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UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2020

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited ("Sponsor"). This announcement has not been examined or approved by Singapore Exchange Securities Trading Limited ("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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PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a) (i) Combined statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group				Change +ve/(-ve) S\$'000	Change +ve/(-ve) %
	Unaudited 1HFY2020 S\$'000	Unaudited 2HFY2020 S\$'000	Unaudited FY2020 S\$'000	Audited FY2019 S\$'000		
Revenue	21,816	32,888	54,704	70,609	(15,905)	(22.5)
Cost of sales	(16,419)	(28,239)	(44,658)	(51,932)	7,274	(14.0)
Gross profit	5,397	4,649	10,046	18,677	(8,631)	(46.2)
Other operating income	1,423	2,147	3,570	2,973	597	20.1
Distribution and selling expenses	(3,597)	(2,440)	(6,037)	(8,425)	2,388	(28.3)
Administrative expenses	(5,982)	(5,172)	(11,154)	(12,503)	1,349	(10.8)
Impairment losses on financial assets, net	(597)	(1,120)	(1,717)	(264)	(1,453)	n.m.
Other operating expenses	(251)	(381)	(632)	(168)	(464)	n.m.
Share of results of joint venture	-	-	-	15	(15)	n.m.
Share of results of associates	-	199	199	132	67	50.8
	(10,427)	(8,914)	(19,341)	(21,213)	1,872	(8.8)
(Loss)/profit from operations	(3,607)	(2,118)	(5,725)	437	(6,162)	n.m.
Finance expenses	(792)	(684)	(1,476)	(1,660)	184	(11.1)
Interest income	121	113	234	208	26	12.5
Loss before tax	(4,278)	(2,689)	(6,967)	(1,015)	(5,952)	n.m.
Tax expense	(78)	(60)	(138)	(392)	254	(64.8)
Loss for the period/year	(4,356)	(2,749)	(7,105)	(1,407)	(5,698)	n.m.
Other comprehensive income						
<u>Items that will not be reclassified to profit or loss</u>						
Net fair value (loss)/gain on equity instrument at fair value through other comprehensive income ("FVOCI")	-	(1,116)	(1,116)	11	(1,127)	n.m.
<u>Item that may be reclassified subsequently to profit or loss</u>						
Foreign currency translation	479	(41)	438	(281)	719	n.m.
Total comprehensive income for the period/year	(3,877)	(3,906)	(7,783)	(1,677)	(6,106)	n.m.
(Loss)/profit for the year attributable to :-						
Owners of the Company	(4,140)	(2,900)	(7,040)	(1,425)	(5,615)	n.m.
Non-controlling interests	(216)	151	(65)	18	(83)	n.m.
	(4,356)	(2,749)	(7,105)	(1,407)	(5,698)	n.m.
Total comprehensive income for the period/year attributable to :-						
Owners of the Company	(3,699)	(4,100)	(7,799)	(1,653)	(6,146)	n.m.
Non-controlling interests	(178)	194	16	(24)	40	n.m.
	(3,877)	(3,906)	(7,783)	(1,677)	(6,106)	n.m.

n.m. : not meaningful

1(a)(ii) Additional information for the income statement

The Group's total comprehensive income for the financial period is derived after charging/(crediting):

