HEATEC JIETONG HOLDINGS LTD.
Co. Reg. No. 200717808Z

MATERIAL VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the "**Board**" or "**Directors**") of Heatec Jietong Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement on 29 February 2024 relating to the unaudited condensed interim financial statements announcement for the six months and full year ended 31 December 2023 ("**FY2023**") (the "**Unaudited Financial Statements**").

Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meaning as defined in the Unaudited Financial Statements.

Pursuant to Rule 704(5) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, the Board wishes to announce certain material adjustments made to the Unaudited Financial Statements following the finalisation of the audit and the issuance of the independent auditor's report for FY2023 dated 12 June 2024 by the Company's external auditors, Foo Kon Tan LLP (the "**Independent Auditor's Report**", and the related audited financial statements for FY2023 are referred to herein as the "**Audited Financial Statements**"). The details and explanations of the material adjustments are set out in Appendix A as annexed hereto.

Shareholders of the Company (the "**Shareholders**") are advised to read this announcement in conjunction with the Independent Auditor's Report and the Audited Financial Statements, which will be incorporated in the Company's annual report for FY2023, which will be released via SGXNET and uploaded onto the Company's corporate website at www.heatecholdings.com in due course.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

The Board confirms that, to the best of its knowledge, all material disclosure, facts and information have been provided and announced and the Board is not aware of any facts, information or disclosure, the omission of which would make any statement in this announcement misleading.

BY ORDER OF THE BOARD

Soon Jeffrey
Executive Director and Chief Executive Officer

12 June 2024

HEATEC JIETONG HOLDINGS LTD.
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*This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 7 Temasek Boulevard, #04-02 Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.

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Appendix A

Consolidated Statement of Comprehensive Income of the Group for FY2023

	Audited	Unaudited	Variance		Note
	S$'000	**S$'000**	**S$'000**	**%**	
Revenue	25,065	26,125	(1,060)	(4.1)	1
Cost of sales	(16,916)	(18,062)	1,146	6.3	1
Gross profit	8,149	8,063	86	1.1	1
Allowance for impairment losses on financial assets, net	(839)	41	(880)	n.m	2
Impairment on goodwill	(375)	-	(375)	(>100)	3
Loss for the financial year	(868)	301	(1,169)	n.m	1 to 3
Loss attributable to:					
Equity holders of the Company	(551)	266	(817)	n.m	1 to 3
Non-controlling interest	(317)	35	(352)	n.m	2
	(868)	**301**	**(1,169)**	**n.m**	**1 to 3**
Total comprehensive loss attributable to:					
Equity holders of the Company	(599)	218	(817)	n.m	1 to 3
Non-controlling interest	(317)	35	(352)	n.m	2
	(916)	**253**	**(1,169)**	**n.m**	**1 to 3**

n.m – not meaningful

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Consolidated Statement of Financial Position of the Group as at 31 December 2023

	Audited	Unaudited	Variance		Note
	S$'000	S$'000	S$'000	%	
Non-Current Assets					
Property, plant and equipment	6,487	7,841	(1,354)	(17.2)	4
Right-of-use assets	1,354	-	1,354	>100	4
Goodwill	1,011	1,612	(601)	(37.3)	5
Total Non-Current Assets	9,182	9,782	(600)	(6.1)	4 to 5
Current Assets					
Contract assets	7,066	6,762	304	4.5	6
Trade and other receivables	6,703	7,278	(575)	(7.9)	7
Total Current Assets	16,086	16,357	(271)	(1.7)	6 to 7
Total Assets	25,268	26,139	(872)	(3.3)	4 to 7
Non-Current Liabilities					
Borrowings	905	2,447	(1,542)	(63.0)	8
Lease liabilities	1,425	-	1,425	>100	8(a)
Total Non-Current Liabilities	2,591	2,708	117	4.3	8
Current Liabilities					
Contract liabilities	453	235	218	92.8	6(a)
Trade and other payables	5,093	5,165	(72)	(1.4)	7(b)
Borrowings	5,094	5,092	2	0.1	9
Lease liabilities	115	-	115	>100	9(b)
Total Current Liabilities	10,818	10,554	264	2.5	6(a), 7(b) and 9
Total liabilities	13,409	13,262	147	1.1	6 to 9

