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UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2023

*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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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		Change +ve/(-ve) S\$'000	Change +ve/(-ve) %
		Unaudited 1H2023 S\$'000	Unaudited 1H2022 S\$'000		
Revenue	4	36,928	48,196	(11,268)	(23.4)
Cost of sales		(30,285)	(38,956)	8,671	(22.3)
Gross profit		<u>6,643</u>	<u>9,240</u>	(2,597)	(28.1)
Other operating income		1,144	1,016	128	12.6
Distribution and selling expenses		(3,212)	(2,978)	(234)	7.9
Administrative expenses		(5,869)	(6,014)	145	(2.4)
Impairment losses on trade and other receivables and contract assets		(653)	(658)	5	(0.8)
Other operating expenses		(368)	(508)	140	(27.6)
Share of results of associate		(63)	(38)	(25)	65.8
		(10,165)	(10,196)	31	(0.3)
(Loss)/ profit from operations		(2,378)	60	(2,438)	n.m.
Finance expenses		(1,003)	(702)	(301)	42.9
Interest income		25	57	(32)	(56.1)
Loss before tax	6	<u>(3,356)</u>	<u>(585)</u>	(2,771)	n.m.
Tax expense	7	(101)	(66)	(35)	53.0
Loss for the period		<u>(3,457)</u>	<u>(651)</u>	(2,806)	n.m.
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation		(542)	(107)	(435)	n.m.
Total comprehensive loss for the period		<u>(3,999)</u>	<u>(758)</u>	(3,241)	n.m.
Loss for the period attributable to :-					
Owners of the Company		(3,453)	(454)	(2,999)	n.m.
Non-controlling interests		(4)	(197)	193	n.m.
		<u>(3,457)</u>	<u>(651)</u>	(2,806)	n.m.
Total comprehensive loss for the period attributable to :-					
Owners of the Company		(3,925)	(518)	(3,407)	n.m.
Non-controlling interests		(74)	(240)	166	n.m.
		<u>(3,999)</u>	<u>(758)</u>	(3,241)	n.m.
Loss per share based on loss for the period attributable to the owners of the Company :					
Basic and diluted (cents)		<u>(3.10)</u>	<u>(0.41)</u>		

There were no potential dilutive ordinary shares existing during the respective financial periods.

n.m. : not meaningful

1H: 6 months ended 30 June

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets					
Fixed assets	10	25,752	26,832	21,081	21,588
Investment property		46	49	-	-
Intangible assets		188	188	-	-
Right-of-use assets		13,535	13,560	12,818	12,749
Right-of-use assets-land use rights		1,647	1,691	-	-
Investment in subsidiaries		-	-	20,570	20,570
Investment in associates		8,481	8,547	7,281	7,281
Investment securities	9	9,672	9,621	-	-
Deferred tax assets		1,153	1,175	-	-
Total non-current assets		60,474	61,663	61,750	62,188
Current assets					
Inventories		17,728	19,211	7,802	9,371
Investment securities	9	1,665	2,360	1,665	2,360
Trade receivables		13,352	16,853	1,877	1,867
Contract assets		12,583	10,798	114	108
Other receivables		1,247	1,351	402	729
Deposits		428	256	55	55
Prepayments		731	240	504	53
Advance payment to suppliers		1,618	3,361	925	2,614
Amounts due from subsidiaries (trade)		-	-	1,021	2,288
Amounts due from subsidiaries (non-trade)		-	-	6,363	5,688
Amounts due from associates (trade)		638	935	180	265
Amounts due from associates (non-trade)		134	138	-	-
Tax recoverable		64	70	-	-
Fixed deposits		209	222	209	209
Cash and bank balances		4,244	5,947	400	1,410
Total current assets		54,641	61,742	21,517	27,017
Current liabilities					
Trade payables		10,232	13,890	1,428	2,926
Contract liabilities		2,461	1,892	1,285	304
Trust receipts and bills payable (secured)	11	11,870	12,531	5,897	7,755
Other payables		709	826	418	295
Accruals and other liabilities		9,327	6,811	1,993	3,611
Dividend payable		27	25	26	25
Amounts due to subsidiaries (trade)		-	-	4,791	4,305
Amounts due to subsidiaries (non-trade)		-	-	1,351	859
Amounts due to associates (non-trade)		-	-	-	-
Provision for income tax		215	768	-	-
Lease liabilities (current)		656	733	442	428
Term loans (current)	11	5,454	6,731	3,182	3,135
Bank overdraft		266	-	266	-
Total current liabilities		41,217	44,207	21,079	23,643
Net current assets		13,424	17,535	438	3,374