	GROUP		
	Unaudited	Audited	Change
	FY2020	FY2019	+ve/(-ve)
	S\$'000	S\$'000	%
Interest income	(234)	(208)	12.5
Finance expenses	1,476	1,660	(11.1)
Impairment loss on trade and other receivables and contract assets	1,594	264	n.m.
Impairment loss on goodwill	219	-	n.m.
Impairment loss on non-financial assets	67	-	n.m.
Bad debt written off	122	-	n.m.
Provision/(write back) of allowance of obsolete and slow-moving inventories, net	731	(99)	n.m.
Fixed assets written off	3	25	(88.0)
(Gain)/loss on disposal of fixed assets, net	(39)	2	n.m.
Gain on remeasuring previously held equity interest in joint venture to fair value on business combination	-	(30)	n.m.
Depreciation of fixed assets	1,982	1,935	2.4
Depreciation of right-of-use assets	925	836	10.6
Dividend income from investment securities	(283)	(448)	(36.8)
Amortisation of intangible assets	197	413	(52.3)
Amortisation of right-of-use assets - land use rights	45	45	n.m.
Net fair value loss/(gains) on held for trading investment securities	72	(111)	n.m.
Gain on disposal of held for trading investment securities	-	(9)	n.m.
Government grants	(1,797)	(118)	n.m.
Service income	(1,262)	(1,949)	(35.2)
Foreign exchange losses, net	329	136	n.m.

n.m. : not meaningful

1(b) (i) 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

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	Unaudited 31-Dec-20 S\$'000	Audited 31-Dec-19 S\$'000	Unaudited 31-Dec-20 S\$'000	Audited 31-Dec-19 S\$'000
Non-current assets				
Fixed assets	31,146	32,585	23,580	24,589
Intangible assets	237	642	-	-
Right-of-use assets	13,850	14,047	12,753	13,047
Right-of-use assets - land use rights	1,814	1,824	-	-
Investment in subsidiaries	-	-	16,210	21,153
Investment in associates	920	691	-	-
Investment securities	7,651	8,984	-	-
Deferred tax assets	641	503	-	-
Total non-current assets	56,259	59,276	52,543	58,789
Current assets				
Inventories	14,578	13,285	7,665	6,968
Investment securities	8,270	7,914	8,270	7,914
Trade receivables	11,316	12,592	2,060	2,448
Contract assets	5,877	11,002	-	-
Other receivables	1,580	1,533	700	755
Deposits	191	292	48	69
Prepayments	253	255	41	52
Advance payment to suppliers	1,389	791	1,256	753
Amounts due from subsidiaries (trade)	-	-	526	3,358
Amounts due from subsidiaries (non-trade)	-	-	4,094	4,825
Amounts due from joint venture and associates (trade)	832	1,047	-	12
Amounts due from joint venture and associates (non-trade)	145	163	-	-
Tax recoverable	32	18	-	-
Fixed deposits	219	3,497	209	3,183
Cash and bank balances	7,568	5,548	1,705	654
Total current assets	52,250	57,937	26,574	30,991
Current liabilities				
Trade payables	6,457	7,770	1,300	1,634
Contract liabilities	1,090	1,146	72	253
Trust receipts and bills payable (secured)	9,269	9,047	5,864	6,182
Other payables	1,111	856	265	356
Accruals and other liabilities	5,207	5,301	2,794	1,493
Dividend payable	137	137	137	137
Amounts due to subsidiaries (trade)	-	-	844	2,598
Amounts due to subsidiaries (non-trade)	-	-	901	136
Amounts due to joint venture and associates (non-trade)	155	158	-	-
Provision for income tax	161	150	-	-
Lease liabilities (current)	731	673	310	294
Term loans (current)	2,915	3,931	1,597	2,248
Bank overdraft	-	113	-	-
Total current liabilities	27,233	29,282	14,084	15,331
Net current assets	25,017	28,655	12,490	15,660

1(b) (i) 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)

STATEMENT OF FINANCIAL POSITION (cont'd)

