



**FAR EAST GROUP LIMITED**

远 东 集 团 有 限 公 司

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**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2021**

*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 1H2021 S\$'000	Unaudited 1H2020 S\$'000		
<b>Revenue</b>	4	37,330	21,816	15,514	71.1
Cost of sales		(30,678)	(16,419)	(14,259)	86.8
<b>Gross profit</b>		<u>6,652</u>	<u>5,397</u>	1,255	23.3
Other operating income		1,491	1,423	68	4.8
Distribution and selling expenses		(2,655)	(3,597)	942	(26.2)
Administrative expenses		(6,199)	(5,982)	(217)	3.6
Reversal of impairment loss/(impairment loss) on trade and other receivables and contract assets		118	(597)	715	n.m.
Other operating expenses		(82)	(251)	169	(67.3)
		<u>(8,818)</u>	<u>(10,427)</u>	1,609	(15.4)
<b>Loss from operations</b>		(675)	(3,607)	2,932	(81.3)
Finance expenses		(593)	(792)	199	(25.1)
Interest income		127	121	6	5.0
<b>Loss before tax</b>	6	<u>(1,141)</u>	<u>(4,278)</u>	3,137	(73.3)
Tax expense	7	(16)	(78)	62	(79.5)
<b>Loss for the period</b>		<u>(1,157)</u>	<u>(4,356)</u>	3,199	(73.4)
<b>Other comprehensive income</b>					
<b>Item that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation		286	479	(193)	(40.3)
<b>Total comprehensive income for the period</b>		<u>(871)</u>	<u>(3,877)</u>	3,006	(77.5)
<b>Loss for the period attributable to :-</b>					
Owners of the Company		(1,250)	(4,140)	2,890	(69.8)
Non-controlling interests		93	(216)	309	n.m.
		<u>(1,157)</u>	<u>(4,356)</u>	3,199	(73.4)
<b>Total comprehensive income for the period attributable to :-</b>					
Owners of the Company		(1,017)	(3,699)	2,682	(72.5)
Non-controlling interests		146	(178)	324	n.m.
		<u>(871)</u>	<u>(3,877)</u>	3,006	(77.5)
<b>Loss per share for profit for the period attributable to the owners of the Company for the period:</b>					
Basic and diluted (cents)		<u>(1.12)</u>	<u>(3.71)</u>		

