



FAR EAST GROUP LIMITED

远 东 集 团 有 限 公 司

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UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2019

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 FY2019 S\$'000	Audited FY2018 S\$'000		
Revenue	70,602	40,787	29,815	73.1
Cost of sales	(51,932)	(30,406)	(21,526)	70.8
Gross profit	18,670	10,381	8,289	79.8
Other operating income	2,941	32,656	(29,715)	(91.0)
Distribution and selling expenses	(8,425)	(5,607)	(2,818)	50.3
Administrative expenses	(12,539)	(10,915)	(1,624)	14.9
(Impairment losses)/reversal of impairment losses on financial assets, net	(230)	36	(266)	n.m.
Other operating expenses	(164)	(26)	(138)	n.m.
Share of results of joint venture	45	(66)	111	n.m.
Share of results of associates	132	90	42	46.7
	(21,181)	(16,488)	(4,693)	28.5
Profit from operations	430	26,549	(26,119)	(98.4)
Finance expenses	(1,665)	(977)	(688)	70.4
Interest income	213	141	72	51.1
(Loss)/profit before tax	(1,022)	25,713	(26,735)	n.m.
Tax expense	(404)	(28)	(376)	n.m.
(Loss)/profit for the year	(1,426)	25,685	(27,111)	n.m.
Other comprehensive income				
<u>Items that will not be reclassified to profit or loss</u>				
Net fair value gain/(loss) on equity instrument at fair value through other comprehensive income ("FVOCI")	11	(1,796)	1,807	n.m.
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation	(281)	(120)	(161)	n.m.
Total comprehensive income for the year	(1,696)	23,769	(25,465)	n.m.
(Loss)/profit for the year attributable to :-				
Owners of the Company	(1,442)	25,721	(27,163)	n.m.
Non-controlling interests	16	(36)	52	n.m.
	(1,426)	25,685	(27,111)	n.m.
Total comprehensive income for the year attributable to :-				
Owners of the Company	(1,670)	23,861	(25,531)	n.m.
Non-controlling interests	(26)	(92)	66	(71.7)
	(1,696)	23,769	(25,465)	n.m.

n.m. : not meaningful

Note:

FY2018 profit includes the one-off gains from disposal of fixed asset of S\$22.4 million, fixed assets held for sale of S\$6.6 million and investment property of S\$0.9 million, partially offset by relevant professional fees of S\$0.5 million.

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 FY2019 S\$'000	Audited FY2018 S\$'000	Change +ve/(-ve) %
Interest income	(213)	(141)	51.1
Finance expenses	1,665	977	70.4
Write back of allowance of obsolete and slow-moving inventories, net	(99)	(1,087)	(90.9)
Impairment losses/(reversal of impairment losses) on financial assets, net	230	(36)	n.m.
Fixed assets written off	25	80	(68.8)
Unrealised fair value gain on financial instruments	(111)	-	n.m.
Realised fair value gain on financial instruments	(9)	-	n.m.
Loss/(gain) on disposal of fixed assets, net	2	(22,422)	n.m.
Gain on disposal of fixed assets held for sale, net	-	(6,590)	n.m.
Gain on disposal of investment property, net	-	(921)	n.m.
Depreciation of fixed assets	2,073	1,902	9.0
Depreciation of right-of-use assets*	698	-	n.m.
Dividend income from unquoted investment	(448)	(290)	54.5
Amortisation of land use rights	45	45	-
Amortisation of intangible assets	432	88	n.m.
Foreign exchange losses/(gains), net	137	(10)	n.m.

n.m. : not meaningful

* : Arising from adoption of SFRS(I) 16 Leases. Refer to Section 5 on page 11 for more details.

