017 ("1H2017") are calculated based on net loss attributable to the owners of the Company for the respective financial periods divided by the weighted average number of ordinary shares in issue during the respective financial periods.

For 1H2018 and 1H2017, the basic and diluted loss per ordinary share were the same as the exercise of the outstanding share options were anti-dilutive in nature and there were no other potential dilutive ordinary shares in existence.

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the :-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

|                                                                                                                       | <b>Group</b>                               |                                            | <b>Company</b>                             |                                           |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|-------------------------------------------|
|                                                                                                                       | <b>As at<br/>30.6.2018<br/>(unaudited)</b> | <b>As at<br/>31.12.2017<br/>(restated)</b> | <b>As at<br/>30.6.2018<br/>(unaudited)</b> | <b>As at<br/>31.12.2017<br/>(audited)</b> |
| Net asset value per share based<br>on total number of issued<br>shares excluding treasury<br>shares (Singapore cents) | 14.83                                      | 16.09                                      | 10.02                                      | 9.92                                      |

The net asset value per ordinary share of the Group and the Company as at 30 June 2018 and 31 December 2017 respectively are calculated based on the total number of issued ordinary shares (excluding treasury shares) of 122,959,345.

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- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**8(a) Income Statement****(i) Revenue**

The Group reported a 21% increase in revenue, from S\$11.09 million in 1H2017 to S\$13.38 million in 1H2018. The increase was due to securing several major projects in the Heat Exchanger segment.

This increase in revenue from the Heat Exchanger segment helped to offset the decline in revenue from both the Piping and Chemical Cleaning segments in 1H2018 due to slower than expected recovery in the Marine and Offshore Engineering sector, which resulted in lesser work orders from the shipyards.

**(ii) Operating Results****Overall profitability**

The Group recorded a lower gross profit margin of 18% for 1H2018, as compared to 32% for 1H2017.

Significant factors that affected the Group's profitability were:

1. The Group recorded a 46% increase in cost of sales, from S\$7.53 million in 1H2017 to S\$10.96 million in 1H2018 which was more than the corresponding 21% increase in revenue, resulting in a negative impact on the gross profit margin. This was due to:
  - (i) higher cost of materials and increased manpower costs due to a lower foreign worker dependency ratio implemented by the Singapore Government; and
  - (ii) a substantial loss from a major project in the Heat Exchanger segment.

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**8(a) Income Statement (Cont'd)****Overall profitability (Cont'd)**

2. The Group continued its efforts to manage administrative cost prudently. Compared to 1H2017, the Group recorded a 1% or S\$23,000 decline in administrative expenses in 1H2018.
3. The Group's profitability in 1H2018 was affected by lower settlement rates and delayed collections on projects with some of the Group's major customers.

**Finance costs**

Finance costs increased by 56% or S\$51,000, from S\$91,000 in 1H2017 to S\$142,000 in 1H2018. The increase in finance costs was in tandem with the increase in bank loans.

**Income tax expense**

The income tax expense increased from S\$8,000 in 1H2017 to S\$12,000 in 1H2018 mainly due to adjustment made for the under provision of income tax expense for prior year for certain subsidiaries in the Group.

**8(b) Statement of financial position**

The Group's net assets decreased in tandem with the losses reported by the Group in 1H2018. Nonetheless, as at 30 June 2018, the Group recorded positive working capital of S\$13.62 million and the net asset value stood firm at 14.83 cents per share.

The Group's gearing ratio increased from 13% as at 31 December 2017 to 32% as at 30 June 2018 due to the increase in new bank loans secured during 1H2018.

**(i) Non-current assets**

Property, plant and equipment decreased from S\$11.79 million as at 31 December 2017 to S\$11.33 million as at 30 June 2018. The decrease was mainly due to depreciation charge of S\$0.53 million, partially offset by new purchases of plant and equipment amounting to S\$0.11 million.

Save for the above, non-current assets of the Group remained relatively stable as at 30 June 2018, as compared to 31 December 2017.

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**8(b) Statement of financial position (Cont'd)****(ii) Current assets**

Trade and other receivables increased by 14% or S\$2.16 million, from S\$15.93 million as at 31 December 2017 to S\$18.09 million as at 30 June 2018. The increase in trade and other receivables was due to the increase in revenue in 1H2018.

Inventories increased by 18% or S\$0.10 million, from S\$0.56 million as at 31 December 2017 to S\$0.66 million as at 30 June 2018. The increase was due to higher levels of purchases for projects in the Heat Exchanger segment.

Cash and bank balances increased by 5% or S\$0.13 million, from S\$2.60 million as at 31 December 2017 to S\$2.73 million as at 30 June 2018. Please refer to the "Statement of cash flows" below for the reasons for the increase.