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

n.m. : not meaningful

**B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 Jun 2021 S\$'000	31 Dec 2020 S\$'000	30 Jun 2021 S\$'000	31 Dec 2020 S\$'000
<b>Non-current assets</b>					
Fixed assets	10	30,717	31,146	23,056	23,580
Intangible assets		197	237	-	-
Right-of-use assets		13,555	13,850	12,505	12,753
Right-of-use assets-land use rights		1,812	1,814	-	-
Investment in subsidiaries		-	-	16,370	16,210
Investment in associates		930	920	-	-
Investment securities		7,763	7,651	-	-
Deferred tax assets		646	641	-	-
<b>Total non-current assets</b>		<b>55,620</b>	<b>56,259</b>	<b>51,931</b>	<b>52,543</b>
<b>Current assets</b>					
Inventories		16,776	14,578	7,314	7,665
Investment securities	9	7,998	8,270	7,998	8,270
Trade receivables		13,124	11,316	3,589	2,035
Contract assets		6,075	5,800	-	-
Other receivables		1,251	1,548	487	700
Deposits		344	191	54	48
Prepayments		267	253	52	41
Advance payment to suppliers		1,767	1,389	1,158	1,256
Amounts due from subsidiaries (trade)		-	-	1,123	526
Amounts due from subsidiaries (non-trade)		-	-	3,204	4,119
Amounts due from associates (trade)		1,182	832	-	-
Amounts due from associates (non-trade)		149	145	-	-
Tax recoverable		245	18	-	-
Fixed deposits		232	219	209	209
Cash and bank balances		6,927	7,568	2,055	1,705
<b>Total current assets</b>		<b>56,337</b>	<b>52,127</b>	<b>27,243</b>	<b>26,574</b>
<b>Current liabilities</b>					
Trade payables		8,927	6,457	2,594	1,300
Contract liabilities		1,339	1,091	78	72
Trust receipts and bills payable (secured)	11	9,757	9,269	5,671	5,864
Other payables		1,633	1,024	206	265
Accruals and other liabilities		6,487	5,207	2,053	2,794
Dividend payable		24	137	24	137
Amounts due to subsidiaries (trade)		-	-	1,395	844
Amounts due to subsidiaries (non-trade)		-	-	918	901
Amounts due to associates (non-trade)		158	155	-	-
Provision for income tax		221	154	-	-
Lease liabilities (current)		632	772	307	310
Term loans (current)	11	4,569	2,915	2,612	1,597
Bank overdraft		-	-	-	-
<b>Total current liabilities</b>		<b>33,747</b>	<b>27,181</b>	<b>15,858</b>	<b>14,084</b>
<b>Net current assets</b>		<b>22,590</b>	<b>24,946</b>	<b>11,385</b>	<b>12,490</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities		2,117	2,187	-	-
Amounts due to subsidiaries (non-trade)		-	-	1,493	1,891
Lease liabilities (non-current)		13,239	13,457	12,707	12,857
Term loans (non-current)	11	18,701	20,176	15,086	15,892
<b>Total non-current liabilities</b>		<b>34,057</b>	<b>35,820</b>	<b>29,286</b>	<b>30,640</b>
<b>Net assets</b>		<b>44,153</b>	<b>45,385</b>	<b>34,030</b>	<b>34,393</b>
<b>Equity attributable to owners of the Company</b>					
Share capital	12	19,680	19,680	19,680	19,680
Retained earnings		18,626	20,077	14,028	14,391
Fair value adjustment reserve		5,972	5,883	-	-
Capital reserve		322	322	322	322
Translation reserve		(2,615)	(2,759)	-	-
		41,985	43,203	34,030	34,393
<b>Non-controlling interests</b>		<b>2,168</b>	<b>2,182</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>44,153</b>	<b>45,385</b>	<b>34,030</b>	<b>34,393</b>

**C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

	Group	
	1H2021	1H2020
	Unaudited	Unaudited
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Loss before tax	(1,141)	(4,278)
Adjustments:		
(Reversal of impairment loss)/impairment loss on trade receivables and contract assets	(118)	597
Allowance for obsolete and slow-moving inventories, net	131	313
Fixed assets written off	6	-
Gain on disposal of fixed assets, net	(28)	(36)
Depreciation of fixed assets	1,036	968
Depreciation of right-of-use assets	430	475
Net fair value loss on held for trading investment securities	23	202
Gain on disposal of held for trading investment securities	-	(28)
Depreciation of right-of-use assets - land use rights	23	22
Amortisation of intangible assets	45	152
Finance expenses	593	792
Interest income	(127)	(121)
Translation difference	6	276
Operating cash flows before working capital changes	879	(666)
(Increase)/decrease in:		
Inventories	(2,327)	(2,836)
Trade receivables	(2,334)	3,666
Contract assets	369	2,699
Other receivables	262	186
Deposits, prepayments and advance payment to suppliers	(167)	(79)
Amounts due from associates (trade)	(350)	518
Increase/(decrease) in:		
Trade payables	11,689	6,685
Contract liabilities	(130)	839
Other creditors	496	(313)
Accruals and other liabilities	1,280	(831)
Cash flows generated from operations	9,667	9,868
Interest paid	(320)	(508)
Income taxes paid	(281)	(154)
Income taxes refunded	-	8
Interest income	127	121
<b>Net cash flows generated from operating activities</b>	9,193	9,335
<b>Cash flows from investing activities</b>		
Dividends received	52	245
Increase in amount due from associates (non-trade)	-	21
Acquisition of additional shares in subsidiaries	(160)	-
Proceeds from disposal of fixed assets	42	43
Purchase of fixed assets	(577)	(161)
Purchase of investment securities	(630)	(1,004)
Proceeds from disposal of investment securities	878	1,577
<b>Net cash flows (used in)/generated from investing activities</b>	(395)	721
<b>Cash flows from financing activities</b>		
Dividends paid	(201)	(107)
Repayment of trust receipts and bill payables, net	(8,736)	(9,306)
Repayment of lease liabilities	(671)	(704)
Repayment of term loans	(1,638)	(2,870)
Proceeds from term loans	1,816	4,189
<b>Net cash flows used in financing activities</b>	(9,430)	(8,798)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(632)	1,258
Effect of exchange rate changes on cash and cash equivalents	4	29
Cash and cash equivalents at beginning of period	7,587	8,731
<b>Cash and cash equivalents at end of period</b>	6,959	10,018
<b>Cash and cash equivalents consist of the following :</b>		
Cash and bank balances	6,927	7,616
Less: Bank deposit pledged	(200)	(200)
Fixed deposits	232	2,602
	6,959	10,018