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities					
Deferred tax liabilities		2,565	2,554	-	-
Amounts due to subsidiaries (non-trade)		-	-	-	485
Lease liabilities (non-current)		13,429	13,308	13,218	13,063
Term loans (non-current)	11	13,974	15,184	13,452	14,405
Total non-current liabilities		29,968	31,046	26,670	27,953
Net assets		43,930	48,152	35,518	37,609
Equity attributable to owners of the Company					
Share capital	12	19,680	19,680	19,680	19,680
Retained earnings		18,040	21,716	15,516	17,607
Fair value adjustment reserve		7,495	7,455	-	-
Capital reserve		230	230	322	322
Translation reserve		(3,918)	(3,406)	-	-
		41,527	45,675	35,518	37,609
Non-controlling interests		2,403	2,477	-	-
Total equity		43,930	48,152	35,518	37,609

C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Group	
		1H2023 Unaudited S\$'000	1H2022 Unaudited S\$'000
Cash flows from operating activities			
Loss before tax	E6	(3,356)	(585)
Adjustments:			
Impairment losses on trade and other receivables and contract assets	E6	653	658
Allowance for/(written back) obsolete and slow-moving inventories, net	E6	126	(194)
Fixed assets written off	E6	-	2
Loss/(gain) on disposal of fixed assets, net	E6	63	(1)
Gain on disposal of fixed assets held for sale, net	E6	-	(11)
Depreciation of fixed assets	E6	848	914
Depreciation of right-of-use assets	E6	481	441
Net fair value loss on held for trading investment securities	E6	196	246
Depreciation of right-of-use assets - land use rights	E6	22	23
Dividend income from unquoted investment	E6	(310)	-
Finance expenses	E6	1,003	702
Interest income	E6	(25)	(57)
Share of results of associate	E6	63	38
Translation difference		(307)	(60)
Operating cash flows before working capital changes		(543)	2,116
(Increase)/decrease in:			
Inventories		1,358	588
Trade receivables		3,575	(2,408)
Contract assets		(2,511)	(4,068)
Other receivables		284	89
Deposits, prepayments and advance payment to suppliers		1,081	152
Amounts due from associates (trade)		298	(64)
Amounts due from associates (non-trade)		-	10
Increase/(decrease) in:			
Trade payables		8,210	15,793
Contract liabilities		569	(637)
Other payables		(117)	(320)
Accruals and other liabilities		2,517	(976)
Cash flows generated from operations		14,721	10,275
Interest paid		(733)	(423)
Income taxes paid		(658)	(213)
Income taxes refunded		34	180
Interest income		25	57
Net cash flows generated from operating activities		13,389	9,876

C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Notes	Group	
		1H2023 Unaudited S\$'000	1H2022 Unaudited S\$'000
Cash flows from investing activities			
Dividends received		142	164
Proceeds from disposal of fixed assets		62	12
Proceeds from disposal of fixed assets held for sale		-	901
Purchase of fixed assets	10	(42)	(89)
Proceeds from disposal of investment securities		498	1,763
Net cash flows generated from investing activities		660	2,751
Cash flows from financing activities			
Dividends paid		(223)	(201)
Repayment of trust receipts and bill payables, net		(13,957)	(12,052)
Repayment of lease liabilities		(683)	(663)
Repayment of term loans		(1,565)	(3,513)
Proceeds from term loans		415	1,268
Net cash flows used in financing activities		(16,013)	(15,161)
Net decrease in cash and cash equivalents		(1,964)	(2,534)
Effect of exchange rate changes on cash and cash equivalents		(18)	10
Cash and cash equivalents at beginning of period		5,969	6,815
Cash and cash equivalents at end of period		3,987	4,291
Cash and cash equivalents consist of the following :			
Cash and bank balances		4,244	4,257
<i>Less: Bank deposit pledged</i>		(200)	(200)
<i>Less: Bank overdraft</i>		(266)	-
Fixed deposits		209	234
		3,987	4,291

