



51 Ubi Avenue 3 Singapore 408858 Tel: (65) 6293 9733 Fax: (65) 6296 5326

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2018

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

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

The contact person for the Sponsor is Ms. Lee Khai Yinn (Telephone: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER (“FY”) 2018

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) %
	Unaudited	Audited	
	FY2018 S\$'000	FY2017 S\$'000	
Revenue	40,804	37,136	9.9
Cost of sales	(30,406)	(25,839)	17.7
Gross profit	10,398	11,297	(8.0)
Other operating income	32,656	1,229	n.m.
Distribution and selling expenses	(5,308)	(4,962)	7.0
Administrative expenses	(11,019)	(6,252)	76.2
Reversal of / (impairment losses) on financial assets	36	(38)	n.m.
Other operating expenses	(159)	(332)	(52.1)
Share of results of joint venture	(55)	(39)	41.0
Share of results of associates	35	(21)	n.m.
	(16,470)	(11,644)	41.4
Profit from operations	26,584	882	n.m.
Finance expenses	(977)	(413)	136.6
Interest income	141	35	302.9
Profit before tax	25,748	504	n.m.
Tax expense	(19)	(260)	(92.7)
Profit for the year	25,729	244	n.m.
Other comprehensive income			
<u>Items that will not be reclassified to profit or loss</u>			
Net fair value loss on equity instrument at fair value through other comprehensive income ("FVOCI")	(2,186)	-	n.m.
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation	(51)	(129)	(60.5)
Total comprehensive income for the year	23,492	115	n.m.
Profit for the year attributable to :-			
Owners of the Company	25,783	383	n.m.
Non-controlling interests	(54)	(139)	(61.2)
	25,729	244	n.m.
Total comprehensive income for the year attributable to :-			
Owners of the Company	23,601	279	n.m.
Non-controlling interests	(109)	(164)	(33.5)
	23,492	115	n.m.

n.m. : not meaningful

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

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

	← GROUP →		
	Unaudited	Audited	Change
	FY2018	FY2017	+ve/(-ve)
	S\$'000	S\$'000	%
Dividend income from unquoted investment	(290)	(451)	(35.7)
Interest income	(141)	(35)	302.9
Finance expenses	977	413	136.6
Write back of obsolete and slow-moving inventories, net	(1,087)	(1,903)	(42.9)
(Reversal of) / impairment losses on financial assets	(36)	38	n.m.
Gain on disposal of fixed assets held for sale	(6,590)	-	n.m.
(Gain) / loss on disposal of fixed assets, net	(23,343)	1	n.m.
Depreciation of fixed assets	1,902	1,314	44.7
Amortisation of land use rights	45	45	-
Amortisation of intangible assets	88	88	-
Foreign currency (gain) / loss, net	(6)	321	n.m.