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interests
	Equity, total	Equity attributable to owners of the Company, total	Share capital	Retained earnings	Fair value adjustment reserve	Capital reserve	Translation reserve	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Group</b>								
<b>Balance at 1 January 2021</b>	45,385	43,203	19,680	20,077	5,883	322	(2,759)	2,182
(Loss)/profit for the period	(1,157)	(1,250)	-	(1,250)	-	-	-	93
<u>Other comprehensive income</u>								
Foreign currency translation	286	233	-	-	89	-	144	53
Total comprehensive income	(871)	(1,017)	-	(1,250)	89	-	144	146
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(201)	(201)	-	(201)	-	-	-	-
<u>Changes in ownership interest in subsidiaries</u>								
Step acquisition in a subsidiary	(160)	-	-	-	-	-	-	(160)
<b>Balance at 30 June 2021</b>	44,153	41,985	19,680	18,626	5,972	322	(2,615)	2,168
<b>Balance at 1 January 2020</b>	53,509	51,342	19,680	27,457	6,999	322	(3,116)	2,167
Loss for the period	(4,356)	(4,140)	-	(4,140)	-	-	-	(216)
<u>Other comprehensive income</u>								
Foreign currency translation	479	441	-	-	-	-	441	38
Total comprehensive income	(3,877)	(3,699)	-	(4,140)	-	-	441	(178)
<u>Contributions by and distribution to owners</u>								
Dividends paid to non-controlling shareholders of a subsidiary	(107)	-	-	-	-	-	-	(107)
<b>Balance at 30 June 2020</b>	49,525	47,643	19,680	23,317	6,999	322	(2,675)	1,882
<b>Company</b>								
<b>Balance at 1 January 2021</b>	34,393	34,393	19,680	14,391	-	322	-	-
Loss for the period, representing total comprehensive income for the period	(162)	(162)	-	(162)	-	-	-	-
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(201)	(201)	-	(201)	-	-	-	-
<b>Balance at 30 June 2021</b>	34,030	34,030	19,680	14,028	-	322	-	-
<b>Balance at 1 January 2020</b>	43,706	43,706	19,680	23,704	-	322	-	-
Loss for the period, representing total comprehensive income for the period	(1,184)	(1,184)	-	(1,184)	-	-	-	-
<b>Balance at 30 June 2020</b>	42,522	42,522	19,680	22,520	-	322	-	-

## 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") 2021 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 1H2021 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 2020 ("FY2020").