	Group		Company	
	Unaudited 31-Dec-20 S\$'000	Audited 31-Dec-19 S\$'000	Unaudited 31-Dec-20 S\$'000	Audited 31-Dec-19 S\$'000
Non-current liabilities				
Deferred tax liabilities	2,183	2,471	-	-
Amounts due to subsidiaries (non-trade)	-	-	1,891	-
Lease liabilities (non-current)	13,498	13,503	12,857	12,958
Term loans (non-current)	20,176	18,447	15,892	17,785
Total non-current liabilities	35,857	34,421	30,640	30,743
Net assets	45,419	53,510	34,393	43,706
Equity attributable to owners of the Company				
Share capital	19,680	19,680	19,680	19,680
Retained earnings	20,217	27,458	14,391	23,704
Fair value adjustment reserve	5,883	6,999	-	-
Capital reserve	322	322	322	322
Translation reserve	(2,759)	(3,116)	-	-
	43,343	51,343	34,393	43,706
Non-controlling interests	2,076	2,167	-	-
Total equity	45,419	53,510	34,393	43,706

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

Amount repayable in one year or less, or on demand and amount repayable after one year

	As at 31 December 2020		As at 31 December 2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Repayable in one year or less, or on demand	12,344	-	13,288	-
Repayable after one year	20,673	-	19,001	-
Total borrowings	33,017	-	32,289	-

Details of any collateral

The above borrowings are secured by (i) legal mortgages over the leasehold land and buildings; (ii) corporate guarantee by the Company; and (iii) leased assets. Total borrowings include trust receipts and bills payable, leases liabilities under hire purchase, term loans and bank overdraft.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	FY2020	FY2019
	Unaudited S\$'000	Audited S\$'000
Cash flows from operating activities		
Loss before tax	(6,967)	(1,015)
Adjustments:		
Impairment loss on trade and other receivables and contract assets	1,594	264
Impairment loss on goodwill	219	-
Impairment loss on non-financial assets	67	-
Bad debt written off	122	-
Provision/(write back) of allowance of obsolete and slow-moving inventories, net	731	(99)
Fixed assets written off	3	25
(Gain)/loss on disposal of fixed assets, net	(39)	2
Gain on remeasuring previously held equity interest in joint venture to fair value on business combination	-	(30)
Depreciation of fixed assets	1,982	1,935
Depreciation of right-of-use assets	925	836
Dividend income from investment security	(283)	(448)
Amortisation of intangible assets	197	413
Amortisation of right-of-use assets - land use rights	45	45
Net fair value loss/(gains) on held for trading investment securities	72	(111)
Gain on disposal of held for trading investment securities	-	(9)
Finance expenses	1,476	1,660
Interest income	(234)	(208)
Share of results of joint venture	-	(15)
Share of results of associates	(199)	(132)
Translation differences	322	2
Operating cash flows before working capital changes	33	3,115
<i>(Increase)/decrease in:</i>		
Inventories	(2,024)	1,479
Trade receivables	(68)	(714)
Other receivables	(163)	209
Contract assets	4,753	(5,415)
Deposits, prepayments and advance payment to suppliers	(495)	509
Amounts due from joint venture and associates (trade)	215	(406)
<i>Increase/(decrease) in:</i>		
Trade payables	7,613	9,170
Contract liabilities	(56)	(240)
Other payables	255	208
Accruals and other liabilities	(93)	(242)
Cash flows generated from operations	9,970	7,673
Interest paid	(910)	(1,101)
Income taxes paid	(441)	(207)
Income taxes refunded	136	298
Interest income	234	208
Net cash flows generated from operating activities	8,989	6,871
Cash flows from investing activities		
Proceeds from disposal of fixed assets	54	53
Proceeds from disposal of investment securities	1,577	3,291
Purchase of fixed assets	(227)	(302)
Purchase of investment securities	(2,004)	(11,086)
Dividends received	429	222
Increase in amount due from joint venture and associates (non-trade)	-	(47)
Bank deposit pledged	-	(100)
Net cash outflow on acquisition of subsidiaries	-	(4,612)
Net cash flows used in investing activities	(171)	(12,581)