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-19 S\$'000	Audited 31-Dec-18 S\$'000	Unaudited 31-Dec-19 S\$'000	Audited 31-Dec-18 S\$'000
Non-current assets				
Fixed assets	33,416	32,449	24,681	25,395
Intangible assets	627	405	-	-
Land use rights	1,824	1,888	-	-
Investment in subsidiaries	-	-	21,166	15,102
Investment in joint venture	-	31	-	136
Investment in associates	691	589	-	-
Unquoted investment	8,984	9,042	-	-
Deferred tax assets	504	581	-	-
Right-of-use assets	13,215	-	12,955	-
Total non-current assets	59,261	44,985	58,802	40,633
Current assets				
Inventories	13,285	14,123	6,968	7,368
Trade receivables	12,592	8,480	2,675	2,508
Contract assets *	11,043	-	-	-
Other receivables	1,519	694	742	155
Deposits	292	228	69	71
Prepayments	255	115	52	49
Investment in financial instruments	7,914	-	7,914	-
Advance payment to suppliers	791	1,332	752	1,211
Amounts due from subsidiaries (trade)	-	-	3,358	3,426
Amounts due from subsidiaries (non-trade)	-	-	4,647	3,595
Amounts due from joint venture and associates (trade)	1,047	641	12	115
Amounts due from joint venture and associates (non-trade)	163	115	-	-
Tax recoverable	-	359	-	-
Fixed deposits	3,497	16,084	3,183	16,084
Cash and bank balances	5,548	5,476	654	829
Total current assets	57,946	47,647	31,026	35,411
Current liabilities				
Trade payables	7,770	3,417	1,634	2,191
Contract liabilities	1,146	1,143	253	718
Trust receipts and bills payable (secured)	9,047	5,842	6,182	5,842
Other payables	856	740	356	302
Accruals and other liabilities	5,264	4,950	1,493	4,062
Dividend payable	137	116	137	116
Amounts due to subsidiaries (trade)	-	-	2,598	1,897
Amounts due to subsidiaries (non-trade)	-	-	136	131
Amounts due to joint venture and associates (non-trade)	158	159	-	-
Provision for income tax	143	52	-	-
Lease liabilities (current)	688	14	294	11
Loans and borrowings (current)	4,044	3,381	2,248	971
Total current liabilities	29,253	19,814	15,331	16,241
Net current assets	28,693	27,833	15,695	19,170

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-19 S\$'000	Audited 31-Dec-18 S\$'000	Unaudited 31-Dec-19 S\$'000	Audited 31-Dec-18 S\$'000
Non-current liabilities				
Deferred tax liabilities	2,511	2,069	-	-
Lease liabilities (non-current)	13,488	55	12,958	38
Loans and borrowings (non-current)	18,447	16,093	17,785	16,093
Total non-current liabilities	34,446	18,217	30,743	16,131
Net assets	53,508	54,601	43,754	43,672
Equity attributable to owners of the Company				
Share capital	19,697	19,264	19,697	19,264
Retained earnings	27,441	28,883	23,735	24,086
Fair value adjustment reserve	6,999	6,988	-	-
Capital reserve	322	322	322	322
Translation reserve	(3,116)	(2,877)	-	-
	51,343	52,580	43,754	43,672
Non-controlling interests	2,165	2,021	-	-
Total equity	53,508	54,601	43,754	43,672

* Contract assets relate to the newly acquired subsidiaries of M-Tech Air-Con & Security Engineering Pte Ltd and Coolwerkz Engineering Limited in FY2019.

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 2019		As at 31 December 2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Repayable in one year or less, or on demand	13,288	-	9,237	-
Repayable after one year	19,000	-	16,148	-
Total borrowings	32,288	-	25,385	-

Details of any collateral

The above borrowings are secured by legal mortgage over the leasehold land and buildings, motor vehicles, plant and machinery, office equipment and land use rights of the Group. Excluded from the borrowings above are lease liabilities that arose from SFRS(I) 16 adoption.