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 2021. 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 2021, the carrying amounts of the Group's tax recoverable, provision for income tax, deferred tax assets and deferred tax liabilities amounted to \$245,000 (31 December 2020: \$18,000), \$221,000 (31 December 2020: \$154,000), \$646,000 (31 December 2020: \$641,000) and \$2,117,000 (31 December 2020: \$2,187,000) 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 Useful lives of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated economic useful lives. Changes in the expected level of usage and future technological developments could impact the economic useful lives of these assets. Therefore, future depreciation charges could be revised.

As at 30 June 2021, the carrying amounts of the Group's and Company's fixed assets amounted to \$30,717,000 (31 December 2020: \$31,146,000) and \$23,056,000 (31 December 2020: \$23,580,000) respectively.

## 2.2.2b 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 2021, the carrying amounts of the Company's investments in subsidiaries and fixed assets were \$16,370,000 (31 December 2020: \$16,210,000) and \$23,056,000 (31 December 2020: \$23,580,000) respectively. The carrying amounts of the Group's fixed assets and goodwill were \$30,717,000 (31 December 2020: \$31,146,000) and \$189,000 (31 December 2020: \$189,000) respectively.

## 2.2.2c Allowance for obsolete and slow-moving inventories

When necessary, allowance is provided for obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Management has estimated the allowance for obsolete and slow-moving inventories based on review of an aging analysis of inventories at the end of the reporting period.

As at 30 June 2021, the carrying amounts of the Group's and Company's inventories amounted to \$16,776,000 (31 December 2020: \$14,578,000) and \$7,314,000 (31 December 2020: \$7,665,000) respectively.

## 2.2.2d Expected credit losses 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 2021, the carrying amounts of the Group's and Company's trade receivables and contract assets, including balances with subsidiaries and associates amounted to \$20,381,000 (31 December 2020: \$17,947,000) and \$4,712,000 (31 December 2020: \$2,561,000) respectively.

## 2.2.2e 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 2021, the carrying amount of the unquoted equity security amounted to \$7,763,000 (31 December 2020: \$7,651,000).

## 2.2.2f 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 2021, the carrying amounts of the Group's contract assets arising from engineering contracts amounted to \$6,075,000 (31 December 2020: \$5,800,000).

## 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

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- Residential and commercial (air-conditioning) segment relates to sale and distribution of air-conditioning materials which mainly comprises copper pipes, copper tubes, Class 0 and Class 1 closed cell insulation pipes and sheets, PVC trunkings, electrical wires and refrigerants;
- Commercial and light industrial (refrigeration) segment relates to sale of refrigeration component parts including compressors, condensers, condensing units, multiple compressor racks units, electronic controls, energy management solutions, service equipment and tools and the Group's range of thermal heat exchangers comprising evaporators, condensers and custom coils; and
- Oil, marine and gas (refrigeration and air-conditioning) segment relates to sales and distribution of a range of airconditioning and refrigeration systems suitable for the oil, marine and gas industry. These products include the Group's brand of heat exchangers and packaged condensing units installed onboard ships, vessels and oil rigs, which are primarily used to preserve food, other perishables and also to provide air-conditioning for the living and working spaces of the vessel's crew.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segment. Management monitors the gross profit or loss of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit or loss only.

Assets and liabilities, as well as income and expenses (other than revenue and cost of sales) are managed on a group basis and are not allocated to operating segments.

#### 4.1. Reportable segments

Group	Residential and commercial (air-conditioning)	Commercial and light industrial (refrigeration)	Oil, marine and gas (refrigeration and air-conditioning)	Total
	\$'000	\$'000	\$'000	\$'000
<b>1H2021</b>				
Revenue	12,522	24,234	574	37,330
Cost of sales	11,062	19,239	377	30,678
Gross profit	<b>1,460</b>	<b>4,995</b>	<b>197</b>	<b>6,652</b>
<b>1H2020</b>				
Revenue	6,204	15,038	574	21,816
Cost of sales	3,925	12,120	374	16,419
Gross profit	<b>2,279</b>	<b>2,918</b>	<b>200</b>	<b>5,397</b>