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

	GROUP	
	FY2020 Unaudited S\$'000	FY2019 Audited S\$'000
Cash flows from financing activities		
Dividends (paid)/received	(308)	95
Repayment of trust receipts and bills payable, net	(8,938)	(8,092)
Repayment of principal portion of lease liabilities	(1,363)	(1,262)
Proceeds of term loans, net	635	2,216
Net cash flows used in financing activities	<u>(9,974)</u>	<u>(7,043)</u>
Net decrease in cash and cash equivalents	(1,156)	(12,753)
Effect of exchange rate changes on cash and cash equivalents	11	25
Cash and cash equivalents at beginning of year	8,732	21,460
Cash and cash equivalents at end of year	<u>7,587</u>	<u>8,732</u>
Cash and cash equivalents consist of the following :		
Cash and bank balances	7,568	5,548
Less: bank deposit pledged	(200)	(200)
Less: bank overdraft	-	(113)
Fixed deposits	219	3,497
	<u>7,587</u>	<u>8,732</u>

1(d)(i) 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.

	Attributable to owners of the Company							
	Equity, total	Equity attributable to owners of the Company, total	Share capital	Retained earnings	Fair value adjustment reserve	Capital reserve	Translation reserve	Non-controlling interests
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
GROUP								
Balance at 1 January 2020	53,510	51,343	19,680	27,458	6,999	322	(3,116)	2,167
Loss for the year	(7,105)	(7,040)	-	(7,040)	-	-	-	(65)
<u>Other comprehensive income</u>								
Foreign currency translation	438	357	-	-	-	-	357	81
Net fair value loss on equity instrument at FVOCI	(1,116)	(1,116)	-	-	(1,116)	-	-	-
Total comprehensive income	(7,783)	(7,799)	-	(7,040)	(1,116)	-	357	16
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(201)	(201)	-	(201)	-	-	-	-
Dividends paid to non-controlling interest of a subsidiary	(107)	-	-	-	-	-	-	(107)
Balance at 31 December 2020	45,419	43,343	19,680	20,217	5,883	322	(2,759)	2,076
Balance at 1 January 2019	54,602	52,581	19,265	28,883	6,988	322	(2,877)	2,021
(Loss)/profit for the year	(1,407)	(1,425)	-	(1,425)	-	-	-	18
<u>Other comprehensive income</u>								
Foreign currency translation	(281)	(239)	-	-	-	-	(239)	(42)
Net fair value gain on equity instrument at FVOCI	11	11	-	-	11	-	-	-
Total comprehensive income	(1,677)	(1,653)	-	(1,425)	11	-	(239)	(24)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of subsidiaries	75	-	-	-	-	-	-	75
Capital contribution from non-controlling interest	95	-	-	-	-	-	-	95
Total changes in ownership interests in subsidiaries	170	-	-	-	-	-	-	170
<u>Contributions by and distribution to owners</u>								
Shares issued for acquisition of a subsidiary	415	415	415	-	-	-	-	-
Balance at 31 December 2019	53,510	51,343	19,680	27,458	6,999	322	(3,116)	2,167

1(d)(i) 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)

	Equity, total S\$'000	Share capital S\$'000	Retained earnings S\$'000	Capital reserve S\$'000
COMPANY				
Balance at 1 January 2020	43,706	19,680	23,704	322
Loss for the year, representing total comprehensive income for the year	(9,112)	-	(9,112)	-
<u>Contributions by and distribution to owners</u>				
Dividends on ordinary shares	(201)	-	(201)	-
Balance at 31 December 2020	<u>34,393</u>	<u>19,680</u>	<u>14,391</u>	<u>322</u>
Balance at 1 January 2019	43,672	19,265	24,085	322
Loss for the year, representing total comprehensive income for the year	(381)	-	(381)	-
<u>Contributions by and distribution to owners</u>				
Shares issued for acquisition of a subsidiary	415	415	-	-
Balance at 31 December 2019	<u>43,706</u>	<u>19,680</u>	<u>23,704</u>	<u>322</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, sub-division, 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. 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.

There was no change in the Company's issued and paid up share capital from 1 January 2020 to 31 December 2020.