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Equity, total S\$'000	Equity attributable to owners of the Company, total S\$'000	Share capital S\$'000	Retained earnings S\$'000	Fair value adjustment reserve S\$'000	Capital reserve S\$'000	Translation reserve S\$'000	Non- controlling interests S\$'000
Group								
Balance at 1 January 2023	48,152	45,675	19,680	21,716	7,455	230	(3,406)	2,477
Loss for the period	(3,457)	(3,453)	-	(3,453)	-	-	-	(4)
<u>Other comprehensive income</u>								
Foreign currency translation	(542)	(472)	-	-	40	-	(512)	(70)
Total comprehensive income	(3,999)	(3,925)	-	(3,453)	40	-	(512)	(74)
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(223)	(223)	-	(223)	-	-	-	-
Balance at 30 June 2023	43,930	41,527	19,680	18,040	7,495	230	(3,918)	2,403
Balance at 1 January 2022	47,385	44,869	19,680	19,844	7,641	230	(2,526)	2,516
Loss for the period	(651)	(454)	-	(454)	-	-	-	(197)
<u>Other comprehensive income</u>								
Foreign currency translation	(107)	(64)	-	-	186	-	(250)	(43)
Total comprehensive income	(758)	(518)	-	(454)	186	-	(250)	(240)
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(201)	(201)	-	(201)	-	-	-	-
Balance at 30 June 2022	46,426	44,150	19,680	19,189	7,827	230	(2,776)	2,276

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Attributable to owners of the Company							
	Equity, total S\$'000	Equity attributable to owners of the Company, total S\$'000	Share capital S\$'000	Retained earnings S\$'000	Fair value adjustment reserve S\$'000	Capital reserve S\$'000	Translation reserve S\$'000	Non- controlling interests S\$'000
Company								
Balance at 1 January 2023	37,609	37,609	19,680	17,607	-	322	-	-
Loss for the period, representing total comprehensive income for the period	(1,868)	(1,868)	-	(1,868)	-	-	-	-
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(223)	(223)	-	(223)	-	-	-	-
Balance at 30 June 2023	<u>35,518</u>	<u>35,518</u>	<u>19,680</u>	<u>15,516</u>	<u>-</u>	<u>322</u>	<u>-</u>	<u>-</u>
Balance at 1 January 2022	33,412	33,412	19,680	13,410	-	322	-	-
Profit for the period, representing total comprehensive income for the period	93	93	-	93	-	-	-	-
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(201)	(201)	-	(201)	-	-	-	-
Balance at 30 June 2022	<u>33,304</u>	<u>33,304</u>	<u>19,680</u>	<u>13,302</u>	<u>-</u>	<u>322</u>	<u>-</u>	<u>-</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Far East Group Limited (the "Company") is incorporated and domiciled in Singapore and whose shares are publicly traded on the Catalist of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 30 June ("1H") 2023 comprise the Company and its subsidiaries (collectively, the "Group"). The principal activities of the Company consist of manufacturing and trading of refrigeration parts, servicing of cold rooms, construction and installation of commercial and industrial cold rooms and all other incidental business of refrigeration.

The principal activities of the Group are disclosed in Note 4 on segment and revenue information below.

2. Basis of Preparation

The condensed interim financial statements for 1H2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022 ("FY2022").

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s"), except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

The financial information contained in this announcement has neither been audited nor reviewed by the auditors.

The latest audited annual financial statements were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2.1. New and amended standards adopted by the Group

The Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2023. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

2.2.1 Judgements made in applying accounting policies

2.2.1a Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the Group's regional business relationships and the nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies.

As at 30 June 2023, the carrying amounts of the Group's tax recoverable, provision for income tax, deferred tax assets and deferred tax liabilities amounted to S\$64,000 (31 December 2022: S\$70,000), S\$215,000 (31 December 2022: S\$768,000), S\$1,153,000 (31 December 2022: S\$1,175,000) and S\$2,565,000 (31 December 2022: S\$2,554,000) respectively.