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	
	FY2019	FY2018
	Unaudited	Audited
	S\$'000	S\$'000
Cash flows from operating activities		
(Loss)/profit before tax	(1,022)	25,713
Adjustments:		
Impairment losses/(reversal of impairment losses) on financial assets, net	230	(36)
Write back of allowance of obsolete and slow-moving inventories, net	(99)	(1,087)
Fixed assets written off	25	80
Loss/(gain) on disposal of fixed assets, net	2	(22,422)
Gain on disposal of fixed assets held for sale, net	-	(6,590)
Gain on disposal of investment property, net	-	(921)
Depreciation of fixed assets	2,073	1,902
Depreciation of right-of-use assets	698	-
Dividend income from unquoted investment	(448)	(290)
Unrealised fair value gain on financial instruments	(111)	-
Realised fair value gain on financial instruments	(9)	-
Amortisation of land use rights	45	45
Amortisation of intangible assets	432	88
Finance expenses	1,665	977
Interest income	(213)	(141)
Share of results of joint venture	(45)	66
Share of results of associates	(132)	(90)
Translation difference	12	30
Operating cash flows before working capital changes	3,103	(2,676)
<i>(Increase)/decrease in:</i>		
Inventories	1,479	(2,317)
Trade receivables	(715)	(931)
Contract assets	(5,408)	-
Other receivables	(175)	1,482
Deposits, prepayments and advance payment to suppliers	509	(679)
Amounts due from joint venture and associates (trade)	(406)	(242)
<i>Increase/(decrease) in:</i>		
Trade payables	122	6,890
Contract liabilities	(240)	371
Other payables	208	335
Accruals and other liabilities	(243)	2,678
Amounts due to joint venture and associates (trade)	-	(16)
Cash flows (used in)/generated from operations	(1,766)	4,895
Interest paid	(1,137)	(977)
Income taxes paid	(207)	(513)
Income taxes refunded	298	158
Interest income	213	141
Net cash flows (used in)/ generated from operating activities	(2,599)	3,704
Cash flows from investing activities		
Proceeds from disposal of fixed assets	53	26,611
Proceeds from disposal of fixed assets held for sale	-	7,744
Proceeds from disposal of investment property	-	921
Purchase of fixed assets	(680)	(2,053)
Dividends received	222	497
Increase in amount due from joint venture and associates (non-trade)	(47)	(115)
Bank deposit pledged	(100)	-
Net cash outflow on investment in associates	-	(351)
Net cash outflow on investment in subsidiaries	(4,208)	-
Purchase of financial instruments	(11,086)	-
Proceeds from disposal of financial instruments	3,291	-
Net cash flows (used in)/generated from investing activities	(12,555)	33,254

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	
	FY2019 Unaudited S\$'000	FY2018 Audited S\$'000
Cash flows from financing activities		
Dividends paid	-	(3,448)
Proceeds from trust receipts and bills payables	956	(4,050)
Repayment of lease liabilities	(866)	(14)
Repayment of loans and borrowings	(8,101)	(21,143)
Proceeds from loans and borrowings	10,317	8,502
Capital contribution from non-controlling interest	95	97
Increase in amount due to joint venture and associates (non-trade)	-	3
Net cash flows generated from/(used in) financing activities	<u>2,401</u>	<u>(20,053)</u>
Net (decrease)/increase in cash and cash equivalents	(12,753)	16,905
Effect of exchange rate changes on cash and cash equivalents	25	4
Cash and cash equivalents at beginning of year	21,460	4,551
Cash and cash equivalents at end of year	<u>8,732</u>	<u>21,460</u>
Cash and cash equivalents consist of the following :		
Cash and bank balances	5,548	5,476
Fixed deposits	3,497	16,084
	<u>9,045</u>	<u>21,560</u>
<i>Less: bank deposit pledged</i>	(200)	(100)
<i>Less: bank overdrafts</i>	(113)	-
	<u>8,732</u>	<u>21,460</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 2019	54,601	52,580	19,264	28,883	6,988	322	(2,877)	2,021
(Loss)/profit for the year	(1,426)	(1,442)	-	(1,442)	-	-	-	16
<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	(1,696)	(1,670)	-	(1,442)	11	-	(239)	(26)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of subsidiary	75	-	-	-	-	-	-	75
Capital contribution from non-controlling interest	95	-	-	-	-	-	-	95
<u>Contributions by and distribution to owners</u>								
Shares issued for acquisition of a subsidiary	433	433	433	-	-	-	-	-
Balance at 31 December 2019	53,508	51,343	19,697	27,441	6,999	322	(3,116)	2,165
Balance at 1 January 2018	34,185	32,169	19,264	6,612	8,784	322	(2,813)	2,016
Profit/(loss) for the year	25,685	25,721	-	25,721	-	-	-	(36)
<u>Other comprehensive income</u>								
Foreign currency translation	(120)	(64)	-	-	-	-	(64)	(56)
Net fair value loss on equity instrument at FVOCI	(1,796)	(1,796)	-	-	(1,796)	-	-	-
Total comprehensive income	23,769	23,861	-	25,721	(1,796)	-	(64)	(92)
<u>Changes in ownership interests in subsidiaries</u>								
Capital contribution from non-controlling interest	97	-	-	-	-	-	-	97
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(3,450)	(3,450)	-	(3,450)	-	-	-	-
Balance at 31 December 2018	54,601	52,580	19,264	28,883	6,988	322	(2,877)	2,021

