

NEWS RELEASE

Heatec Jietong Achieves S\$0.8 Million Net Profit for FY2016 Amid Challenging Business Conditions

- *Better cost control initiatives lifted gross profit margins across its three business segments and lowered operating expenses, despite revenue declining 9% amid the slowdown in the Marine & Offshore Engineering, and Oil & Gas industries*
- *Reversal of deferred tax assets, a non-cash extraordinary item, resulted in a higher income tax for FY2016*
- *Strong financial position with positive cash flow from business operations*
- *Proposes first and final dividend of 0.2 Singapore cents per share to reward shareholders for FY2016*
- *Plans to expand overseas markets to broaden earnings base and mitigate challenging macroeconomic environment*

FYE 31 Dec (S\$'000)	FY2016	FY2015	YoY Change
Revenue	30,161	33,308	- 9%
Gross profit	10,358	9,837	+ 5%
Profit before income tax	1,118	441	+ 154%
Net profit attributable to owners of the Company	810	412	+ 97%

Source: Company's results announcement for FY2016

Singapore, 24 February 2017 - Heatec Jietong Holdings Ltd. (the “Company” or “Heatec Jietong”) together with its subsidiaries (the “Group”), a leading heat exchanger and piping specialist, today announced a net profit attributable to owners of the Company of S\$0.8 million for the financial year ended 31 December 2016 (“FY2016”), an increase of 97% year-on-year. The significant increase in net earnings was mainly attributed to better cost management initiatives that resulted in better gross profit margin and lower operating expenses, as well as a reversal of its share of results of associates from a loss of S\$103,000 in the financial year ended 31 December 2015 (“FY2015”), to a profit of S\$20,000. This was partially offset by a reversal of deferred tax assets that resulted in higher income tax of S\$0.3 million for FY2016.

Amid the slowdown in the Marine & Offshore Engineering, and Oil & Gas industries, revenue declined by 9% from S\$33.3 million in FY2015 to S\$30.2 million in FY2016. While the Heat Exchanger segment saw a 20% decrease in revenue to S\$14.7 million in FY2016, and that from the Chemical Cleaning

segment decreased by 9% to S\$3.1 million, the Piping segment recorded an 8% increase in revenue to S\$12.3 million. As a result of better cost control initiatives, the Group's gross profit increased by 5% to S\$10.4 million in FY2016. Overall gross profit margin was also improved from 30% in FY2015 to 34% in FY2016.

Commenting on the results, Mr. Jeffrey Soon, CEO & Executive Director of Heatec Jietong said, "We are pleased to report a commendable set of results against the backdrop of a significant slowdown in the industries in which the Group operates. Our commitment to provide quality and excellence in our products and services continue to be our driving force to serve our customers better, and to overcome the challenging times together. We are mindful of the economic and business uncertainties, as well as the dynamics in the various markets where we have a presence, and we will continue to harness our strengths in the Heat Exchanger and Piping segments to drive growth with our local partners in these markets."

Business segmental review

FYE 31 Dec (S\$'000)	Revenue		YoY Change	Net Profit ⁽²⁾		YoY Change
	FY2016	FY2015		FY2016	FY2015	
Piping	12,299	11,385	8%	228	(275)	NM
Heat Exchanger	14,718	18,487	-20%	877	849	3%
Chemical Cleaning	3,144	3,436	-9%	266	126	111%
Others	-	-	-	-	67	NM
Total	30,161	33,308	-9%	1,371	767	79%

Source: Company's results announcement for FY2016

Notes: (1) NM denotes not meaningful

(2) Net profit did not include the Group's corporate operating expenses as these were not directly attributable to each of the business segments.

Other income was 48% lower from S\$0.9 million in FY2015 to S\$0.5 million in FY2016.

The Group's continual efforts in managing costs effectively paid off in FY2016. Along with lower provision for doubtful debts, total operating expenses decreased by 5% from S\$10.0 million in FY2015 to S\$9.5 million in FY2016.

