

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES

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.

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Unaudited Financial Statements for the Half Year Ended 30 June 2020

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES
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.

	Half Year Ended 30.06.2020 (unaudited)	Half Year Ended 30.06.2019 (unaudited)	Increase/ (Decrease)
Group	S\$'000	S\$'000	%
Revenue	8,886	11,715	(24)
Cost of sales	(6,214)	(8,510)	(27)
Gross profit	2,672	3,205	(17)
Other income			
- Interest	7	8	(13)
- Others	1,187	230	n.m.
Expenses			
Administrative expenses	(3,258)	(4,012)	(19)
Other operating expenses	-	(325)	(100)
Net impairment loss on financial assets	(210)	(6)	n.m.
Finance costs	(233)	(296)	(21)
Share of results of associates	13	26	(50)
Profit/(Loss) before tax	178	(1,170)	n.m.
Tax (expense)/credit	(31)	2	n.m.
Profit/(Loss) for the period	147	(1,168)	n.m.
Profit/(Loss) attributable to :			
Equity holders of the Company	74	(1,241)	n.m.
Non-controlling interests	73	73	-
	147	(1,168)	n.m.

n.m. denotes not meaningful

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES

- 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 2020

	Half Year Ended 30.06.2020 (unaudited)	Half Year Ended 30.06.2019 (unaudited)	Increase/ (Decrease)
Group	S\$'000	S\$'000	%
Profit/(Loss) for the period	147	(1,168)	n.m.
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation	7	19	(63)
Share of other comprehensive loss of associates	5	(18)	n.m.
Other comprehensive income for the financial period, net of tax	12	1	n.m.
Total comprehensive income/(loss) for the financial period	159	(1,167)	n.m.
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	86	(1,240)	n.m.
Non-controlling interests	73	73	-
Total comprehensive income/(loss) for the financial period	159	(1,167)	n.m.

n.m. denotes not meaningful

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES
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 profit/(loss) before income tax is arrived at after charging/ (crediting) the following items:

	Half Year Ended 30.06.2020 (unaudited)	Half Year Ended 30.06.2019 (unaudited)	Increase/ (Decrease)
<u>Group</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation of property, plant and equipment ⁽¹⁾	599	615	(3)
Directors' fees	73	76	(4)
Employee benefits expense ^{(2) (3)}	4,756	7,021	(32)
Cost of defined contribution plans (included in employee benefits expense)	224	238	(6)
Net foreign exchange (gain)/loss ⁽⁴⁾	(136)	24	n.m.
Allowance for/(Reversal of) doubtful debts	210	(32)	n.m.
Gain on disposal of plant and equipment	-	(26)	(100)
Plant and equipment written off	-	37	(100)
Interest income	(7)	(8)	(13)
Adjustment for under-provision of income tax expense in respect of prior years ⁽⁵⁾	28	-	n.m.

n.m. denotes not meaningful

Notes:

- ⁽¹⁾ Included in cost of sales and administrative expenses.
- ⁽²⁾ Employee benefits expenses amounting to S\$2.7 million, S\$2.1 million and S\$Nil for 1H2020 (1H2019: S\$4.4 million, S\$2.3 million and S\$0.3 million) had been included in cost of sales, administrative expenses and other operating expenses respectively.
- ⁽³⁾ Employee benefits expenses decreased by 32% from S\$7.0 million in 1H2019 to S\$4.7 million in 1H2020, mainly due to the waiver of foreign worker levy by the Singapore government and lower foreign workers wages incurred in 1H2020 as most of the foreign workers employed by the Group have not been able to work, due to the restriction of movement of foreign workers residing in dormitories which had been gazetted as isolation areas on 21 April 2020 as a result of the COVID-19 pandemic.
- ⁽⁴⁾ Net foreign exchange gain of S\$136,000 was recorded for 1H2020, as compared to net foreign exchange loss of S\$24,000 for 1H2019, due to the strengthening of USD against SGD.
- ⁽⁵⁾ Relates to the differences in final tax assessment and tax estimates made in prior year.