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
<u>COMPANY</u>				
Balance at 1 January 2019	43,672	19,264	24,086	322
Loss for the year, representing total comprehensive income for the year	(351)	-	(351)	-
<u>Contributions by and distribution to owners</u>				
Shares issued for acquisition of a subsidiary	433	433	-	-
Balance at 31 December 2019	<u>43,754</u>	<u>19,697</u>	<u>23,735</u>	<u>322</u>
Balance at 1 January 2018	23,415	19,264	3,829	322
Profit for the year, representing total comprehensive income for the year	23,707	-	23,707	-
<u>Contributions by and distribution to owners</u>				
Dividends on ordinary shares	(3,450)	-	(3,450)	-
Balance at 31 December 2018	<u>43,672</u>	<u>19,264</u>	<u>24,086</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.

The Company has allotted and issued 2,982,000 shares during FY2019, as part of the consideration for an acquisition of a subsidiary, M-Tech Air-Con & Security Engineering Pte Ltd which was completed on 16 April 2019.

The Company does not have any convertible securities, treasury shares and subsidiary holdings as at 31 December 2019 and 31 December 2018.

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) as at 31 December 2019 and 31 December 2018 was 111,462,000 and 108,480,000 respectively.

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 uncertainty relating to going concern.

Not applicable. The Group's latest audited financial statements for FY2018 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 preparation of the financial statements for the current financial reporting period as compared with the audited financial statements for the financial year ended 31 December 2018, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 January 2019 as disclosed in item 5 below.

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 adoption of new and revised standards did not have material effect on the financial performance and position of the Group and the Company except for the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) 16 Leases which took effect on 1 January 2019. SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group adopted SFRS(I) 16 using the modified retrospective approach, and have applied the practical expedients to (i) recognise the amount of right-of-use assets equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019, and (ii) accounting for leases expiring within 12 months from 1 January 2019 as short term leases.

The effects of adopting SFRS(I) 16 resulted in the recognition of right-of-use assets and corresponding lease liabilities on 1 January 2019 of S\$13.8 million and S\$13.4 million for the Group and Company respectively.

In relation to those leases under SFRS(I) 16, the Group has recognised depreciation of right-of-use assets and finance expenses, instead of operating lease expense. The impact of adoption of SFRS(I) 16 on the financial performance of the Group for FY2019 is summarised as follows:

	FY2019		FY2018	
	After SFRS(I) 16 adoption	SFRS(I) 16 adoption	Before SFRS(I) 16 adoption	Before SFRS(I) 16 adoption
	S\$'000	S\$'000	S\$'000	S\$'000
Administrative expenses	12,539	317	12,856	10,915
Finance expenses	1,665	(527)	1,138	977

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	
	FY2019	FY2018
Net (loss)/profit after tax attributable to owners of the Company (S\$'000)	(1,442)	25,721
Weighted average number of ordinary shares ('000)	110,604	108,480
(Loss)/earnings per share - basic/fully diluted (cents)	(1.30)	23.71

The Company has no dilutive equity instruments as at 31 December 2019 and 31 December 2018.

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 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Net asset value attributable to owners of the Company (S\$'000)	51,343	52,580	43,754	43,672
Number of ordinary shares ('000)	111,462	108,480	111,462	108,480
Net asset value per share (cents)	46.1	48.5	39.3	40.3

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 increased by S\$29.8 million or 73.1%, from S\$40.8 million in FY2018 to S\$70.6 million in FY2019. The increase was mainly due to (i) revenue contribution from newly acquired subsidiaries, M-Tech Air-Con & Security Engineering Pte Ltd ("M-Tech") of S\$23.0 million and Coolwerkz Engineering Limited ("Coolwerkz ") of S\$0.4 million; and (ii) increase in revenue from Singapore, China, Indonesia, Vietnam and Myanmar markets due to increased sales efforts.

