

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 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 1H2019 S\$'000	Unaudited 1H2018 S\$'000		
<b>Revenue</b>	30,300	16,298	14,002	85.9
Cost of sales	(22,012)	(12,288)	(9,724)	79.1
<b>Gross profit</b>	8,288	4,010	4,278	106.7
Other operating income	1,685	30,854	(29,169)	(94.5)
Distribution and selling expenses	(4,265)	(2,541)	(1,724)	67.9
Administrative expenses	(5,857)	(4,752)	(1,105)	23.3
Reversal of impairment on financial assets, net	31	33	(2)	n.m.
Other operating expenses	(137)	(5)	(132)	n.m.
	(10,228)	(7,265)	(2,963)	40.8
<b>(Loss)/Profit from operations</b>	(255)	27,599	(27,854)	n.m.
Finance expenses	(789)	(558)	(231)	41.4
Interest income	113	3	110	n.m.
<b>(Loss)/Profit before tax</b>	(931)	27,044	(27,975)	n.m.
Tax expense	(52)	(192)	140	(72.9)
<b>(Loss)/Profit for the period</b>	(983)	26,852	(27,835)	n.m.
<b>Other comprehensive income</b>				
<b>Item that may be reclassified subsequently to profit or loss</b>				
Foreign currency translation	(101)	198	(299)	n.m.
<b>Total comprehensive income for the period</b>	(1,084)	27,050	(28,134)	n.m.
<b>(Loss)/Profit for the period attributable to :-</b>				
Owners of the Company	(856)	26,933	(27,789)	n.m.
Non-controlling interests	(127)	(81)	(46)	56.8
	(983)	26,852	(27,835)	n.m.
<b>Total comprehensive income for the period attributable to :-</b>				
Owners of the Company	(995)	27,125	(28,120)	n.m.
Non-controlling interests	(89)	(75)	(14)	18.7
	(1,084)	27,050	(28,134)	n.m.

n.m. : not meaningful

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

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

	← GROUP →		
	Unaudited 1H2019 S\$'000	Unaudited 1H2018 S\$'000	Change +ve/(-ve) %
Interest income	(113)	(3)	n.m.
Finance expenses	789	558	41.4
Provision/(write-back) of allowance for obsolete and slow-moving inventories, net	76	(272)	n.m.
Reversal of impairment losses on financial assets, net	(31)	(33)	(6.1)
Fixed assets written off	6	78	(92.3)
Unrealised fair value gain on financial instruments	(82)	-	n.m.
Realised fair value gain on financial instruments	(9)	-	n.m.
Gain on disposal of fixed assets held for sale, net	-	(6,590)	n.m.
Gain on disposal of fixed assets, net	(1)	(22,837)	n.m.
Depreciation of fixed assets	1,032	975	5.9
Depreciation of right of use assets*	419	-	n.m.
Dividend income from unquoted investment	(446)	-	n.m.
Amortisation of land use rights	22	23	(4.4)
Amortisation of intangible assets	43	45	(4.4)
Foreign exchange losses/(gains), net	126	(44)	n.m.