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES
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	As at	As at	As at
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	(unaudited)	(audited)	(unaudited)	(audited)
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	11,133	11,677	5,300	5,589
Investment in subsidiaries	-	-	5,503	5,503
Investment in associates	271	253	-	-
Total non-current assets	11,404	11,930	10,803	11,092
Current assets				
Inventories	501	321	-	-
Contract assets	3,414	4,138	-	-
Trade receivables	7,592	7,673	-	-
Other receivables	907	2,311	1,375	1,332
Cash and bank balances	4,827	3,554	123	16
Total current assets	17,241	17,997	1,498	1,348
Total assets	28,645	29,927	12,301	12,440
EQUITY AND LIABILITIES				
Equity				
Share capital	11,555	11,555	11,555	11,555
Reserves	2,397	2,311	(856)	(1,007)
Equity attributable to equity holders of the Company, total	13,952	13,866	10,699	10,548
Non-controlling interests	2,078	2,005	-	-
Total equity	16,030	15,871	10,699	10,548

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES
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)

	<u>Group</u>		<u>Company</u>	
	As at	As at	As at	As at
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	(unaudited)	(audited)	(unaudited)	(audited)
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities				
Borrowings	1,764	1,815	1,167	1,211
Deferred tax liabilities	301	305	-	-
Total non-current liabilities	2,065	2,120	1,167	1,211
Current liabilities				
Contract liabilities	2,058	60	-	-
Trade payables	989	1,638	-	-
Other payables	1,562	3,692	348	597
Borrowings	5,930	6,533	87	84
Tax payable	11	13	-	-
Total current liabilities	10,550	11,936	435	681
Total equity and liabilities	28,645	29,927	12,301	12,440

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES

1(c) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

Group			
As at 30.06.2020 (unaudited)		As at 31.12.2019 (audited)	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,930	-	6,533	-

Amount repayable after one year

Group			
As at 30.06.2020 (unaudited)		As at 31.12.2019 (audited)	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,764	-	1,815	-

Details of any collateral

The bank loans are secured by:

- (i) a first legal mortgage over the Group's leasehold property; and
- (ii) corporate guarantees by a subsidiary and the Company.

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES
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 30.06.2020 (unaudited) S\$'000	Half Year Ended 30.06.2019 (unaudited) S\$'000
Group		
Cash flows from operating activities		
Profit/(Loss) before income tax	178	(1,170)
Adjustments for:		
Interest income	(7)	(8)
Interest expenses	233	271
Reversal of loss allowance on receivables	-	(32)
Reversal of sales discounts	-	(136)
Depreciation of property, plant and equipment	599	615
Plant and equipment written off	-	37
Gain on disposal of plant and equipment	-	(26)
Share of results of associates	(13)	(26)
Operating cash flows before movements in working capital	990	(475)
Trade and other receivables	1,485	(221)
Contract assets	724	4,083
Inventories	(180)	582
Trade and other payables	(2,780)	(956)
Contract liabilities	1,999	-
Currency translation adjustments	6	25
Cash generated from operations	2,244	3,038
Interest received	7	8
Interest paid	(233)	(271)
Income tax refund	-	6
Income tax paid	(35)	(4)
Net cash generated from operating activities	1,983	2,777

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES
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 30.06.2020 (unaudited) S\$'000	Half Year Ended 30.06.2019 (unaudited) S\$'000
Group		
Cash flow from investing activities		
Purchase of plant and equipment	(70)	(108)
Proceeds from disposal of plant and equipment	14	90
Dividend received from an associate	-	71
Net cash (used in)/generated from investing activities	(56)	53
Cash flow from financing activities		
Decrease/(Increase) in pledged fixed deposit	597	(434)
Repayments of finance leases liabilities	(18)	(70)
Repayments of lease liabilities	(43)	-
Repayments of revolving credit loans	(200)	-
Repayments of bank loans	(393)	(367)
Net cash used in financing activities	(57)	(871)
Net increase in cash and cash equivalents	1,870	1,959
Cash and cash equivalents at beginning of financial period	2,340	2,434
Effects of exchange rate changes on cash and cash equivalents	-	(4)
Cash and cash equivalents at end of the financial period	4,210	4,389
Comprising:		
Cash at bank	3,731	4,009
Fixed deposits	1,096	905
Sub-total	4,827	4,914
Pledged fixed deposit	(617)	(525)
Cash and cash equivalents for presentation on the consolidated statement of cash flows	4,210	4,389