Revenue by Business Segments	GROUP				Change +ve/(-ve) S\$'000	Change +ve/(-ve) %
	FY2019 S\$'000	% Contribution	FY2018 S\$'000	% Contribution		
Residential and commercial (air-conditioning)	27,457	38.9%	4,677	11.5%	22,780	n.m.
Oil, marine and gas (refrigeration and air-conditioning)	1,400	2.0%	1,041	2.5%	359	34.5
Commercial and light industrial (refrigeration)	41,745	59.1%	35,069	86.0%	6,676	19.0
	70,602	100%	40,787	100%	29,815	73.1

Revenue from the residential and commercial (air-conditioning) segment increased by S\$22.8 million in FY2019 as compared to FY2018 mainly due to the acquisition of M-Tech. Revenue from the commercial and light industrial (refrigeration) segment increased by S\$6.7 million in FY2019 as compared to FY2018 mainly due to the increase of sales in Singapore, China, Vietnam markets due to increased sales efforts.

Gross profit and gross profit margin

The Group's gross profit increased by S\$8.3 million or 79.8%, from S\$10.4 million in FY2018 to S\$18.7 million in FY2019 mainly due to the increase in revenue. The gross profit margin increased by 0.9 percentage points, from 25.5% in FY2018 to 26.4% in FY2019.

Other operating income

Other operating income decreased by S\$29.8 million, from S\$32.7 million in FY2018 to S\$2.9 million in FY2019. This was mainly due to one-off gain on disposal of fixed assets, fixed assets held for sale and investment property of S\$22.4 million, S\$6.6 million and S\$0.9 million respectively in FY2018. This was partially offset by unrealised gain from investment in financial assets of S\$0.1 million in FY2019.

Distribution and selling expenses

Distribution and selling expenses increased by S\$2.8 million or 50.3%, from S\$5.6 million in FY2018 to S\$8.4 million in FY2019 due to consolidation of M-Tech's distribution and selling expenses of S\$2.6 million pursuant to M-Tech's acquisition; and (ii) increase in staff costs of S\$0.4 million. This was partially offset by (i) decrease in sales commission of S\$0.1 million; and (ii) transportation and freight charges of S\$0.1 million.

Administrative expenses

Administrative expenses increased by S\$1.6 million, from S\$10.9 million in FY2018 to S\$12.5 million in FY2019. This was mainly due to consolidation of M-Tech's administrative expenses of S\$4.8 million pursuant to M-Tech's acquisition. The increase was partially offset by the decrease in (i) staff related cost of S\$2.7 million; (ii) professional fee of S\$0.2 million; (iii) rental expenses of S\$0.2 million; and (iv) building maintenance cost and utilities of S\$0.1 million.

Impairment losses on financial assets

Impairment losses on financial assets increased by S\$0.3 million in FY2019 to S\$0.2 million. This was mainly due to (i) expected credit losses on M-Tech's financial assets of S\$0.2 million; and (ii) lower reversal of impairment losses on financial assets of S\$0.1 million in FY2019.

Other operating expenses

Other operating expenses increased by S\$0.1 million. This was mainly due to unrealised foreign exchange loss incurred in FY2019.

Finance expenses

Finance expenses increased by S\$0.7 million, from S\$1.0 million in FY2018 to S\$1.7 million in FY2019. This was mainly due to (ii) the increase of interest expenses of S\$0.5 million after the adoption of SFRS(I) 16 Leases in FY2019, and (ii) consolidation of M-Tech's finance expenses of S\$0.2 million pursuant to M-Tech's acquisition.

Tax expense

Tax expense increased by S\$0.4 million in FY2019. This was mainly due to a one-off deferred tax credit arising from temporary differences of S\$0.4 million in FY2018.

Profitability

The Group's net loss before taxation has decreased by S\$2.7 million or 73.0% to S\$1.0 million in FY2019 as compared to S\$3.7 million in FY2018, excluding the one-off gains from disposal of fixed asset, fixed assets held for sale and investment property of S\$29.9 million and partially offset by relevant professional fees of S\$0.5 million in FY2018.