**(iii) Current liabilities**

The Group's current portion of bank loans and overdraft increased by 8% or S\$0.28 million, from S\$3.52 million as at 31 December 2017 to S\$3.80 million as at 30 June 2018, due to a new revolving credit facility obtained in 1H2018, partially offset by the repayments of existing current term loans.

Trade and other payables increased by 5% or S\$0.18 million, from S\$3.80 million as at 31 December 2017 to S\$3.98 million as at 30 June 2018. The increase was due to the increase in purchases in 1H2018.

The current portion of finance leases decreased from S\$0.20 million as at 31 December 2017 to S\$0.08 million as at 30 June 2018 due mainly to repayment made in 1H2018.

Increase in income tax payable by S\$3,000 was mainly due to adjustment made for the under provision of income tax expense for prior year for certain subsidiaries in the Group.

**(iv) Non-current liabilities**

The non-current portion of bank loans increased from S\$1.36 million as at 31 December 2017 to S\$4.57 million as at 30 June 2018 due mainly to an additional loan facility secured in 1H2018.

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**8(c) Statement of cash flows**

The Group's cash and cash equivalents as per consolidated statement of cash flows increased from S\$2.60 million as at 31 December 2017 to S\$2.64 million as at 30 June 2018.

The net increase in cash and cash equivalents of S\$42,000 in 1H2018 was mainly due to the following:

- (i) net cash inflow of S\$3.26 million generated from financing activities, which comprised proceeds from bank loan of S\$4.00 million, partially offset against repayments of bank loans totaled S\$0.30 million, repayments of trade financing loans totaled S\$0.15 million, repayment of revolving credit line totaled S\$0.16 million and repayments of finance leases of S\$0.14 million;
- (ii) net cash outflow of S\$84,000 used in investing activities was mainly spent on capital expenditure to facilitate the Group's operations; and
- (iii) net cash outflow of S\$3.13 million used in operating activities which was mainly due to the increase in trade and other receivables.

**9 Where a forecast, or a prospect statement, has been previously disclosed to share-holders, any variance between it and the actual results.**

The unaudited financial results for 1H2018 set out in this announcement are in line with the profit guidance announcement released by the Company on 30 July 2018.

**10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The oil prices had been fluctuating from approximately US\$60 to US\$74 per barrel in 1H2018 and the general consensus is that the oil and gas industry has bottomed but recovery may be slow. Local major shipyards have announced several awards recently and that is likely to provide the local market with a stream of orders in the near future. However, factors such as price, cost, foreign labour constraints, etc, are challenging for the contractors and the market may require more time to adjust and stabilise, before these orders can be effectively undertaken.

The Group continues to adopt a cautious approach in the execution of its business plans to overcome the challenges it faces in the industries it operates in, with the objective of achieving a turn-around in its financial performance.

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**11 Dividend**

**(a) Current Financial Period Reported On**

No dividend has been declared or recommended for 1H2018.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12 If no dividend has been declared/recommendeded, a statement to that effect.**

Not applicable. No dividend has been declared or recommended for 1H2018.

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**13 Interested Person Transactions**

The Group does not have a general mandate from shareholders for recurrent interested person transactions. The aggregate value of interested person transactions entered into during 1H2018 is as follows:-

| Name of Interested Person                                                                         | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)<br><br>S\$'000 | Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)<br><br>S\$'000 |
|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Soon Yeow Kwee Johnny and Yong Yeow Sin<br><br>- Provision of consultancy services and allowances | 144                                                                                                                                                                                                                                   | -                                                                                                                                                                             |

Each of Mr Soon Yeow Kwee Johnny and Mr Yong Yeow Sin (the “**Consultants**”) is a controlling shareholder of the Company and hence, each of them is considered an interested person to the Company under the SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”). Fees paid by the Group to the Consultants are disclosed as an aggregate sum, rather than on an individual basis, as the Board of Directors is of the view that disclosure of the latter may affect the working relationships amongst the stakeholders and contributions by the Consultants in relation to the operations of the Group.

**14 CONFIRMATION PURSUANT TO RULE 705(5) OF THE CATALIST RULES**

The Board of Directors (the “**Board**”) do hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited consolidated financial results of the Group for the half year ended 30 June 2018 to be false or misleading in any material aspects.

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**15. CONFIRMATION BY THE BOARD PURSUANT TO RULE 720(1) OF THE CATALIST RULES**

The Company confirms that it has procured the required undertakings from all the Directors and Executives Officers of the Company under Rule 720(1) of the Catalist Rules.

**BY ORDER OF THE BOARD  
HEATEC JIETONG HOLDINGS LTD.**

Soon Jeffrey  
CEO

Singapore, 13 August 2018