The Company does not have any convertible securities, treasury shares and subsidiary holdings as at 31 December 2020 and 31 December 2019.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at the immediately preceding year.

The total number of issued shares (excluding treasury shares) was 111,462,000 as at 31 December 2020 and 31 December 2019.

1(d)(iv) 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 does not have any treasury shares.

1(d)(v) 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 does not have any subsidiary holdings.

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

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of matter).

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) 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 uncertainly relating to going concern.

Not applicable. The Group's latest audited financial statements for FY2019 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the financial year ended 31 December 2019.

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.

The Group adopted all new or revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations to SFRS(I) ("SFRS(I) INT") that are relevant to its operations and are effective for first-time adoption during the current reporting period. The adoption of these new and revised SFRS(I) and SFRS(I) INT has no material effect on the amounts reported for the current or prior reporting periods.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year.

	GROUP	
	FY2020	FY2019
Net loss after tax attributable to owners of the Company (S\$'000)	(7,040)	(1,425)
Weighted average number of ordinary shares ('000)	111,462	110,604
Loss per share - basic/fully diluted (cents)	(6.32)	(1.29)

The Company has no dilutive equity instruments as at 31 December 2020 and 31 December 2019.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	GROUP		COMPANY	
	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Net asset value attributable to owners of the Company (S\$'000)	43,343	51,343	34,393	43,706
Number of ordinary shares ('000)	111,462	111,462	111,462	111,462
Net asset value per share (cents)	38.9	46.1	30.9	39.2

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, cost, and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Financial Performance

Revenue

Revenue decreased by S\$15.9 million or 22.5%, from S\$70.6 million in FY2019 to S\$54.7 million in FY2020. The Group's performance for FY2020 has been impacted across all regions by the COVID-19 outbreak. The restrictions or safety measures imposed in various countries to curb the spread of COVID-19 have disrupted the Group's supply chains and demand in a number of ways, including suspension and delay of supplies, halting or deferring of customers' projects, and limiting of business operations to only those deemed essential services and do not pose high risk of transmission.

Revenue by Business Segment	GROUP				Change +ve/(-ve) S\$'000	Change +ve/(-ve) %
	FY2020 S\$'000	% Contribution	FY2019 S\$'000	% Contribution		
Residential and commercial (air-conditioning)	13,376	24.5%	27,464	38.9%	(14,088)	(51.3)
Oil, marine and gas (refrigeration and air-conditioning)	1,081	2.0%	1,400	2.0%	(319)	(22.8)
Commercial and light industrial (refrigeration)	40,247	73.6%	41,745	59.1%	(1,498)	(3.6)
	54,704	100%	70,609	100%	(15,905)	

Revenue from the residential and commercial (air-conditioning) segment decreased by S\$14.1 million in FY2020 as compared to FY2019 mainly due to the job-site related business. During the Singapore COVID-19 Circuit Breaker period ("CB") commencing 7 April 2020, the Group suspended most of its air-conditioning and mechanical ventilation activities in Singapore. Only certain essential services, such as repairs works, were allowed to be carried out at the project sites. Despite the lifting of the CB since 2 June 2020, the pace of resumption of project activities remained slow due to the stringent testing and regulatory clearances imposed on the built environment sector.

Revenue from the commercial and light industrial (refrigeration) segment decreased by S\$1.5 million in FY2020 as compared to FY2019 which mainly due to the drop in sales in various countries due to the COVID-19 outbreak. This decrease is partially offset by the increase in revenue in Indonesia by S\$0.8 million from S\$7.4 million in FY2019 to S\$8.2 million in FY2020 mainly due to continued demand from distributors.