2.2.1b Assessment of classification of unquoted investment security

The Group holds 30% equity interest in its unquoted investment security. The Group does not participate in the operating and financing decision process, fails to obtain representation on the board of directors and is unable to obtain timely or adequate financial information required to apply equity method. Based on these facts and circumstances, management concludes that the Group cannot exert a significant influence in its unquoted investment security and classifies this investment as financial instrument carried at fair value through other comprehensive income.

2.2.1c Determination of lease term of contracts with extension options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the extension option in the lease term for lease of leasehold land in alignment with the expected useful life of its leasehold building.

2.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2.2.2a Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

As at 30 June 2023, the carrying amounts of the Company's investments in subsidiaries S\$20,570,000 (31 December 2022: S\$20,570,000).

2.2.2b Expected credit losses ("ECL") for trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. For trade receivables and contract assets, the provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As at 30 June 2023, the carrying amounts of the Group's and Company's trade receivables and contract assets, including balances with subsidiaries and associates amounted to S\$26,573,000 (31 December 2022: S\$28,586,000) and S\$3,192,000 (31 December 2022: S\$4,528,000) respectively.

2.2.2c Fair value measurement of unquoted equity security

The Group has investment in unquoted equity security which is measured at FVOCI. This requires the Group to engage external valuation expert to perform the valuation.

This financial instrument is categorised as Level 3 in the fair value hierarchy where certain pricing inputs to value these instruments are unobservable. The valuation involves the application of unobservable inputs such as discount for lack of marketability used by the external valuation expert.

As at 30 June 2023, the carrying amount of the unquoted equity security amounted to S\$9,672,000 (31 December 2022: S\$9,621,000).

2.2.2d Revenue from engineering contracts

Engineering contracts revenue is recognised over time by reference to the Group's progress towards completing the performance obligation in the contract. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the performance obligation within the contract.

Significant assumptions are required to estimate the total contract costs that will affect the stage of completion and revenue recognised. The estimates are based on the past experiences and knowledge of the project director and the quantity surveyor team.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

As at 30 June 2023, the carrying amounts of the Group's contract assets arising from engineering contracts amounted to S\$12,583,000 (31 December 2022: S\$10,798,000).

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group has reported its financial performance based on the business segments of Residential and commercial (air-conditioning), Commercial and light industrial (refrigeration) and Oil, marine and gas (refrigeration and air-conditioning) respectively since its listing in 2011. Over the past decade, the Group has developed new business, formed new partnerships, and made new acquisitions. The Management has conducted a review of its businesses and found that the previous segments are no longer representative of its enlarged business offerings. To present shareholders with a clearer understanding of the Group's businesses, the Management has redefined its business segments. With effect from FY2022, the Group will be reporting its financial performance based on the new business segments of Wholesale and Distribution, Manufacturing and Engineering Solutions respectively. The Wholesale and Distribution segment represents the sale of the Group's own manufactured products, multinational agency products and other distribution models of the Group. The Manufacturing segment mainly comprises the manufacturing and sale of the Group's comprehensive range of energy-efficient heat-exchangers, compressor racks and condensing units. The Engineering Solutions segment represents the provision of system design and installation of various sustainable engineering solutions and applications for various industries. More information and details of the new business segments can be found on the Group's website www.fareastref.com.sg.

4.1. Reportable segments

Group	Wholesale and Distribution \$'000	Manufacturing \$'000	Engineering Solutions \$'000	Elimination \$'000	Total \$'000
1H2023					
Revenue	20,461	8,715	14,428	(6,676)	36,928
Cost of sales	(16,601)	(6,803)	(13,557)	6,676	(30,285)
Gross profit	3,860	1,912	871		6,643
1H2022					
Revenue	26,903	10,631	19,713	(9,051)	48,196
Cost of sales	(21,799)	(9,098)	(17,110)	9,051	(38,956)
Gross profit	5,104	1,533	2,603		9,240