n.m. : not meaningful

1(b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Fixed assets	32,449	36,779	25,395	28,680
Intangible assets	405	504	-	-
Land use rights	1,888	1,961	-	-
Investment in subsidiaries	-	-	15,102	15,102
Investment in joint venture	41	96	136	136
Investment in associates	533	143	-	-
Unquoted investment	10,723	90	-	-
Deferred tax assets	581	143	-	-
Deposits	-	10	-	-
Total non-current assets	46,620	39,726	40,633	43,918
Current assets				
Inventories	14,124	10,720	7,368	4,307
Trade debtors	8,481	7,513	2,508	2,700
Other receivables	808	2,382	155	1,606
Deposits	228	132	71	8
Prepayments	115	324	49	207
Advance payment to suppliers	1,332	530	1,211	463
Amounts due from subsidiaries (trade)	-	-	3,426	2,562
Amounts due from subsidiaries (non-trade)	-	-	3,691	2,517
Amounts due from affiliated companies (trade)	641	399	115	-
Tax recoverable	400	235	-	-
Fixed assets held for sale	-	1,154	-	1,197
Fixed deposits	16,084	460	16,084	6
Cash and bank balances	5,476	4,191	828	1,370
Total current assets	47,689	28,040	35,506	16,943
Current liabilities				
Trade payables	3,417	2,369	2,190	667
Advance payment from customers	1,144	773	718	159
Trust receipts and bills payable (secured)	5,843	4,050	5,843	4,050
Other creditors	745	405	302	110
Accruals and other liabilities	4,839	2,272	3,975	1,349
Dividend payable	116	115	116	114
Amounts due to subsidiaries (trade)	-	-	1,897	1,287
Amounts due to subsidiaries (non-trade)	-	-	131	124
Amounts due to affiliated companies (trade)	-	16	-	-
Amounts due to affiliated companies (non-trade)	159	156	-	-
Provision for income tax	55	2	-	-
Finance lease obligations (current)	14	13	10	10
Term loans (current)	3,380	15,058	972	12,470
Total current liabilities	19,712	25,229	16,154	20,340
Net current assets / (liabilities)	27,977	2,811	19,352	(3,397)
Non-current liabilities				
Deferred tax liabilities	318	9	-	-
Finance lease obligations (non-current)	55	69	38	49
Term loans (non-current)	16,093	17,057	16,093	17,057
Total non-current liabilities	16,466	17,135	16,131	17,106
Net assets	58,131	25,402	43,854	23,415
Equity attributable to owners of the Company				
Share capital	19,264	19,264	19,264	19,264
Retained earnings	28,945	6,612	24,268	3,829
Fair value adjustment reserve*	10,404	-	-	-
Capital reserve	322	322	322	322
Translation reserve	(2,808)	(2,812)	-	-
	56,127	23,386	43,854	23,415
Non-controlling interests	2,004	2,016	-	-
Total equity	58,131	25,402	43,854	23,415

*Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of unquoted investment at FVOCI until they are disposed of or impaired.

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 2018		As at 31 December 2017	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Repayable in one year or less, or on demand	9,237	-	19,121	-
Repayable after one year	16,148	-	17,126	-
Total borrowings	25,385	-	36,247	-

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.

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 CASH FLOW STATEMENT

	← GROUP →	
	Unaudited FY2018 S\$'000	Audited FY2017 S\$'000
Cash flows from operating activities		
Profit before tax	25,748	504
Adjustments:		
(Reversal of) / impairment losses on financial assets	(36)	38
Write back of obsolete and slow-moving inventories, net	(1,087)	(1,903)
Fixed assets written off	80	89
Gain on disposal of fixed assets held for sale	(6,590)	-
(Gain) / loss on disposal of fixed assets, net	(23,343)	1
Depreciation of fixed assets	1,902	1,314
Dividend income from unquoted investment	(290)	(451)
Amortisation of intangible assets	88	88
Amortisation of land use rights	45	45
Finance expenses	977	413
Interest income	(141)	(35)
Translation difference	(40)	2
Share of results of associates	(35)	21
Share of results of joint venture	55	39
Operating cash flows before working capital changes	(2,667)	165
<i>(Increase) / Decrease in:</i>		
Inventories	(2,317)	(221)
Trade debtors	(932)	562
Other receivables	1,367	(1,538)
Deposits, prepayments and advance payment to suppliers	(679)	(282)
<i>Increase / (Decrease) in:</i>		
Trade payables	6,891	4,509
Advance payment from customers	371	(42)
Other creditors	340	(98)
Accruals and other liabilities	2,567	(79)
Amount due to affiliated companies, net	(255)	141
Dividend payable	1	-
Cash flows generated from operations	4,687	3,117
Interest paid	(977)	(413)
Income taxes paid	(425)	(190)
Income taxes refunded	165	49
Interest income	141	35
Net cash flows generated from operating activities	3,591	2,598
Cash flows from investing activities		
Proceeds from disposal of fixed assets held for sale	7,764	-
Proceeds from disposal of fixed assets	27,522	12
Purchase of fixed assets	(2,052)	(23,687)
Dividends received	497	161
Capital contribution from non-controlling interest	97	101
Net cash outflow on investment in associates	(359)	(20)
Net cash outflow on investment in joint venture	-	(136)
Net cash flows generated from / (used in) investing activities	33,469	(23,569)

← GROUP →

Unaudited FY2018 S\$'000	Audited FY2017 S\$'000
--------------------------------	------------------------------