Gross profit and gross profit margin

The Group's gross profit decreased by S\$8.7 million or 46.5%, from S\$18.7 million in FY2019 to S\$10.0 million in FY2020 mainly due to the decrease in revenue. The gross profit margin decreased by 8.1 percentage points, from 26.5% in FY2019 to 18.4% in FY2020 mainly due to the increased unforeseen additional project costs due to COVID-19 and reclassification of direct labour costs into cost of sales. Despite a 51% surge in revenue in 2HFY2020, the Group's gross profit in 2HFY2020 was lower than 1HFY2020 as more direct labour costs were allocated to cost of sales, reflecting the pickup in jobsite-related activities in 2HFY2020.

Other operating income

Other operating income increased by S\$0.6 million, from S\$3.0 million in FY2019 to S\$3.6 million in FY2020 mainly due to one-off government grant received of S\$1.7 million. This was partially offset by (i) decrease in service income from third party of S\$0.7 million; (ii) fair value losses on investment securities of S\$0.2 million; and (iii) decrease in dividend income of S\$0.2 million.

Distribution and selling expenses

Distribution and selling expenses decreased by S\$2.4 million or 28.6%, from S\$8.4 million in FY2019 to S\$6.0 million in FY2020 due to (i) decrease in staff cost of S\$1.8 million mainly due to one-time reclassification to cost of sales of S\$1.5 million; (ii) decrease in accommodation, entertainment and travelling expenses of S\$0.5 million; and (iii) decrease in exhibition expenses of S\$0.1 million.

Administrative expenses

Administrative expenses decreased by S\$1.3 million, from S\$12.5 million in FY2019 to S\$11.2 million in FY2020. This was mainly due to decrease in (i) payroll cost of S\$0.9 million; (ii) consultancy fee of S\$0.2 million; and (iii) amortisation of intangible assets of S\$0.2 million.

Impairment losses on financial assets

Impairment losses increased by S\$1.4 million, from S\$0.3 million in FY2019 to S\$1.7 million in FY2020 due to slower billings and delay in customers' payment as a result of COVID-19.

Other operating expenses

Other operating expenses increased by S\$0.4 million, from S\$0.2 million in FY2019 to S\$0.6 million in FY2020 mainly due to (i) the foreign currency exchange difference of S\$0.2 million; and (ii) impairment in goodwill of S\$0.2 million.

Finance expenses

Finance expenses decreased by S\$0.2 million, from S\$1.7 million in FY2019 to S\$1.5 million in FY2020. This was mainly due to the decrease in interest expenses on term loans of S\$0.2 million.

Tax expense

Tax expense decreased by S\$0.3 million in FY2020 mainly due to recognition of deferred tax assets and lower current taxes in line with lower Group profitability.

Profitability

The Group's net loss before taxation has increased by S\$6.0 million to S\$7.0 million in FY2020 as compared to S\$1.0 million in FY2019, mainly due to the drop in revenue in FY2020.

Review of Financial Position

Non-current assets

Non-current assets decreased by S\$3.0 million, from S\$59.3 million as at 31 December 2019 to S\$56.3 million as at 31 December 2020 .

The decrease was mainly due to decrease in (i) fixed assets of S\$1.4 million mainly due to depreciation; (ii) investment securities of S\$1.3 million mainly due to the decrease in fair value in investment in an unquoted equity security; (iii) intangible assets of S\$0.4 million; and (iv) right-of-use assets of S\$0.2 million. This was partially offset by increase in (i) investment in associates of S\$0.2 million; and (ii) deferred tax assets of S\$0.1 million.

Current assets

Current assets decreased by S\$5.6 million, from S\$57.9 million as at 31 December 2019 to S\$52.3 million as at 31 December 2020 .

The decrease was mainly due to decrease in (i) contract assets of S\$5.1 million and trade receivables of S\$1.3 million in line with the decrease in revenue; (ii) fixed deposits of S\$3.3 million for working capital; and (iii) amounts due from joint venture and associates of S\$0.2 million. This was partially offset by increase in (i) cash and cash balances of S\$2.0 million; (ii) inventories of S\$1.3 million; (iii) advance payments to suppliers of S\$0.6 million; and (iv) investment securities of S\$0.4 million.