	Audited	Unaudited	Variance		Note
	S$'000	S$'000	S$'000	%	
Net assets	11,859	12,877	(1,018)	(7.9)	4 to 9
Equity					
Share capital	13,355	14,255	(900)	(6.3)	10
Reserves	(1,428)	(1,511)	83	5.5	11
Equity attributable to equity holders of the Company, total	11,927	12,744	(817)	(6.4)	10 to 11
Non-controlling interests	(68)	133	(201)	n.m	12
Total equity	11,859	12,877	(1,018)	(7.9)	10 to 12

Consolidated Statement of Cash Flows of the Group for FY2023

	Audited	Unaudited	Variance		Note
	S$'000	S$'000	S$'000	%	
Cash flows from operating activities					
Allowance of impairment losses on financial assets and contract assets	839	(41)	880	n.m	2
Depreciation of property, plant and equipment	869	1,001	(132)	(13.2)	13
Depreciation of right-of-use assets	132	-	132	>100	13
Impairment on goodwill	375	-	375	>100	3
Exchange differences	(35)	(33)	(2)	(6.1)	14
Operating cash flows before working capital changes	1,577	1,492	85	5.7	2,3,13,14
Changes in trade and other receivables and contract assets	(1,981)	(1,772)	(209)	(11.8)	15
Changes in trade and other payables and contract liabilities	1,916	1,592	324	20.4	16

	Audited	Unaudited	Variance		Note
	S$'000	S$'000	S$'000	%	
Net cash generated from operating activities	1,384	1,183	201	17.0	15 to 16
Cash flows from financing activities					
Payment of deferred consideration in respect of the acquisition of non-controlling interests in subsidiaries	(200)	-	(200)	>100	16
Proceeds from bank loans	3,034	2,279	755	33.1	17
Proceeds from trade financing	2,344	3,099	(755)	(24.4)	17
Net cash used in financing activities	(1,346)	(1,144)	(202)	(17.7)	16 to 17

Statement of Financial Position of the Company for FY2023

	Audited	Unaudited	Variance		Note
	S$'000	S$'000	S$'000	%	
Non-Current Assets					
Property, plant and equipment	2,839	3,648	(809)	(22.2)	18
Right-of-use assets	809	-	809	>100	18
Investment in subsidiaries	6,424	7,303	(879)	(12.0)	19
Total Non-Current Assets	10,072	10,951	(879)	(8.0)	18 to19
Current Liabilities					
Trade and other payables	753	976	(223)	(22.8)	20
Borrowings	700	810	(110)	(13.5)	21
Lease liabilities	110	-	110	>100	21
Total Current Liabilities	1,563	1,786	(223)	(12.5)	20 to 21
Net assets	11,934	12,590	(656)	(5.2)	20 to 21
Equity					
Share capital	13,355	14,255	900	6.3	10
Reserves	(1,421)	(1,665)	244	14.7	22
Total equity	11,934	12,590	(656)	(5.2)	10 and 22

Note 1

This was mainly due to following:

(a) The existing revenue recognition policy for one of the subsidiaries involves recognising revenue on a gross basis. However, after deliberation with the auditor, it was determined that the subsidiary acts as an agent rather than a principal. Consequently, revenue should be recognised on a net basis instead of a gross basis. Therefore, an amount of S$1,146,000 was deducted from both revenue and cost of sales.

(b) In addition, there was an under-recognition of revenue for another subsidiary amounting to S$86,000.

Note 2

This was mainly due to an allowance for impairment losses for one of the customers amounting to S$880,000 as the balances were long overdue without any payment. The Management has been regularly and actively following up with the customer regarding the overdue debts. As a result, this impairment loss has affected profit or loss and the loss amount attributable to equity holders of the Company was S$528,000, while non-controlling interests amounted to S$352,000.

Note 3

This was mainly due to impairment of goodwill of a new subsidiary acquired on 6 February 2023. The recoverable amount of the goodwill was determined to be lower than the carrying amount of its cash generating unit, resulting in the recognition of an impairment loss of S$375,000.

As a result of the above adjustment, the Group's loss per share attributable to the equity holders of the Company for the financial year ended 31 December 2023 has decreased by 0.42 Singapore cent from profit of 0.14 Singapore cents in the Unaudited Financial Statements to loss of 0.28 Singapore cents in the Audited Financial Statements.

Note 4

This was mainly due to reclassification of right-of-use assets of S$1,354,000 from property, plant and equipment to right-of-use assets.