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES

- 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	Other reserve	Translation reserve	Merger reserve	Share options reserve	Retained earnings	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
At 1 January 2020	11,555	221	(123)	(3,914)	70	6,057	13,866	2,005	15,871
Total comprehensive loss for the financial period:									
Profit for the financial period	-	-	-	-	-	74	74	73	147
Currency translation differences arising on consolidation	-	-	7	-	-	-	7	-	7
Share of other comprehensive loss of associates	-	-	5	-	-	-	5	-	5
Total	-	-	12	-	-	74	86	73	159
Transactions with owners, recognised directly in equity:									
Prior year adjustment	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
At 30 June 2020	11,555	221	(111)	(3,914)	70	6,131	13,952	2,078	16,030

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES

- 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	Other reserve	Translation reserve	Merger reserve	Share options reserve	Retained earnings	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
At 1 January 2019	11,555	221	(87)	(3,914)	70	8,508	16,353	2,037	18,390
Total comprehensive loss for the financial period:									
(Loss)/Profit for the financial period	-	-	-	-	-	(1,241)	(1,241)	73	(1,168)
Currency translation differences arising on consolidation	-	-	19	-	-	-	19	-	19
Share of other comprehensive loss of associates	-	-	(18)	-	-	-	(18)	-	(18)
Total	-	-	1	-	-	(1,241)	(1,240)	73	(1,167)
Transactions with owners, recognised directly in equity:									
Prior year adjustment	-	-	-	-	-	(19)	(19)	-	(19)
Total	-	-	-	-	-	(19)	(19)	-	(19)
At 30 June 2019	11,555	221	(86)	(3,914)	70	7,248	15,094	2,110	17,204

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES

- 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
At 1 January 2020	11,555	70	(1,077)	10,548
Profit and total comprehensive income for the financial period	-	-	151	151
At 30 June 2020	11,555	70	(926)	10,699

	Share capital	Share options reserve	Retained Earnings	Total
Company (unaudited)	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2019	11,555	70	757	12,382
Loss and total comprehensive loss for the financial period	-	-	(966)	(966)
At 30 June 2019	11,555	70	(209)	11,416

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- 1(f) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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\$)
<u>Ordinary shares</u>		
Balance as at 30 June 2020 and 31 December 2019	122,959,345	11,554,627

- 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 2020, there were 3,000,000 outstanding share options under the Heatec Employee Share Option Scheme that may be exercised into 3,000,000 new ordinary shares in the capital of the Company (30 June 2019: 3,000,000 outstanding share options).

Save as disclosed above, there were no convertibles, treasury shares or subsidiary holdings as at 30 June 2020 and 30 June 2019.

- 1(h) 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	
	30.06.2020	31.12.2019
Total number of issued shares excluding treasury shares	122,959,345	122,959,345

There were no treasury shares as at 30 June 2020 and 31 December 2019.

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- 1(i) 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 any sale, transfer, cancellation and/or use of treasury shares during and as at the end of the financial period ended 30 June 2020.

- 1(j) 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 any sale, transfer, cancellation and/or use of subsidiary holdings during and as at the end of the financial period ended 30 June 2020.

- 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 the Company's auditors.

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

Not applicable.

- 3(a) Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

- (i) Updates on the efforts taken to resolve each outstanding audit issue.**
- (ii) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2019 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the auditors.

- 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 Group has adopted the same accounting policies and methods of computation for the current financial period reported on as those adopted in its recently audited annual financial statements for the financial year ended 31 December 2019.

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- 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.**

Not applicable.

- 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.**

	Group	
	Half Year Ended 30.06.2020 (unaudited)	Half Year Ended 30.06.2019 (unaudited)
Basic and diluted profit/(loss) per ordinary share (Singapore cents)	0.06	(1.01)
Weighted average number of ordinary shares in issue	122,959,345	122,959,345

Profit/(loss) per ordinary share of the Group for each of 1H2020 and 1H2019 is calculated based on net profit/(loss) attributable to 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 1H2020 and 1H2019, the basic and diluted profit/(loss) per ordinary share of the Group 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.

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- 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.**

	Group		Company	
	As at 30.06.2020	As at 31.12.2019	As at 30.06.2020	As at 31.12.2019
	(unaudited)	(audited)	(unaudited)	(audited)
Net asset value per share based on total number of issued ordinary shares excluding treasury shares (Singapore cents)	11.35	11.28	8.70	8.58

The net asset value per ordinary share of the Group and the Company as at 30 June 2020 and 31 December 2019 are calculated based on the total number of issued ordinary shares (excluding treasury shares) of 122,959,345.