#### 4.2. Disaggregation of Revenue

Segment	Residential and commercial (air-conditioning)		Commercial and light industrial (refrigeration)		Oil, marine and gas (refrigeration and air-conditioning)		Total	
	1H2021	1H2020	1H2021	1H2020	1H2021	1H2020	1H2021	1H2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Primary geographical markets</b>								
Singapore	11,531	5,352	2,888	2,148	418	373	14,837	7,873
Malaysia	687	639	4,376	3,276	98	105	5,161	4,020
Indonesia	6	6	4,338	3,598	8	8	4,352	3,612
Hong Kong/Macau/People's Republic of China	297	199	10,886	3,302	49	77	11,232	3,578
Indo-China*	-	-	1,194	1,980	-	-	1,194	1,980
Others	1	8	552	734	1	11	554	753
	<b>12,522</b>	<b>6,204</b>	<b>24,234</b>	<b>15,038</b>	<b>574</b>	<b>574</b>	<b>37,330</b>	<b>21,816</b>
<b>Major revenue stream</b>								
Sale of goods	1,820	1,085	23,608	14,222	574	574	26,002	15,881
Project installation and maintenance services	590	239	457	115	-	-	1,047	354
Engineering contracts revenue	10,112	4,880	169	701	-	-	10,281	5,581
	<b>12,522</b>	<b>6,204</b>	<b>24,234</b>	<b>15,038</b>	<b>574</b>	<b>574</b>	<b>37,330</b>	<b>21,816</b>
<b>Timing of transfer of goods or services</b>								
At a point in time	2,410	1,324	24,065	14,337	574	574	27,049	16,235
Over time	10,112	4,880	169	701	-	-	10,281	5,581
	<b>12,522</b>	<b>6,204</b>	<b>24,234</b>	<b>15,038</b>	<b>574</b>	<b>574</b>	<b>37,330</b>	<b>21,816</b>

\* relates to Vietnam, Myanmar and Cambodia

#### 5. Financial assets and financial liabilities

	Group		Company	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Financial assets at fair value through other comprehensive income (FVOCI)	7,763	7,651	-	-
Cash and bank balances and trade and other receivables (Amortised cost)	21,302	20,432	6,131	4,465
	<b>29,065</b>	<b>28,083</b>	<b>6,131</b>	<b>4,465</b>
<b>Financial Liabilities</b>				
Trade and other payables and borrowings (Amortised cost)	24,886	19,665	11,083	9,026



## 6. Profit 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 1H2021 S\$'000	Unaudited 1H2020 S\$'000	
Interest income	(127)	(121)	5.0
Finance expenses	593	792	(25.1)
Allowance for obsolete and slow-moving inventories, net	131	313	(58.1)
(Reversal of impairment loss)/ impairment loss on trade and other receivables and contract assets	(118)	597	n.m.
Fixed assets written off	6	-	n.m.
Net fair value loss on held for trading investment securities	23	202	(88.6)
Gains on disposal of held for trading investment securities	-	(28)	n.m.
Gains on disposal of fixed assets, net	(28)	(36)	(22.2)
Depreciation of fixed assets	1,036	968	7.0
Depreciation of right-of-use assets	430	475	(9.5)
Depreciation of right-of-use assets - land use rights	23	22	4.5
Amortisation of intangible assets	45	152	(70.4)
Foreign exchange losses, net	37	242	(84.7)

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 1H2021:

	Group \$'000	Company \$'000
<b>Income</b>		
Sales of goods to subsidiaries	-	5,955
Sales of goods to associates	1,795	-
Sales of goods to affiliated companies	19	-
Management fee income from subsidiaries	-	720
Interest income from a subsidiary	-	7
Royalty fee income from a subsidiary	-	84
<b>Expenses</b>		
Purchases from subsidiaries	-	1,510
Purchases from affiliated companies	1	-
Rental paid to an affiliated company	13	-
Loan interest paid to subsidiaries	-	25