Cash flows from financing activities

Dividends paid	(3,450)	-
Trust receipts and bills payable	(4,050)	(4,062)
Repayment of finance lease obligations	(13)	(78)
Repayment of term loans	(21,144)	(6,612)
Proceeds from term loans	8,502	30,105
Bank deposit pledged	-	(100)
Net cash flows (used in) / generated from financing activities	(20,155)	19,253

Net increase / (decrease) in cash and cash equivalents

Net increase / (decrease) in cash and cash equivalents	16,905	(1,718)
Effect of exchange rate changes on cash and cash equivalents	4	(16)
Cash and cash equivalents at beginning of year	4,551	6,285

Cash and cash equivalents at end of year

	21,460	4,551
--	--------	-------

Cash and cash equivalents consist of the following :

Cash and bank balances	5,476	4,191
Less: Fixed deposits pledged	(100)	(100)
Fixed deposits	16,084	460
	21,460	4,551

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							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	
GROUP								
Balance at 1 January 2018	25,402	23,386	19,264	6,612	-	322	(2,812)	2,016
Cumulative effects of adopting SFRS (I)	12,590	12,590	-	-	12,590	-	-	-
Opening balance at 1 January 2018 (SFRS (I) framework)	37,992	35,976	19,264	6,612	12,590	322	(2,812)	2,016
Profit/(loss) for the year	25,729	25,783	-	25,783	-	-	-	(54)
<u>Other comprehensive income</u>								
Foreign currency translation	(51)	4	-	-	-	-	4	(55)
Net fair value loss on equity instrument at FVOCI	(2,186)	(2,186)	-	-	(2,186)	-	-	-
Total comprehensive income	23,492	23,601	-	25,783	(2,186)	-	4	(109)
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	58,131	56,127	19,264	28,945	10,404	322	(2,808)	2,004
Balance at 1 January 2017	25,186	23,107	19,264	6,229	-	322	(2,708)	2,079
Profit/(loss) for the year	244	383	-	383	-	-	-	(139)
Other comprehensive income	(129)	(104)	-	-	-	-	(104)	(25)
Total comprehensive income	115	279	-	383	-	-	(104)	(164)
Capital contribution from non-controlling interest	101	-	-	-	-	-	-	101
Balance at 31 December 2017	25,402	23,386	19,264	6,612	-	322	(2,812)	2,016
COMPANY								
Balance at 1 January 2018	23,415	23,415	19,264	3,829	-	322	-	-
Profit for the year, representing total comprehensive income for the year	23,889	23,889	-	23,889	-	-	-	-
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(3,450)	(3,450)	-	(3,450)	-	-	-	-
Balance at 31 December 2018	43,854	43,854	19,264	24,268	-	322	-	-
Balance at 1 January 2017	22,619	22,619	19,264	3,033	-	322	-	-
Profit for the year, representing total comprehensive income for the year	796	796	-	796	-	-	-	-
Balance at 31 December 2017	23,415	23,415	19,264	3,829	-	322	-	-

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's issued and paid up share capital from 1 July 2018 to 31 December 2018.

The Company did not have any convertible securities, treasury shares and subsidiary holdings as at 31 December 2017 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 end of the immediately preceding year.

The total number of issued shares (excluding treasury shares) as at 31 December 2018 was 108,480,000 (as at 31 December 2017: 108,480,000).

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 reviewed, 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 qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied.

Except as disclosed in item 5 below, 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 those applied in the preparation of the audited financial statements for the financial year ended 31 December 2017.

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.

Singapore listed companies are required to apply a new financial reporting framework - Singapore Financial Reporting Framework (International) (“**SFRS(I)**”) that is identical to the International Financial Reporting Standards with effect from 1 January 2018.

The Group has adopted SFRS(I) on 1 January 2018, including Interpretations of SFRS(I). The adoption of these new and revised SFRS(I) and Interpretations of SFRS(I) did not have any material effect on the financial performance or position of the Group and the Company except as stated below.

First-time adoption of SFRS(I) 9 Financial Instruments

The changes arising from the adoption have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39, Financial Instruments: Recognition and Measurement.