4.2. Disaggregation of Revenue

Segment	Wholesale and Distribution		Manufacturing		Engineering Solutions		Elimination		Total	
	1H2023	1H2022	1H2023	1H2022	1H2023	1H2022	1H2023	1H2022	1H2023	1H2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Primary geographical markets										
Singapore	5,494	7,675	1,226	1,718	14,255	19,439	(1,642)	(2,033)	19,333	26,799
Malaysia	8,991	10,748	601	888	-	-	(3,245)	(5,122)	6,347	6,514
Indonesia	2,513	4,112	-	-	-	-	(237)	(306)	2,276	3,806
Hong Kong/Macau/People's Republic of China	1,142	1,428	6,870	8,013	-	-	(748)	(981)	7,264	8,460
Indo-China*	2,005	1,968	-	11	173	274	(804)	(609)	1,374	1,644
Others	316	972	18	1	-	-	-	-	334	973
	20,461	26,903	8,715	10,631	14,428	19,713			36,928	48,196

Revenue contribution from a single region is disclosed separately when it exceeds 5% of the Group's revenue respectively.

Major revenue streams

Sale of goods	20,139	25,578	8,715	10,631	225	145	(6,661)	(9,042)	22,418	27,312
Project installation and maintenance services	16	15	-	-	803	619	-	-	819	634
Engineering contracts revenue	306	1,310	-	-	13,400	18,949	(15)	(9)	13,691	20,250
	20,461	26,903	8,715	10,631	14,428	19,713			36,928	48,196

Timing of transfer of goods or services

At a point in time	20,155	25,593	8,715	10,631	1,028	764	(6,661)	(9,042)	23,237	27,946
Over time	306	1,310	-	-	13,400	18,949	(15)	(9)	13,691	20,250
	20,461	26,903	8,715	10,631	14,428	19,713			36,928	48,196

Geographical information

Non-current assets information based on the geographical location assets are as follows

	30 Jun 2023 \$'000	31 Dec 2022 \$'000
Non-current assets		
Singapore	34,994	35,463
Malaysia	266	308
Indonesia	19	6,472
Hong Kong/Macau/People's Republic of China	5,836	10
Indo-China*	7	11
Others	-	7
	41,122	42,271

* relates to Vietnam, Myanmar and Cambodia

Non-current assets information presented above consist of fixed assets, intangible assets, right-of-use assets and land use rights as presented in the consolidated balance sheet.

5. Financial assets and financial liabilities

	Group		Company	
	30 Jun 2023 S\$'000	31 Dec 2022 S\$'000	30 Jun 2023 S\$'000	31 Dec 2022 S\$'000
Financial assets				
<u>Financial assets at fair value through other comprehensive income ("FVOCI")</u>				
Unquoted equity security	9,672	9,621	-	-
<u>Financial assets at fair value through profit or loss</u>				
Held for trading investment securities	1,665	2,360	1,665	2,360
<u>Financial assets carried at amortised cost</u>				
Cash and bank balances and trade and other receivables (Amortised cost)	20,252	25,702	10,507	12,511
	31,589	37,683	12,172	14,871
Financial liabilities				
Trade and other payables and borrowings (Amortised cost)	65,944	70,039	46,464	50,807

6. Loss before taxation

6.1. Significant items

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

	Group		Change +ve/(-ve) %
	Unaudited 1H2023 S\$'000	Unaudited 1H2022 S\$'000	
Interest income	(25)	(57)	(56.1)
Finance expenses	1,003	702	42.9
Allowance for/(written back) obsolete and slow-moving inventories, net	126	(194)	n.m.
Impairment loss on trade and other receivables and contract assets	653	658	(0.8)
Fixed assets written off	-	2	(100.0)
Net fair value loss on held for trading investment securities	196	246	(20.3)
Loss/(gains) on disposal of fixed assets, net	63	(1)	n.m.
Gains on disposal of fixed assets held for sale, net	-	(11)	(100.0)
Depreciation of fixed assets	848	914	(7.2)
Depreciation of right-of-use assets	481	441	9.1
Depreciation of right-of-use assets - land use rights	22	23	(4.4)
Dividend income from unquoted investment	(310)	-	n.m.
Share of results of associate	63	38	65.8
Foreign exchange losses, net	88	165	(46.7)

n.m. : not meaningful

6.2. Related party transactions

Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the condensed interim financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during 1H2023:

	Group S\$'000	Company S\$'000
Income		
Sales of goods to subsidiaries	-	5,147
Sales of goods to associates	726	-
Sales of goods to affiliated companies	50	-
Dividend income from subsidiaries	-	230
Management fee income from subsidiaries	-	902
Royalty fee income from a subsidiary	-	64
	<hr/>	<hr/>
Expenses		
Purchases from subsidiaries	-	1,558
Rental paid to an affiliated company	4	-
Loan interest paid to subsidiaries	-	33
	<hr/>	<hr/>

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	1H2023 S\$'000	1H2022 S\$'000
Current income tax expense	72	34
Deferred income tax expense relating to origination and reversal of temporary differences	29	32
	<hr/>	<hr/>
	101	66
	<hr/>	<hr/>

8. Dividends

Declared and payable during the financial period:

Dividends on ordinary shares:

Final exempt 2022 dividend of 0.20 cents per share (2021: Final exempt 2021 dividend of 0.18 cents per share)

	Company	
	1H2023 S\$'000	1H2022 S\$'000
	<hr/>	<hr/>
	223	201
	<hr/>	<hr/>

9. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise the following:

	Group	
	30 Jun 2023	31 Dec 2022
	S\$'000	S\$'000
FVOCI		
Unquoted equity security	9,672	9,621
- Guangzhou Fayi Trading Co., Ltd.		

The Group has elected to measure the unquoted equity security at FVOCI due to the Group's intention to hold the equity instruments for long-term appreciation.

9.1 Fair value measurement

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table presented the assets measured at fair value:

	Group			
	Level 1	Level 2	Level 3	Total
	S\$'000	S\$'000	S\$'000	S\$'000
30 June 2023				
Financial assets				
FVOCI investments	-	-	9,672	9,672
At fair value through profit or loss- held for trading investment securities (quoted)	1,665	-	-	1,665
31 December 2022				
Financial assets				
FVOCI investments	-	-	9,621	9,621
At fair value through profit or loss- held for trading investment securities (quoted)	2,360	-	-	2,360

10. Fixed assets

During 1H2023, the Group acquired assets amounting to S\$42,000 (1H2022: S\$89,000) and disposed of assets amounting to S\$125,000 (1H2022: S\$11,000).

11. Borrowings

	Group				Company			
	As at 30 June 2023		As at 31 December 2022		As at 30 June 2023		As at 31 December 2022	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Repayable in one year or less, or on demand	17,776	-	19,475	-	9,455	-	10,890	-
Repayable after one year	14,483	-	15,787	-	13,791	-	14,405	-
Total borrowings	32,259	-	35,262	-	23,246	-	25,295	-

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; (iii) leased assets; (iv) existing debenture incorporating a first floating charge over the receivables of a subsidiary for the projects financed by the bank; and (v) existing assignment of contracts and contracts proceeds and first fixed charge over account for projects financed by the bank. Total borrowings include trust receipts and bills payable, leases liabilities under hire purchase, term loans and bank overdraft.

12. Share Capital

	Group and Company			
	30 Jun 2023		31 Dec 2022	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid ordinary shares				
Beginning and end of interim period	111,462	19,680	111,462	19,680

The total number of issued shares (excluding treasury shares) was 111,462,000 as at 30 June 2023 and 31 December 2022.

There was no change in the Company's issued and paid up share capital from 1 January 2023 to 30 June 2023.

The Company does not hold any treasury shares or convertible instruments as at 30 June 2023, 31 December 2022 and 30 June 2022.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2023, 31 December 2022 and 30 June 2022.

13. Net assets value

	Group		Company	
	As at 30 June 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
Net asset value attributable to owners of the Company (S\$'000)	41,527	45,675	35,518	37,609
Number of ordinary shares ('000)	111,462	111,462	111,462	111,462
Net asset value per share (cents)	37.3	41.0	31.9	33.7

14. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. OTHER INFORMATION REQUIRED BY CATALIST RULE APPENDIX 7C

1. 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\$11.3 million or 23.4%, from S\$48.2 million in 1H2022 to S\$36.9 million in 1H2023. The Group faces the pressure in economic slowdown which leads to increasing price pressure on lower sales demand.