## 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	
	1H2021 \$'000	1H2020 \$'000
Current income tax expense	79	52
Deferred income tax (benefit)/expense relating to origination and reversal of temporary differences	(63)	26
	16	78

## 8. Dividends

#### Declared and payable during the financial period:

Dividends on ordinary shares:  
Final exempt 2020 dividend of 0.18 cents per share (2020: Final exempt 2019 dividend of 0.18 cents per share)

	Company	
	1H2021 \$'000	1H2020 \$'000
	201	201

## 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 2021 \$'000	31 Dec 2020 \$'000
At fair value through other comprehensive income ("FVOCI")		
Unquoted equity security	7,763	7,651
- 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			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>30 June 2021</b>				
<b>Financial assets</b>				
FVOCI investments	-	-	7,763	7,763
At fair value through profit or loss- held for trading investment securities (quoted)	7,998	-	-	7,998
<b>31 December 2020</b>				
<b>Financial assets</b>				
FVOCI investments	-	-	7,651	7,651
At fair value through profit or loss- held for trading investment securities (quoted)	8,270	-	-	8,270

## 10. Fixed assets

During 1H2021, the Group acquired assets amounting to \$577,000 (1H2020: \$161,000) and disposed of assets amounting to \$14,000 (1H2020: \$7,000).

## 11. Borrowings

	Group				Company			
	As at 30 June 2021		As at 31 December 2020		As at 30 June 2021		As at 31 December 2020	
	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	14,481	-	12,384	-	8,304	-	7,481	-
Repayable after one year	19,134	-	20,632	-	15,131	-	15,948	-
<b>Total borrowings</b>	<b>33,615</b>	<b>-</b>	<b>33,016</b>	<b>-</b>	<b>23,435</b>	<b>-</b>	<b>23,429</b>	<b>-</b>

### 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.

## 12. Share Capital

	Group and Company			
	30 June 2021		31 December 2020	
	No. of shares	\$'000	No. of shares	\$'000
<b>Issued and fully paid ordinary shares</b>				
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 2021 and 31 December 2020.

There was no change in the Company's issued and paid up share capital from 1 January 2021 to 30 June 2021.

The Company does not hold any treasury shares or convertible instruments as at 30 June 2021, 31 December 2020 and 30 June 2020.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2021, 31 December 2020 and 30 June 2020.

### 13. Net assets value

	Group		Company	
	As at 30 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020
Net asset value per share (cents)	37.7	38.8	30.5	30.9

### 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 increased by S\$15.5 million or 71.1%, from S\$21.8 million in 1H2020 to S\$37.3 million in 1H2021. The Group has gradually recovered from the impact of COVID-19 in 1H2021 mainly due to the resumption of business activities.

Revenue by Business Segment	Group		1H2020 S\$'000	Contribution %	Change +ve/(-ve) S\$'000	Change +ve/(-ve) %
	1H2021 S\$'000	Contribution %				
Residential and commercial (air-conditioning)	12,522	33.5%	6,204	28.4%	6,318	101.8
Oil, marine and gas (refrigeration and air-conditioning)	574	1.6%	574	2.6%	-	0.0
Commercial and light industrial (refrigeration)	24,234	64.9%	15,038	69.0%	9,196	61.2
	<u>37,330</u>	<u>100%</u>	<u>21,816</u>	<u>100%</u>	<u>15,514</u>	<u>71.1</u>

Revenue from the residential and commercial (air-conditioning) segment increased by S\$6.3 million in 1H2021 as compared to 1H2020 due to the pickup in jobsite activities by M-Tech Air-Con & Security Engineering Pte Ltd since gradual re-opening in the second half of 2020.

Revenue from the commercial and light industrial (refrigeration) segment increased by S\$9.2 million in 1H2021 as compared to 1H2020 mainly due to the strong demand since relaxation of COVID-19 curbs by government in various countries.