Note:

As the computation of the purchase price allocation (PPA) on the acquisition of M-Tech has not been finalised and is subject to auditor's review, the administrative expenses may be subject to changes in the audited financial statements.

Review of Financial Position

Non-current assets

Non-current assets increased by S\$14.3 million, from S\$45.0 million as at 31 December 2018 to S\$59.3 million as at 31 December 2019.

The increase was mainly due to (i) the recognition of right-of-use assets after the adoption of SFRS(I) 16 Leases of S\$13.2 million; and (ii) increase in fixed assets of S\$1.0 million and increase in goodwill of S\$0.2 million mainly from M-Tech's and Coolwerkz's acquisitions. This was partially offset by the decrease in deferred tax assets of S\$0.1 million.

Current assets

Current assets increased by S\$10.3 million, from S\$47.6 million as at 31 December 2018 to S\$57.9 million as at 31 December 2019.

The increase was mainly due to (i) increase of contract assets of S\$11.0 million pursuant to M-Tech's and Coolwerkz's acquisitions; (ii) increase in investment in financial instruments of S\$7.9 million; (iii) increase of trade receivables of S\$4.1 million; (iv) increase in other receivables of S\$0.8 million; and (v) increase in amount due from joint venture and associates (trade) of S\$0.4 million. The increase was partially offset by (i) decrease in fixed deposits of S\$12.6 million; (ii) decrease in inventories of S\$0.8 million; (iii) decrease in advance payment to suppliers of S\$0.5 million; and (iv) decrease in tax recoverable of S\$0.4 million.

Current liabilities

Current liabilities increased by S\$9.5 million, from S\$19.8 million as at 31 December 2018 to S\$29.3 million as at 31 December 2019.

The increase was mainly due to (i) increase in trade payables of S\$4.4 million; (ii) increase in trust receipts and bills payable of S\$3.2 million; (iii) increase in lease liabilities of S\$0.7 million after the adoption of SFRS(I) 16 Leases; (iv) increase in loans and borrowings of S\$0.7 million; (v) increase in accruals and other liabilities of S\$0.3 million; (vi) increase in other payables of S\$0.1 million; and (vii) increase in provision for income tax of S\$ 0.1 million.

Non-current liabilities

Non-current liabilities increased by S\$16.2 million, from S\$18.2 million as at 31 December 2018 to S\$34.4 million as at 31 December 2019.

The increase was due to (i) increase in lease liabilities of S\$13.4 million after the adoption of SFRS(I) 16 Leases; (ii) increase in loans and borrowings of S\$2.4 million; and (iii) increase in deferred tax liabilities of S\$0.4 million.

Equity

Total equity decreased by S\$1.1 million, from S\$54.6 million as at 31 December 2018 to S\$53.5 million as at 31 December 2019.

This was mainly due to (i) loss for the year of S\$1.4 million; and (ii) decrease in translation reserve of S\$0.2 million. The decrease was partially offset by (i) the issuance of shares of S\$0.4 million pursuant to the acquisition of M-Tech; and (ii) increase in non-controlling interests of S\$0.1 million.

Note:

As the computation of the purchase price allocation (PPA) on the acquisition of M-Tech has not been finalised and is subject to auditor's review, the related assets and liabilities may be subject to changes in the audited financial statements.

Review of Cash Flow Statement

Net cash flows used in operating activities amounted to S\$2.6 million, mainly due to (i) net cash used in working capital of S\$4.9 million; (ii) payment of interest of S\$1.1 million; and (iii) payment of income tax of S\$0.2 million. These were partially offset by (i) net cash generated from operating activities before changes in working capital of S\$3.1 million; (ii) income tax refund of S\$0.3 million; and (iii) interest income of S\$0.2 million.

Net cash used in investing activities amounting to S\$12.6 million in FY2019 was mainly due to (i) purchase of financial instruments of S\$11.1 million; (ii) net cash outflow on investment in subsidiaries of S\$4.2 million; (iii) purchase of fixed assets of S\$0.7 million; and (iv) increase in fixed deposits pledged to bank of S\$0.1 million. This was partially offset by (i) dividend received of S\$0.2 million; and (ii) the proceeds from disposal of financial instruments of S\$3.3 million.