Classification and measurement

The Group previously measured its investment in unquoted equity security at cost less impairment loss. Upon adoption of SFRS(I) 9, the Group measures the unquoted equity security at FVOCI. The impact arising from this change resulted in an increase in carrying value of S\$12.6 million to the unquoted equity security with a corresponding adjustment to fair value adjustment reserve as at 1 January 2018. The adoption of SFRS(I) 9 did not have any impact on current year profits.

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

	GROUP	
	FY2018	FY2017
Net profit after tax attributable to owners of the Company (S\$'000)	25,783	383
Weighted average number of ordinary shares ('000)	108,480	108,480
Earnings per share - basic/fully diluted (cents)	23.77	0.35

The Company has no dilutive equity instruments as at 31 December 2018 and 31 December 2017.

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

	GROUP		COMPANY	
	As at 31 Dec 2018	As at 31 Dec 2017	As at 31 Dec 2018	As at 31 Dec 2017
Net asset value (S\$'000)	56,127	23,386	43,854	23,415
Number of ordinary shares ('000)	108,480	108,480	108,480	108,480
Net asset value per share (cents)	51.74	21.56	40.43	21.58

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, costs, 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\$3.7 million or 9.9%, to S\$40.8 million in FY2018 from S\$37.1 million in FY2017, mainly due to increased sales from the China and Malaysia markets, partially offset by lower sales in the Hong Kong, Singapore and Vietnam markets.

Revenue by Business Segments	GROUP				Change +ve/(-ve) %
	FY2018 S\$'000	% Contribution	FY2017 S\$'000	% Contribution	
Commercial and light industrial (refrigeration)	35,089	86.0%	32,293	87.0%	8.7
Residential and commercial (air-conditioning)	4,675	11.5%	3,793	10.2%	23.3
Oil, marine and gas (refrigeration and air-conditioning)	1,040	2.5%	1,050	2.8%	(1.0)
	<u>40,804</u>	<u>100%</u>	<u>37,136</u>	<u>100%</u>	

Revenue from the commercial and light industrial (refrigeration) segment and the residential and commercial (air-conditioning) segment increased by S\$2.8 million and S\$0.9 million respectively in FY2018, as compared to FY2017. Revenue from the oil, marine and gas (refrigeration and air-conditioning) segment remained flat at S\$1.0 million for both years.

Gross profit and gross profit margin

The Group's gross profit decreased by S\$0.9 million or 8.0%, to S\$10.4 million in FY2018 from S\$11.3 million in FY2017, while gross profit margin decreased by 4.9 percentage points to 25.5% from 30.4% over the comparative periods. The lower margin was mainly to lower trading margins to maintain market share.

Other operating income

Other operating income increased by S\$31.5 million, to S\$32.7 million in FY2018 from S\$1.2 million in FY2017. The increase was mainly due to (i) gain on disposal of fixed assets of S\$23.3 million in relation to the building situated at 112 Lavender Street and Office B, 1st Floor, Tung On Court, No. 17, 19 and 21 Tung On Street, Kowloon, Hong Kong; (ii) gain on disposal of fixed assets held for sale of S\$6.6 million in relation to the properties situated at (a) 5 Third Lok Yang Road; (b) Lot No. 42182, GM 5748, Locality of 13th Mile Sungai Besi Road, Pekan Kajang, District of Hulu Langat, State of Selangor Darul Ehsan, Malaysia; and (iii) increase in rental and management service income of S\$1.8 million. The increase was partially offset by the decrease in dividend income from unquoted investment of S\$0.2 million.

Distribution and selling expenses

Distribution and selling expenses increased by S\$0.3 million, to S\$5.3 million in FY2018 from S\$5.0 million in FY2017 mainly due to (i) increase in payroll-related costs of S\$0.4 million and (ii) increase in transportation costs of S\$0.1 million. The increase was partially offset by a decrease in exhibition and seminar costs of S\$0.2 million.

Administrative expenses

Administrative expenses increased by S\$4.7 million, to S\$11.0 million in FY2018 from S\$6.3 million in FY2017. This was mainly due to an increase in (i) payroll-related costs of S\$2.8 million; (ii) depreciation charges of S\$0.7 million; (iii) professional fees of S\$0.2 million; (iv) rental expenses of S\$0.7 million; (v) property tax of S\$0.2 million; and (vi) utilities costs of S\$0.1 million.