Revenue by Business Segment	Group				Change	Change
	1H2023 S\$'000	Contribution %	1H2022 S\$'000	Contribution %	+ve/(-ve) S\$'000	+ve/(-ve) %
Wholesale and Distribution	15,630	42.3%	20,733	43.0%	(5,103)	(24.6)
Manufacturing	6,887	18.6%	7,759	16.1%	(872)	(11.2)
Engineering Solutions	14,411	39.0%	19,704	40.9%	(5,293)	(26.9)
	<u>36,928</u>	<u>100%</u>	<u>48,196</u>	<u>100%</u>	<u>(11,268)</u>	<u>(23.4)</u>

Revenue from wholesale and distribution segment decreased by S\$5.1 million in 1H2023 as compared to 1H2022 mainly due to the slowdown in sales in Singapore and Indonesia due to lower sales demand.

Revenue from manufacturing segment decreased by S\$0.9 million in 1H2023 as compared to 1H2022 mainly due to the weak economic recovery in China. The uncertainty caused delay in project orders and customers become more conservative in purchasing to conserve cash.

Revenue from engineering solutions segment decreased by S\$5.3 million in 1H2023 as compared to 1H2022 mainly due to most projects have near to completion stage in 1H2023 while the new projects have yet to contribute significantly in 1H2023.

Gross profit and gross profit margin

The Group's gross profit decreased by S\$2.6 million or 28.1%, from S\$9.2 million in 1H2022 to S\$6.6 million in 1H2023. The gross profit margin decreased by 1.2 percentage points, from 19.2% in 1H2022 to 18.0% in 1H2023. This lower gross profit margin arose from Engineering Solutions segment, mainly due to increase in direct labour cost and other project cost.

Other operating income

Other operating income increased by S\$0.1 million mainly due to dividend income of S\$0.3 million and this was partially offset by the decrease in facilities cost charged to third party of S\$0.2 million.

Distribution and selling expenses

Distribution and selling expenses increased by S\$0.2 million mainly due to the increase in exhibition cost and travelling cost as the borders have fully opened in 1H2023.

Administrative expenses

Administrative expenses decreased by S\$0.1 million mainly due to reduction of staff cost.

Other operating expenses

Other operating expenses decreased by S\$0.1 million. This was mainly due to lower unrealised foreign exchange losses incurred in 1H2023.

Finance expenses

Finance expenses increased by S\$0.3 million mainly due to interest rate hike in 1H2023.

Profitability

In view of the above reasons, the Group's loss before taxation increased by S\$2.7 million to S\$3.4 million in 1H2023 as compared to S\$0.7 million in 1H2022.

Review of Financial Position**Non-current assets**

Non current assets decreased by S\$1.2 million, from S\$61.7 million as at 31 December 2022 to S\$60.5 million as at 30 June 2023.

The decrease was mainly due to decrease in fixed assets which mainly comprised of (i) depreciation charges of S\$0.8 million; (ii) translation difference arose in fixed asset of S\$0.1 million; and (iii) disposal of fixed assets of S\$0.1 million.

Current assets

Current assets decreased by S\$7.1 million, from S\$61.7 million as at 31 December 2022 to S\$54.6 million as at 30 June 2023.

The decrease was mainly due to decrease in (i) trade receivables of S\$3.5 million; (ii) cash and cash balances of S\$1.7 million; (iii) advance payment to suppliers of S\$1.7 million; (iv) inventories of S\$1.5 million; (v) investment securities of S\$0.7 million; and (vi) amount due from associate of S\$0.3 million. The decrease was partially offset by increase in (i) contract assets of S\$1.8 million; and (ii) prepayments of S\$0.5 million.

Current liabilities

Current liabilities decreased by S\$3.0 million, from S\$44.2 million as at 31 December 2022 to S\$41.2 million as at 30 June 2023.