Net cash generated from financing activities amounted to S\$2.4 million in FY2019. This was mainly due to (i) proceeds from loans and borrowings of S\$10.3 million; (ii) net proceeds from trust receipts and bills payable of S\$1.0 million; and (iii) capital contribution from non-controlling interest of S\$0.1 million. These were partially offset by (i) repayment of loans and borrowings of S\$8.1 million; and (ii) repayment of lease liabilities S\$0.9 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.

The Group has performed better in FY2019 as compared with FY2018 in its core operations. With the outbreak of COVID-19 since the start of FY2020 in China which now has spread to the rest of the world, it is becoming increasingly uncertain for our business as it is for many other businesses in the same region and around the world. The Group initially faced a delay in the resumption of our operations in China with the extended holidays as the Chinese government sought to control the spread of the virus. As of now, there are still activities that have not returned to normal operations in China, especially project sites where a congregation of labour is expected.

In our wholesale and distribution business in the ASEAN region, governments are also implementing tighter measures to contain the spread of the virus, such as the recent Movement Control Order (MCO) implemented in Malaysia and Circuit Breaker (CB) in Singapore. While our operations in Singapore is approved for exemption and allowed to continue as we support the essential services, certain parts of our business may be impeded due to the tighter measures put in place by the government. The MCO implemented by the Malaysian government resulted in a suspension in our operations there since 18 March 2020, although the Malaysian authorities have since relaxed regulations and have allowed businesses to apply for exemption which our subsidiary is still awaiting approval. Our customers are equally cautious as most are in the food and beverage industry which is greatly affected by lower sales. Travel restrictions put in place have also inconvenienced the face-to-face meetings with customers and site visits.

The Group had initially implemented Business Continuity Plans and greater flexibility in work arrangement with some staff being split into teams and working from home. Enhancement and greater usage of available applications and software also allow the Group to function as per normal with online meetings and presentations as well as videoconferences. The support and administrative functions have been working from home since tighter measures were imposed in the respective countries where we have physical operations. In view of the current development of the spread of the virus, there may be increased costs related to tackling the pandemic such as provision of masks, sanitisers and increased cleaning, etc. The management expects the COVID-19 pandemic to have a negative impact on the performance of the business in FY2020 as compared with FY2019, and would not rule out further cost-cutting measures such as salary cuts and reduction of other expenses.

11. Dividend

(a) Current Financial Period Reported on 31 December 2019

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 FY2019 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?

Yes.

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in cents)	3.0 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	FY2019	FY2018
	S\$'000	S\$'000
Singapore	30,200	6,528
Malaysia	10,897	10,933
Indonesia	7,404	5,956
Hong Kong/Macau/People's Republic of China	16,247	12,842
Indo-China*	3,754	2,458
Others	2,100	2,070
	<u>70,602</u>	<u>40,787</u>

Non-current assets	FY2019	FY2018
	S\$'000	S\$'000
Singapore	27,539	25,399
Malaysia	299	333
People's Republic of China	7,922	8,970
Hong Kong	11	15
Indonesia	9	11
Indo-China*	87	14
	<u>35,867</u>	<u>34,742</u>

* Related to Vietnam, Myanmar and Cambodia

Non-current assets information presented above consists of fixed assets, land use rights and intangible assets. The increase in non-current assets for Singapore was mainly due to consolidation of M-Tech's assets pursuant to M-Tech's acquisition. The decrease in non-current assets for People's Republic of China was mainly due to depreciation of its fixed assets. The increase in non-current assets for Indo-China was mainly due to consolidation of Coolwerkz's assets pursuant to Coolwerkz's acquisition.

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		Increase/ (Decrease) %
	FY2019 S\$'000	FY2018 S\$'000	
(a) Sales reported for the first half year	30,300	16,298	85.9
(b) Operating (loss)/profit after tax before deducting non-controlling interests reported for the first half year	(983)	26,852	n.m.
(c) Sales reported for the second half year	40,302	24,489	64.6
(d) Operating loss after tax before deducting non-controlling interests reported for the second half year	(443)	(1,167)	(62.0)

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

	FY2019 S\$'000	FY2018 S\$'000
Ordinary dividend	201	3,254
Total annual dividend	201	3,254

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

15 APRIL 2020