Other operating expenses

Other operating expenses decreased to S\$0.2 million in FY2018 from S\$0.3 million in FY2017. This was mainly due to foreign currency exchange fluctuation.

Finance expenses

Finance expenses increased by S\$0.6 million, to S\$1.0 million in FY2018 from S\$0.4 million in FY2017. This was mainly due to an increase in long term loan interest of S\$0.5 million from property loan and increase in short term loan interest of S\$0.1 million.

Tax expense

Tax expense decreased by S\$0.2 million to S\$19,000 in FY2018 from S\$260,000 in FY2017. This was mainly due to a net tax credit arising from temporary differences of S\$0.1 million and reversal of overprovision for prior year income tax of S\$0.1 million.

Review of Financial Position

Non-current assets

Non-current assets increased by S\$6.9 million, to S\$46.6 million as at 31 December 2018 from S\$39.7 million as at 31 December 2017.

The increase was mainly due to (i) acquisition of fixed assets of S\$2.0 million; (ii) acquisition of interest in an associate of S\$0.4 million; (iii) increase in deferred tax assets of S\$0.4 million; and (iv) fair value adjustment on unquoted investment of S\$10.6 million. The increase was partially offset by (i) disposal of fixed assets with carrying amount of S\$4.3 million; (ii) depreciation of S\$2.0 million; and (iii) amortisation charges of S\$0.2 million.

Current assets

Current assets increased by S\$19.7 million, to S\$47.7 million as at 31 December 2018 from S\$28.0 million as at 31 December 2017.

The increase was mainly due to (i) increase in cash and bank balances of S\$16.9 million; (ii) increase in inventories of S\$3.4 million; (iii) increase in trade receivables of S\$1.0 million; (iv) increase in advance payments to suppliers of S\$0.8 million; (v) increase in tax recoverable of S\$ 0.2 million; and (vi) increase in amounts due from affiliated companies (trade) of S\$0.2 million. The increase was partially offset by (i) decrease in other receivables of S\$1.6 million; and (ii) decrease in fixed assets held for sale of S\$1.2 million.

Current liabilities

Current liabilities decreased by S\$5.5 million, to S\$19.7 million as at 31 December 2018 from S\$25.2 million as at 31 December 2017.

The decrease was mainly due to net repayment of short-term borrowings of S\$11.7 million. The decrease was partially offset by (i) increase in trade payables of S\$1.0 million; (ii) increase in trust receipts and bills payable of S\$1.8 million; (iii) increase in accrued operating expenses of S\$2.6 million; (iv) increase in advance payment from customers of S\$0.4 million; and (v) increase in other creditors of S\$0.3 million.

Non-current liabilities

Non-current liabilities decreased by S\$0.6 million, to S\$16.5 million as at 31 December 2018 from S\$17.1 million as at 31 December 2017 mainly due to ongoing repayment of long-term borrowings of S\$0.9 million and partially offset by the increase in deferred tax liabilities of S\$0.3 million.

Equity

Total equity increased by S\$32.7 million, to S\$58.1 million as at 31 December 2018 from S\$25.4 million as at 31 December 2017 mainly due to the current year profit of S\$25.8 million and fair value adjustment reserve of S\$10.4 million. The increase was partially offset by the issue of dividends on ordinary shares of S\$3.5 million.

Review of Cash Flow Statement

Net cash flows generated from operating activities amounted to S\$3.6 million, mainly due to (i) working capital changes of S\$7.4 million; (ii) income tax refund of S\$0.2 million; and (iii) interest income of S\$0.1 million. These were partially offset by (a) net cash used in operating activities before changes in working capital of S\$2.7 million; (b) payment of bank interest of S\$1.0 million; and (c) payment of income tax of S\$0.4 million.

The working capital changes consist of net cash inflows arising from changes in (i) other receivables of S\$1.4 million; (ii) trade payables of S\$6.9 million; (iii) advance payment from customers of S\$0.4 million; (iv) other creditors of S\$0.3 million; and (v) accruals and other liabilities of S\$2.6 million. These were partially offset by cash outflows arising from changes in (a) inventories of S\$2.3 million; (b) trade debtors of S\$0.9 million; (c) deposits, prepayments and advance payment to suppliers of S\$0.7 million; and (d) amounts due to affiliated companies of S\$0.3 million.