The Group also managed to record a S\$20,000 profit from its share of results of associates in FY2016, reversing from a loss of S\$103,000 in FY2015. Coupled with 12% lower finance costs, profit before income tax was boosted by 154% to S\$1.1 million in FY2016.

Income tax expense increased by 339% from S\$70,000 in FY2015 to S\$307,000 in FY2016, due mainly to the reversal of deferred tax assets amounting to S\$0.28 million following an assessment on utilising the deferred capital allowances over unutilised business tax losses.

Consequently, net profit attributable to owners of the Company increased by 97% to S\$0.8 million in FY2016. Earnings per share, based on issued and paid-up share capital of 123.0 million shares, increased from 0.34 Singapore cents in FY2015 to 0.66 Singapore cents in FY2016.

Net asset value increased from S\$23.6 million as at 31 December 2015 to S\$24.3 million as at 31 December 2016. This translated into net asset value per share of 19.77 Singapore cents as at 31 December 2016, up from 19.17 Singapore cents as at 31 December 2015.

The Board is recommending a first and final dividend of S\$0.002 per share for FY2016 to reward its shareholders, subject to the approval of Shareholders at the forthcoming annual general meeting to be convened.

Business Prospects

The Group expects the macro business conditions to remain challenging, particularly in the Marine & Offshore Engineering industry in Singapore where the major players are undergoing restructuring and streamlining of operations.

The Singapore government will continue to tighten the foreign labour market in the Marine industry, lowering the ratio from 1 : 4.5 to 1 : 3.5 by January 2018. The Group anticipates an impact on its operations as it requires skilled foreign labour.

Added Mr. Jeffrey Soon, "As the Group continues to focus on strengthening the presence of our three core businesses in Singapore, we will also continue to explore new markets and opportunities in the Asia Pacific region to broaden our earnings base. We believe that our expertise and capabilities in heat exchangers, piping and chemical cleaning, along with our cautious and prudent approach in the execution of our business plans, will help us to overcome the challenges in this volatile macroeconomic environment."

~ End ~

This press release is to be read in conjunction with the Company's unaudited FY2016 results announcement posted on the SGX website on 24 February 2017.

This press release has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this press release.

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

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.

About HEATEC JIETONG HOLDINGS LTD.

(Stock Codes – SGX: 5OR | Bloomberg: HJT SP | Reuters: HTJT.SI)

Heatec Jietong Holdings Ltd. (the “**Company**” or “**Heatec Jietong**”) together with its subsidiaries (the “**Group**”) is a leading heat exchanger and piping specialist. The Group operates through three main business segments: (i) Piping, (ii) Heat Exchanger, and (iii) Chemical Cleaning, to provide a full range of services in these specialised areas to its customers, particularly those in the Marine & Offshore Engineering, and Oil & Gas industries.

The Group offers a variety of Piping services including fabrication and installation of all types of piping, restoration and installation of all types of pipes and systems, as well as process piping for floating, production, storage and offloading (“**FPSO**”) conversions. It has also extended its piping services to provide turnkey project management which encompasses procurement, construction, fabrication, commissioning and overall project management. The Group provides piping services to offshore structures such as FPSOs, oil rigs, restoration of ship piping systems, routing docking maintenance of ships, and other types of ship conversions and ship lengthening.

Heatec Jietong is a member of the Heat Transfer Research Inc., and has the capabilities 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. It is also both an ASME-U & ASME-U2 Stamps, and National Board “R” Stamp certified fabricator. The Group provides a full range of heat exchanger services round-the-clock for marine and offshore vessels as well as for process and chemical plants.

The Group operates its Chemical Cleaning segment through its well-established 70% owned subsidiaries, Chem-Grow Pte Ltd and Chem-Grow Engineering Pte Ltd (“**Chem-Grow**”), that provide chemical cleaning, among others, for boilers, coolers, heat exchangers, pipelines, engine parts and pressure vessels.

The Group is committed to provide quality and excellence in all its products and services to customers.

For more information, please visit the company’s website at www.heatecholdings.com

Issued for and on behalf of **HEATEC JIETONG HOLDINGS LTD** *by:*



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