Current liabilities

Current liabilities decreased by S\$2.1 million, from S\$29.3 million as at 31 December 2019 to S\$27.2 million as at 31 December 2020 .

The decrease was mainly due to decrease in (i) trade payables of S\$1.3 million; (ii) term loans of S\$1.0 million; (iii) contract liabilities of S\$0.1 million; (iv) accruals and liabilities of S\$0.1 million. This was partially offset by increase in (i) trust receipts and bills payable of S\$0.2 million; and (ii) other payables of S\$0.2 million.

Non-current liabilities

Non-current liabilities increased by S\$1.5 million, from S\$34.4 million as at 31 December 2019 to S\$35.9 million as at 31 December 2020 .

The increase was mainly due to increase in term loans of S\$1.7 million and this was partially offset by decrease in deferred tax liabilities of S\$0.2 million.

Equity

Total equity decreased by S\$8.1 million, from S\$53.5 million as at 31 December 2019 to S\$45.4 million as at 31 December 2020 .

This was mainly due to (i) loss for the year of S\$7.1 million; (ii) the net fair value loss on equity instrument at FVOCI of S\$1.1 million; (iii) dividend on ordinary shares of S\$0.2 million; and (iv) dividend paid to non-controlling interest of S\$0.1 million. The decrease was partially offset by foreign currency translation of S\$0.4 million.

Review of Cash Flow Statement

Net cash flows generated from operating activities amounted to S\$9.0 million, mainly due to (i) positive working capital changes of S\$10.0 million; (ii) interest income of S\$0.2 million; and (iii) income taxes refunded of S\$0.1 million. This was partially offset by (i) interest paid of S\$0.9 million; and (ii) income taxes paid of S\$0.4 million.

Net cash used in investing activities amounting to S\$0.2 million in FY2020 was mainly due to (i) purchase of investment securities of S\$2.0 million; and (ii) purchase of fixed assets of S\$0.2 million. This was partially offset by (i) proceeds from disposal of investment securities of S\$1.6 million; and (ii) dividend received of S\$0.4 million.

Net cash used in financing activities amounted to S\$10.0 million in FY2020. This was mainly due to (i) repayment of trust receipts and bills payable of S\$8.9 million; (ii) repayment of lease liabilities S\$1.4 million; and (iii) dividend paid of S\$0.3 million. These were partially offset by net proceeds from terms loans of S\$0.6 million.

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

Not applicable. No forecast or prospect statement has been previously disclosed.

10. A commentary at the date of the announcement of the 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.

FY2020 proved to be a very challenging year for the Group, with the main impact of the COVID-19 pandemic felt in the Group's residential and commercial (air-conditioning) segment where site work is required. The revenue from this segment decreased by 51% compared with FY2019. Going forward, the Group expects to have a recovery of the residential and commercial (air-conditioning) segment from FY2020 levels primarily due to a better-managed COVID-19 situation where vaccination for the population is being rolled out in Singapore. The management expects the residential and commercial (air-conditioning) segment, which has largely jobsite-related work, to recover barring any stoppage of work imposed as the awarded contracts remain intact and customers expect such contracts to be delivered.

As for the commercial and light industrial (refrigeration) segment where revenues dropped by approximately 4%, margins may continue to be depressed in the light of price competition for the wholesale and distribution business. Our production facilities are expected to recover to pre-COVID-19 levels with China leading growth in the regions that the Group operates in. There are however risks and uncertainties that the Group faces in its operations in Myanmar due to the military coup and the one-year state of emergency imposed. The conduct of business in the country is restricted due to curfews and site lockdowns. This may affect the business derived from Myanmar. The management keeps in close contact with our staff and associates to monitor developments in the country.