Net cash generated from investing activities amounted to S\$33.5 million in FY2018. This was mainly due to (i) disposal of fixed assets held for sale of S\$7.8 million; (ii) disposal of fixed assets of S\$27.5 million, (iii) dividends received of S\$0.5 million; and partially offset by net cash outflow on (i) purchase of fixed assets of S\$2.0 million; and (ii) net cash outflow on investment in associate of S\$0.3 million.

Net cash used in financing activities amounted to S\$20.2 million in FY2018. This was mainly due to (i) repayment of term loans of S\$21.1 million; (ii) repayment of trust receipts and bills payable of S\$4.1 million; and (iii) dividends paid of S\$3.5 million. These were partially offset by proceeds from term loans of S\$8.5 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 significant trends and 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

FY2018 has been a year where the Group unlocked value for its shareholders with the disposal of several properties which were carried at historical cost less accumulated depreciation and impairment. This has allowed the Board of Directors (the “**Board**”) to reward shareholders with a dividend paid in September 2018. In unlocking the value of the properties, the Group has also improved its cash position and is in a better position to re-invest the proceeds in complementary businesses to derive a more sustainable income stream or to diversify its business portfolio to mitigate risks on being too concentrated on the current industry.

The Group continues to work at enhancing its distribution network and increasing its customer base. Partnerships with industry leaders to integrate smart technology are being explored which will add value to our products. Greater effort will be put into Research and Development with more emphasis on exploring cost reduction, preparing the Group for the changing global trends to have products compatible with new refrigeration systems using natural gases, and improving efficiency of our “Eden” brand of heat-exchangers. The Group also intends to increase our effort to explore merger and acquisition opportunities to add value to shareholders.

11. Dividend

(a) Current Financial Period Reported on 31 December 2018

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

No.

(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	Final
Dividend type	Cash
Dividend rate	S\$0.0018 per ordinary share
Tax rate	Tax exempt (one-tier)

(c) Date Payable

Not applicable.

(d) Books Closure Date

Not applicable.

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

The Company has declared an interim (tax exempt one-tier) dividend of 3.0 cents per ordinary share for FY2018. No final dividend is proposed for FY2018 as the Board is of the view that it would be more prudent to utilize the cash resources to invest in complementary businesses to derive a more sustainable income stream or to diversify its business portfolio to mitigate risks on being too concentrated on the current industry.

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	FY2018	FY2017
	S\$'000	S\$'000
Singapore	6,545	7,011
Malaysia	10,933	10,009
Indonesia	5,956	5,396
Hong Kong/Macau/People's Republic of China	12,842	10,288
Indo-China*	2,458	3,027
Others	2,070	1,405
	<u>40,804</u>	<u>37,136</u>

Non-current assets

	FY2018	FY2017
	S\$'000	S\$'000
Singapore	25,395	28,879
Malaysia	333	333
People's Republic of China	8,973	9,986
Hong Kong	16	20
Indonesia	11	-
Indo-China*	14	26
	<u>34,742</u>	<u>39,244</u>

* Related to Vietnam, Myanmar and Cambodia

Non-current assets information presented above consists of fixed assets, land use rights and intangible assets. The decrease in non-current assets for Singapore was mainly due to the disposal of its freehold and leasehold properties in FY2018. The decrease in non-current assets for People's Republic of China was mainly due to depreciation of its fixed assets.

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)
	FY2018 S\$'000	FY2017 S\$'000	%
(a) Sales reported for the first half year	16,298	17,215	(5.3)
(b) Operating profit after tax before deducting minority interests reported for the first half year	26,933	248	n.m.
(c) Sales reported for the second half year	24,506	19,921	23.0
(d) Operating (loss)/ profit after tax before deducting minority interests reported for the second half year	(1,150)	135	n.m.

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

	FY2018 S\$'000	FY2017 S\$'000
Ordinary dividend	3,254	200
Preference dividend	-	-
Total annual dividend	3,254	200

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

28 February 2019