#### Gross profit and gross profit margin

The Group's gross profit increased by S\$1.3 million or 23.3%, from S\$5.4 million in 1H2020 to S\$6.7 million in 1H2021 mainly due to the increase in sales. The gross profit margin decreased by 6.9 percentage points, from 24.7% in 1H2020 to 17.8% in 1H2021 primarily due to the reclassification of direct labour costs from distribution and selling expenses to cost of sales in 1H2021, since the second half of 2020.

#### Distribution and selling expenses

Distribution and selling expenses decreased by S\$0.9 million as a result of reclassification of direct labour costs to cost of sales, since the second half of 2020.

#### Administrative expenses

Administrative expenses increased by S\$0.2 million. This was mainly due to the professional fees accrued for M&A activities.

#### Reversal of impairment loss on trade and other receivables and contract assets

Reversal of impairment loss of S\$0.1 million arose from lower estimated credit losses from contract assets, partly offset by impairment on trade receivables in 1H2021.

#### Other operating expenses

Other operating expenses decreased by S\$0.2 million. This was mainly due to unrealised foreign exchange losses incurred in 1H2020.

#### Finance expenses

Finance expenses increased by S\$0.2 million. This was mainly due to unrealised foreign exchange loss incurred in 1H2020.

#### Profitability

The Group's pared loss before taxation by S\$3.2 million to S\$1.1 million in 1H2021 as compared to S\$4.3 million in 1H2020 mainly due to the increase in revenue.

## **Review of Financial Position**

### **Non-current assets**

Non-current assets decreased by S\$0.7 million, from S\$56.3 million as at 31 December 2020 to S\$55.6 million as at 30 June 2021.

This was mainly due to the decrease in (i) fixed assets of S\$0.4 million; and (ii) right-of-use assets of S\$0.3 million.

### **Current assets**

Current assets increased by S\$4.2 million, from S\$52.1 million as at 31 December 2020 to S\$56.3 million as at 30 June 2021.

The increase was mainly due to increase in (i) inventories of S\$2.2 million; (ii) trade receivables of S\$1.8 million; (iii) advance payments to suppliers of S\$0.4 million; (iv) amount due from associates of S\$0.4 million; (v) contract assets of S\$0.3 million; (vi) tax recoverable of S\$0.2 million; and (vii) deposit of S\$ 0.2 million. The increase was partially offset by decrease in (i) cash and cash balances of S\$0.6 million; (ii) other receivables of S\$0.3 million; and (iii) investment securities of S\$0.3 million.

### **Current liabilities**

Current liabilities increased by S\$6.5 million, from S\$27.2 million as at 31 December 2020 to S\$33.7 million as at 30 June 2021.

The increase was mainly due to increase in (i) trade payables of S\$2.5 million; (ii) accrual and other liabilities of S\$1.3 million; (iii) term loans of S\$1.7 million; (iv) other payables of S\$0.6 million; and (v) trust receipts and bills payable of S\$0.5 million.

### **Non-current liabilities**

Non-current liabilities decreased by S\$1.8 million, from S\$35.8 million as at 31 December 2020 to S\$34.0 million as at 30 June 2021.

The decrease was mainly due to decrease in (i) term loans of S\$1.5 million; (ii) lease liabilities of S\$0.2 million; and (iii) deferred tax liabilities of S\$0.1 million.

### **Equity**

Total equity decreased by S\$1.2 million, from S\$45.4 million as at 31 December 2020 to S\$44.2 million as at 30 June 2021.

This was mainly due to (i) loss for the period of S\$1.2 million; and (ii) dividend on ordinary shares of S\$0.2 million. This was partially offset by the increase in (i) translation reserve of S\$0.1 million; and (ii) fair value adjustment reserve of S\$0.1 million.

## **Review of Cash Flow Statement**

The Group generated S\$0.9 million net cash in operating activities before changes in working capital in 1H2021 while net cash flows generated from operating activities amounted to S\$9.2 million. This was mainly due to positive working capital changes of S\$8.8 million and interest income of S\$0.1 million, partially offset by interest paid and income taxes of S\$0.3 million each.