Note 5

This was mainly due to impairment of goodwill of S$375,000 and an adjustment of purchase price allocation amounting to S$226,000.

Note 6

This was mainly due to followings:

(a) This was mainly due to advance billing of S$218,000 being initially recognised as contract assets. It should have been recognised as contract liabilities.

(b) Additionally, there was an under-recognition of revenue for one of the subsidiaries amounting to S$86,000.

Note 7
This was mainly due to followings:

(a) The allowance for impairment losses on financial assets of S$880,000 (Refer to Note 2 explanation above).

(b) Intercompany elimination between trade and other receivables with trade and other payables amounted to S$72,000.

(c) This was partially offset by an adjustment of purchase price allocation of trade and other receivables of S$377,000.

Note 8
This was mainly due to followings:

(a) This was mainly due to reclassification of lease liabilities of S$1,425,000 from borrowings to lease liabilities.

(b) In addition, reclassification of borrowings of S$117,000 from non-current borrowings to current borrowings.

Note 9
This was mainly due to followings:

(a) This was mainly due to reclassification from non-current borrowings of S$117,000 to current borrowings (Refer to Note 8(b) explanation above).

(b) This was partially offset by reclassification of lease liabilities of S$115,000 from borrowings to lease liabilities.

Note 10
This was mainly due to reclassification of the capital reserve of S$900,000 from capital reserve to share capital.

Note 11
This was mainly due to followings:

	Audited	Unaudited	Variance		Note
	S$'000	S$'000	S$'000	%	
Reserves					
Translation reserve	(183)	(183)	-	-	-
Merger reserve	(3,914)	(3,914)	-	-	-
Capital reserve	-	(900)	900	-	10
Share options reserve	70	70	-	-	-
Net discount received on acquisition from non-controlling interests	596	596	-	-	-
Retained earnings	2,002	2,820	(818)	(29.0)	1 to 3
Total	**(1,429)**	**(1,511)**	**82**	**5.4**	**11**

Note 12
This was mainly due to followings:

(a) This was mainly due to an allowance for impairment losses for one of the customers amounting to S$880,000, of which non-controlling interests accounted for S$352,000 (Refer to Note 2 explanation above).

(b) This was partially offset by the adjustment of purchase price allocation on trade and trade receivables of S$377,000 (Refer to Note 7(c) explanation above), of which non-controlling interests accounted for S$151,000.

Note 13
This was mainly due to reclassification of depreciation of right-of-use assets of S$132,000 from depreciation of property, plant and equipment to depreciation of right-of-use assets.

Note 14
This was mainly due to the additional currency translation adjustment of S$2,000 from operating cash flows before working capital changes.

Note 15
This was mainly due to followings:

(a) Changes in contract assets of S$304,000. Please refer to Note 6 explanation above.

(b) This was partially offset by intercompany elimination between trade and other receivables with trade and other payables amounted to S$72,000 (Refer to Note 7(b) explanation above).

Note 16
This was mainly due to followings:

(a) Changes in contract liabilities of S$218,000. Please refer to Note 6(a) explanation above.

(b) Reclassification of payment of deferred consideration in respect of the acquisition of non-controlling interests in subsidiaries of S$200,000.

(c) This was partially offset by intercompany elimination between trade and other receivables with trade and other payables amounted to S$72,000 (Refer to Note 7(b) explanation above).

Note 17
This was mainly due to reclassification of proceeds of bank loans of S$755,000 from proceeds from trade financing to proceeds from bank loans.

Note 18
This was mainly due to reclassification of right-of-use assets of S$809,000 from property, plant and equipment to right-of-use assets.

Note 19
This was mainly due to a net allowance for impairment loss on investment in subsidiaries of S$879,000.

Note 20
This was mainly due to a reversal of prior year's adjustment for the provision of a financial guarantee amounting to S$223,000.

Note 21
This was mainly due to reclassification of lease liabilities of S$110,000 from borrowings to lease liabilities.

Note 22
This was mainly due to followings:

	Audited	**Unaudited**	**Variance**		**Note**
	S$'000	**S$'000**	**S$'000**	**%**	
Reserves					
Capital reserve	-	(900)	900	-	10
Share options reserve	70	70	-	-	-
Retained earnings	(1,491)	(835)	(656)	(78.6)	19 to 20
Total	**(1,421)**	**(1,665)**	**244**	**14.7**	**22**