The strong revenue performance in 2HFY2020 compared with 1HFY2020, notwithstanding the overall annual performance, is a positive sign of recovery. Despite the Group having taken on temporary bridging loans for working capital, the liquidity of the Group remains sound. There are funds set aside for the Group's operations and for expansion purposes. Nevertheless, the tapering off of the Jobs Support Scheme announced by the Singapore government would have a negative impact on the bottom line as the overall government support amount would be significantly reduced. Increase in cost of materials, labour and lodging for the Group's foreign staff will also impact the profitability of the Group. The Group will continue to exercise prudence in its expenditure while continuing to look at growth sectors for diversification and expansion.

11. Dividend

(a) Current Financial Period Reported on 31 December 2020

Any dividend declared for the current financial period that is reporting?

Name of dividend	Final
Dividend type	Cash
Dividend amount per share (in cents)	0.18 cents per ordinary share
Tax rate	Tax exempt (one-tier)

The proposed final tax exempt dividend in respect of FY2020 is subject to shareholders' approval at the Annual General Meeting of the Company to be convened.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of dividend	Final
Dividend type	Cash
Dividend amount per share (in cents)	0.18 cents per ordinary share
Tax rate	Tax exempt (one-tier)

(c) Date Payable

To be announced, subject to shareholders' approval at the Annual General Meeting of the Company to be convened.

(d) Record Date

To be announced, subject to shareholders' approval at the Annual General Meeting of the Company to be convened.

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

Not applicable.

13. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Please refer to paragraph 8 for segmental information on the Group's revenue and gross profit.

Revenue	FY2020 S\$'000	FY2019 S\$'000
Singapore	16,215	30,207
Malaysia	10,630	10,897
Indonesia	8,155	7,404
Hong Kong/Macau/People's Republic of China	15,097	16,247
Indo-China*	3,308	3,754
Others	1,299	2,100
	<u>54,704</u>	<u>70,609</u>

Non-current assets	FY2020 S\$'000	FY2019 S\$'000
Singapore	38,886	40,536
Malaysia	570	376
People's Republic of China	7,455	8,004
Hong Kong	60	63
Indonesia	20	18
Indo-China*	56	101
	47,047	49,098

* Related to Vietnam, Myanmar and Cambodia

Non-current assets information presented above consists of fixed assets, land use rights, right-of-use assets and intangible assets. The decreases in non-current assets for Singapore and People's Republic of China were mainly due to depreciation of fixed assets. The increase in non-current assets for Malaysia was mainly due to purchase of fixed assets and right-of-use assets for new branch office in Sabah, Malaysia.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to paragraph 8 for segmental information on the Group's revenue and gross profit.

15. A breakdown of sales as follows:-

	GROUP		Decrease %
	FY2020 S\$'000	FY2019 S\$'000	
(a) Sales reported for the first half year	21,816	30,300	(28)
(b) Operating loss after tax before deducting non-controlling interest reported for the first half year	(4,356)	(983)	n.m.
(c) Sales reported for the second half year	32,888	40,309	(18)
(d) Operating loss after tax before deducting non-controlling interests reported for the second half year	(2,749)	(424)	n.m.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	FY2020 S\$'000	FY2019 S\$'000
Ordinary dividend	201	201
Total annual dividend	201	201

17. Interested Person Transaction ("IPT")

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(ii) of the Catalist Rules. There are no interested person transactions of S\$100,000 or more during the financial period under review.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) of the Catalist Rules. If there are no such persons, the issuer must make an appropriate negative statement.

The Group does not have any employee holding a managerial position in the Company or in the Group who is a relative of the Director or substantial shareholder of the Company.

19. Issuer to confirm that it has procured undertaking from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

The Board confirms that they have procured undertakings from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

BY ORDER OF THE BOARD
Far East Group Limited

Loh Mun Yew
CEO and Executive Director

Leng Chee Keong
COO (Sales & Marketing) and Executive Director

26 February 2021