The working capital changes consist of net cash inflows arising from changes in (i) trade payables of S\$11.7 million; (ii) accruals and other liabilities of S\$1.3 million; (iii) contract assets of S\$0.4 million; (iv) other payables of S\$0.5 million; and (v) other receivables of S\$0.3 million.

While net cash outflows arising from changes in (i) inventories of S\$2.3 million; (ii) trade receivables of S\$2.3 million; (iii) deposits, prepayments and advance payments to suppliers of S\$0.2 million; (iv) amount due from associates of S\$0.4 million; and (v) contract liabilities of S\$0.1 million.

Net cash used in investing activities amounting to S\$0.4 million in 1H2021 was mainly due to (i) purchase of investment securities of S\$0.6 million; (ii) purchase of fixed assets of S\$0.6 million; and (iii) acquisition of additional shares in subsidiaries of S\$0.2 million. This was partially offset by (i) proceeds from disposal of investment securities of S\$0.9 million; and (ii) dividend received of S\$0.1 million.

Net cash used in financing activities amounted to S\$9.4 million in 1H2021. This was mainly due to (i) net repayment of trust receipts and bill payables of S\$8.7 million; (ii) net repayment of lease liabilities of S\$0.7 million; and (iii) dividend paid of S\$0.2 million. This was partially offset by net proceeds of term loans 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.**

FY2021 started off as a year of recovery for the Group to catch up on lost or delayed sales from FY2020, especially after the many lockdowns and various measures imposed by governments worldwide to tackle the COVID-19 pandemic. The year started well until the spread of the Delta variant of the COVID-19 virus leading to many governments imposing stricter safety management measures again from around May 2021. Nevertheless, the Group has performed better than the comparative half-year in FY2020 with the residential and commercial (air-conditioning) segment recovering the most, as work on sites have not been stopped as compared to FY2020's Circuit Breaker.

The commercial and light industrial (refrigeration) segment also performed better than the comparative period. Despite disruptions in projects from overseas markets, hampering sales and margins as a result of the more transmissible spread of the COVID-19 delta variant, the distribution operations of this segment improved. On the back of the strong recovery in China, our manufacturing operations of this segment have been performing well with increased local sales in China.

While the management is confident that the Group's performance would be better than FY2020 barring any unforeseen circumstances such as the Circuit Breaker in FY2020 stopping business activities, the Group continues to be cautious in its forecasts. Challenges faced by the Group include significant increase in prices of materials and logistics costs, as well as a tight labour market where there is currently a shortage of skilled labour for its engineering business. These factors may affect the Group's profitability. The Group continues to control our operating expenses to be lean and explore opportunities to enhance shareholders value.

#### 4. Dividend

**(a) Current Financial Period Reported on 30 June 2021**

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 1H2021 as the Board is of the view to conserve cash amid the COVID-19 outbreak crisis and to diversify its business portfolio to mitigate risks of being too concentrated on the current industry.

**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**

On 15 January 2021, the Company entered into a Sale and Purchase Agreement with Chung Kong Poh (the "Vendor") for the acquisition of 16,030 ordinary shares ("Sale Shares") held by the Vendor in the Company's subsidiary RSP Systems Pte Ltd ("RSP"), representing 22.9% of the equity interest in RSP. The purchase consideration for the Sale Shares is S\$160,000 in cash, and was arrived on a "willing buyer-willing seller basis", after taking into account, inter alia, the future business potential and the historical profitability of RSP. The net asset value of the Sale Share as at 31 December 2020 was S\$68,010. The acquisition is not expected to have a material impact on the earnings and net tangible assets per share of the Group for the financial year ending 31 December 2021.

As a result of this acquisition, the Company's shareholdings in RSP increased from 57.1% to 80.0%.

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the above transaction.

**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 2021 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

12 August 2021