- 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) Review of Group Performance

Half year ended 30 June 2020 ("1H2020") vs half year ended 30 June 2019 ("1H2019")

Revenue

Revenue decreased by 24% or S\$2.8 million, from S\$11.7 million in 1H2019 to S\$8.9 million in 1H2020, mainly due to the impact of the COVID-19 pandemic on the Group's business, with all three business segments of the Group being affected and recorded lower revenue in 1H2020. Most of the Group's operations and projects with its customers have been temporarily halted since April 2020, and are expected to resume when the foreign workers gradually return to work in August 2020, subject to the Ministry of Manpower declaring the dormitories being cleared of the COVID-19 virus.

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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 (Cont'd)**

8(a) Review of Group Performance (Cont'd)

Operating Results

Cost of sales decreased by 27% or S\$2.3 million, from S\$8.5 million in 1H2019 to S\$6.2 million in 1H2020, and was largely in line with the decline in revenue.

Gross profit margin improved by 3 percentage points to 30% for 1H2020, as compared to 27% for 1H2019. This was mainly attributable to better project management.

Other income increased by S\$1.0 million, from S\$0.2 million in 1H2019 to S\$1.2 million in 1H2020, mainly due to funds and support grants received from the Singapore government during the COVID-19 circuit breaker period.

Administrative expenses decreased by 19% or S\$0.7 million, from S\$4.0 million in 1H2019 to S\$3.3 million in 1H2020, as the Group continued its efforts to manage administrative expenses prudently.

No other operating expenses were incurred in 1H2020. Other operating expenses of S\$0.3 million in 1H2019 relate mainly to compensation staff costs incurred for a subsidiary undergoing a restructuring exercise.

Net impairment loss on financial assets increased by S\$0.2 million in 1H2020, mainly due to provision for doubtful debts provided for a few customers.

Finance costs decreased by 21% or S\$0.1 million, from S\$0.3 million in 1H2019 to S\$0.2 million in 1H2020, due to lower interest rates.

Overall, the Group made a net profit of S\$0.1 million in 1H2020, from a net loss of S\$1.2 million in 1H2019.

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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 (Cont'd)**

8(b) Review of Statement of Financial Position

Non-Current Assets

Non-current assets decreased by 4% or S\$0.5 million, from S\$11.9 million as at 31 December 2019 to S\$11.4 million as at 30 June 2020. The decrease was mainly due to depreciation of property, plant and equipment.

Current Assets

Current assets decreased by 4% or S\$0.8 million, from S\$18.0 million as at 31 December 2019 to S\$17.2 million as at 30 June 2020. The decrease was due to the decrease in contract assets, and trade and other receivables, partially offset by the increase in cash and bank balances by approximately S\$1.3 million and inventories by S\$0.2 million. Inventories increased mainly due to the increase in materials purchased to be used after the circuit breaker period. Contract assets decreased by approximately S\$0.7 million, mainly due to the decrease in work-in-progress works. Trade and other receivables decreased by approximately S\$1.5 million, mainly due to settlement of collection from customers. Please refer to "Review of Cash Flows" below for the reasons for the increase in cash and cash balances.

Non-Current Liabilities

Non-current liabilities decreased by S\$0.06 million, from S\$2.12 million as at 31 December 2019 to S\$2.06 million as at 30 June 2020, mainly due to repayments of lease liabilities.

Current Liabilities

Current liabilities decreased by 12% or S\$1.4 million, from S\$11.9 million as at 31 December 2019 to S\$10.5 million as at 30 June 2020. The decrease was mainly due to the decrease in trade and other payables of approximately S\$2.8 million as a result of payment made to suppliers, and repayments of borrowings of approximately S\$0.6 million, partially offset by the increase in contract liabilities of approximately S\$2.0 million due to advance billing to customer.

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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 (Cont'd)

8(b) Review of Statement of Financial Position (Cont'd)

Working Capital Position

The Group reported a positive working capital position of S\$6.7 million as at 30 June 2020, as compared to S\$6.1 million as at 31 December 2019.