The decrease was mainly due to decrease in (i) trade payables of S\$3.7 million; (ii) term loans of S\$1.3 million; (iii) trust receipts and bill payables of S\$0.7 million ; (iv) provision for income tax of S\$0.6 million ; and (v) lease liabilities of S\$0.1 million. The decrease was partially offset by increase in (i) accruals and other liabilities of S\$2.5 million; (ii) contract liabilities of S\$0.6 million; and (iii) bank overdraft of S\$0.3 million.

Non-current liabilities

Non-current liabilities decreased by S\$1.1 million, from S\$31.1 million as at 31 December 2022 to S\$30.0 million as at 30 June 2023.

The decrease was mainly due to decrease in term loans of S\$1.2 million. The decrease was partially offset by increase lease liabilities of S\$0.1 million.

Equity

Total equity decreased by S\$4.2 million, from S\$48.2 million as at 31 December 2022 to S\$43.9 million as at 30 June 2023.

This was mainly due to (i) loss for the period of S\$3.5 million; (ii) decrease in translation reserve of S\$0.5 million; and (iii) dividend on ordinary shares of S\$0.2 million.

Review of Cash Flow Statement

The Group used S\$0.5 million net cash in operating activities before changes in working capital in 1H2023 while net cash flows generated from operating activities amounted to S\$13.4 million. This was mainly due to positive working capital changes of S\$15.2 million, partially offset by interest paid of S\$0.7 million and income taxes paid of S\$0.6 million.

The working capital changes mainly consist of net cash inflows arising from changes in (i) trade payables of S\$8.2 million; (ii) trade receivables of S\$3.6 million; (iii) accruals and liabilities of S\$2.5 million; (iv) inventories of S\$1.4 million; (v) deposits, prepayments and advance payments to suppliers of S\$1.1 million; (vi) contract liabilities of S\$0.6 million; and (vii) amount due from associates (trade) of S\$0.3 million.

While net cash outflows arising from changes in contract assets of S\$2.5 million.

Net cash generated from investing activities amounting to S\$0.6 million in 1H2023 was mainly due to (i) proceeds from disposal of investment securities of S\$0.5 million; and (ii) dividend received of S\$0.1 million.

Net cash used in financing activities amounted to S\$16.0 million in 1H2023. This was mainly due to (i) net repayment of trust receipts and bill payables of S\$14.0 million; (ii) net repayment of term loans of S\$1.1 million; (iii) net repayment of lease liabilities of S\$0.7 million; and (iv) dividend paid of S\$0.2 million.

2. 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.

3. 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.

The Group faced a very challenging 1st half in FY2023 across all segments. While the softening of the markets that the Group operates in was expected, revenue declined more sharply than expected. As a result, the Group's margins have also declined to remain competitive. This is especially evident in the Engineering Solutions segment where high labour costs are incurred to carry out projects. The Wholesale and Distribution segment continues to be exposed to stiff competition amidst the weak sentiments in the regional markets. The Manufacturing segment faces a slower recovery than expected in the onboarding of projects in China.

Going forward, the Group expects the markets to remain very challenging. The Management continues to focus on cost controls and remain competitive.

4. Dividend

(a) Current Financial Period Reported on 30 June 2023

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

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Nil.

(c) Date Payable

Not applicable.

(d) Record Date

Not applicable.

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

No dividend is proposed for 1H2023 as the Board is of the view to conserve cash in this challenging year.

6. 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.

7. 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 of Directors confirms that the Company has 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.

8. Disclosure pursuant to Rule 706A of the Catalist Rules

There were no acquisition or realization of shares thereby resulting (i) in a change in the shareholding percentage in any of the subsidiary or associated company of the Group or (ii) an entity becoming or ceasing to be (as the case may be) a subsidiary or associated company of the Group during 1H2023. Neither was there any incorporation or striking off of subsidiary or associated company by the Group during 1H2023.

CONFIRMATION PURSUANT TO RULE 705(5) OF THE SGX-ST LISTING MANUAL SECTION B: RULES OF CATALIST

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited results for the financial period ended 30 June 2023 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
Far East Group Limited

Loh Mun Yew
CEO and Executive Director

Leng Chee Keong
COO and Executive Director

14 August 2023