8(c) Review of Statement of Cash Flows

In 1H2020, the Group recorded net cash generated from operating activities of approximately S\$2.0 million, which was a result of operating cash inflows before changes in working capital of S\$1.0 million, net working capital inflows of approximately S\$1.25 million, and after adjusting for net interest expenses and income tax paid of approximately a total of S\$0.26 million.

Net cash used in investing activities of approximately S\$0.05 million in 1H2020, was due to acquisition of plant and equipment of S\$0.07 million, partially offset by proceeds from disposal of plant and equipment of S\$0.02 million.

Net cash used in financing activities of S\$0.05 million in 1H2020, was due to the repayments of borrowings of S\$0.65 million, partially offset by decrease in pledged fixed deposit of S\$0.60 million.

Overall, the Group's cash and cash equivalents as per Consolidated Statement of Cash Flows increased by S\$1.87 million, from S\$2.34 million as at 31 December 2019 to S\$4.21 million as at 30 June 2020.

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

There are no material variances between the prospect statement relating to the decrease in the Group's revenue for the current financial year ending 31 December 2020, as set out in the Company's announcement dated 19 May 2020 on the impact of the COVID-19 pandemic on the operations and financial performance of the Group and the actual results for 1H2020.

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES

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.

In general, shipping activities and vessel arrivals in Singapore have slowed due to the impact of the COVID-19 pandemic as well as a broader decline in world economic activities. This has affected the Group's business.

Due to the impact of the COVID-19 pandemic on the Group's operations, most of the foreign workers employed by the Group have not been able to work, due to the restriction of movement of foreign workers residing in dormitories which had been gazetted as isolation areas on 21 April 2020. As a result, most of the Group's operations and projects with its customers have been temporarily halted, and are expected to resume when the foreign workers gradually return to work in August 2020, subject to the Ministry of Manpower declaring the dormitories being cleared of the COVID-19 virus.

The Company had, on 24 March 2020, announced that the Group had secured two contracts for the supply of heat exchangers and pressure vessels, respectively, for a Floating Production Storage and Offloading (FPSO) vessel for a combined contract value of approximately S\$7 million. Barring further delays arising from the COVID-19 pandemic, these 2 projects are expected to be completed by the end of 2020, and contribute positively to the Group's revenue in 2020.

The Company had, on 16 June 2020, also announced that its wholly-owned subsidiary, JJY Engineering & Construction Pte. Ltd. ("JJY") had received a letter of demand ("LOD") from the solicitors representing the owners ("Vessel Owners") of a certain vessel ("Vessel"), which was located at a shipyard where JJY was performing relevant works ("Shipyard"). JJY was engaged by the owner of the Shipyard ("Shipyard Owner"), pursuant to a contract entered into between JJY and the Shipyard Owner, to carry out certain works on the Vessel, while the Vessel was docked at the Shipyard. The Company intends to dispute and/or vigorously defend against the claims made by the Vessel Owners and is currently seeking legal advice on the LOD. The Company will update shareholders and potential investors of the Company on any further material development on the LOD by way of further announcement(s) as and when necessary.

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended/declared for the current financial period reported on?

No dividend has been declared or recommended for the half year ended 30 June 2020.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend recommended/declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) The date on which Registrable Transfers received by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared/recommended by the Board of Directors for the half year ended 30 June 2020 as the Group intends to conserve cash for its operations in view of the COVID-19 pandemic.

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES

- 13 If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have a general mandate from shareholders for interested person transactions.

The aggregate value of interested person transactions entered into during the half year ended 30 June 2020 is as follows:-

Name of Interested Person	Nature of Relationship	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) S\$'000	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
<u>Provision of consultancy services and allowances by the following consultants:</u> Soon Yeow Kwee Johnny Yong Yeow Sin	 A controlling shareholder of the Company and father of Soon Jeffrey (Chief Executive Officer and Executive Director of the Company) A controlling shareholder of the Company	 101 ⁽¹⁾	 -

HEATEC JIETONG HOLDINGS LTD AND ITS SUBSIDIARIES

- 13 If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect (Cont'd).**

Note:

- (1) 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 2020 to be false or misleading in any material aspects.

15 Confirmation by the Company pursuant to Rule 720(1) of the Catalist Rules

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

BY ORDER OF THE BOARD
HEATEC JIETONG HOLDINGS LTD.

Soon Jeffrey
CEO and Executive Director

Singapore, 13 August 2020