n.m. : not meaningful

\* : Arising from adoption of SFRS(I) 16. Refer to Section 5 on page 8 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 30 June 2019 S\$'000	Audited 31 Dec 2018 S\$'000	Unaudited 30 June 2019 S\$'000	Audited 31 Dec 2018 S\$'000
<b>Non-current assets</b>				
Fixed assets	34,253	32,449	25,032	25,395
Intangible assets	658	405	-	-
Land use rights	1,861	1,888	-	-
Investment in subsidiaries	-	-	22,534	15,102
Investment in joint venture	31	31	136	136
Investment in associates	610	589	-	-
Unquoted investment	8,971	9,042	-	-
Deferred tax assets	577	581	-	-
Deposits	-	-	-	-
Right of use assets	14,689	-	14,211	-
<b>Total non-current assets</b>	<b>61,650</b>	<b>44,985</b>	<b>61,913</b>	<b>40,633</b>
<b>Current assets</b>				
Inventories	14,002	14,123	6,755	7,368
Trade receivables	10,138	8,480	3,306	2,508
Contract assets	7,667	-	-	-
Other receivables	1,356	694	125	155
Deposits	402	228	71	71
Prepayments	262	115	99	49
Investment in financial instruments	5,884	-	5,884	-
Advance payment to suppliers	1,577	1,332	1,157	1,211
Amounts due from subsidiaries (trade)	-	-	2,649	3,426
Amounts due from subsidiaries (non-trade)	-	-	4,097	3,595
Amounts due from joint venture and associates (trade)	509	641	-	115
Amounts due from joint venture and associates (non-trade)	139	115	-	-
Tax recoverable	182	359	-	-
Fixed deposits	6,416	16,084	6,106	16,084
Cash and bank balances	4,560	5,476	542	829
<b>Total current assets</b>	<b>53,094</b>	<b>47,647</b>	<b>30,791</b>	<b>35,411</b>
<b>Current liabilities</b>				
Trade payables	5,790	3,417	1,124	2,191
Contract liabilities	1,005	1,144	548	718
Trust receipts and bills payable (secured)	9,179	5,842	5,672	5,842
Other payables	654	740	331	302
Accruals and other liabilities	2,899	4,950	3,126	4,062
Dividend payable	137	116	137	116
Amounts due to subsidiaries (trade)	-	-	2,462	1,897
Amounts due to subsidiaries (non-trade)	-	-	183	131
Amounts due to joint venture and associates (non-trade)	159	159	-	-
Provision for income tax	87	52	-	-
Lease liabilities (current)	999	14	636	11
Term loans (current)	3,938	3,381	1,686	971
<b>Total current liabilities</b>	<b>24,847</b>	<b>19,815</b>	<b>15,905</b>	<b>16,241</b>
<b>Net current assets</b>	<b>28,247</b>	<b>27,832</b>	<b>14,886</b>	<b>19,170</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	2,057	2,069	-	-
Lease liabilities (non-current)	14,520	55	13,776	38
Term loans (non-current)	19,371	16,093	18,774	16,093
<b>Total non-current liabilities</b>	<b>35,948</b>	<b>18,217</b>	<b>32,550</b>	<b>16,131</b>
<b>Net assets</b>	<b>53,949</b>	<b>54,600</b>	<b>44,249</b>	<b>43,672</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	19,697	19,264	19,697	19,264
Retained earnings	28,026	28,882	24,230	24,086
Fair value adjustment reserve*	6,988	6,988	-	-
Capital reserve	322	322	322	322
Translation reserve	(3,016)	(2,877)	-	-
	52,017	52,579	44,249	43,672
<b>Non-controlling interests</b>	1,932	2,021	-	-
<b>Total equity</b>	<b>53,949</b>	<b>54,600</b>	<b>44,249</b>	<b>43,672</b>

\*Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of unquoted investment at fair value through other comprehensive income 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**

	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
Repayable in one year or less, or on demand	13,316	-	9,237	-
Repayable after one year	19,900	-	16,148	-
<b>Total borrowings</b>	<b>33,216</b>	<b>-</b>	<b>25,385</b>	<b>-</b>

**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	
	1H2019 Unaudited S\$'000	1H2018 Unaudited S\$'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before tax	(931)	27,044
Adjustments:		
Reversal of impairment losses on financial assets, net	(31)	(33)
Provision/(write-back) of allowance for obsolete and slow-moving inventories, net	76	(272)
Fixed assets written off	6	78
Gain on disposal of fixed assets, net	(1)	(22,837)
Gain on disposal of fixed assets held for sale, net	-	(6,590)
Depreciation of fixed assets	1,032	975
Depreciation of right of use assets	419	-
Dividend income from unquoted investment	(446)	-
Unrealised fair value gain on financial instruments	(82)	-
Amortisation of land use rights	22	23
Amortisation of intangible assets	43	45
Finance expenses	789	558
Interest income	(113)	(3)
Translation difference	3	121
Operating cash flows before working capital changes	<u>786</u>	<u>(891)</u>
(Increase)/decrease in:		
Inventories	470	(2,153)
Trade receivables	1,463	1,820
Contract assets	(2,098)	-
Other receivables	77	1,421
Deposits, prepayments and advance payment to suppliers	(314)	(674)
Amounts due from joint venture and associates (trade)	132	-
Amounts due from joint venture and associates (non-trade)	(24)	-
Increase/(decrease) in:		
Trade payables	(1,574)	(263)
Contract liabilities	30	413
Other payables	(156)	579
Accruals and other liabilities	(2,269)	31
Amounts due to joint venture and associates (non-trade)	-	32
Cash flows (used in)/generated from operations	<u>(3,477)</u>	<u>315</u>
Interest paid	(543)	(558)
Income taxes paid	(84)	(352)
Income taxes refunded	123	157
Interest income	113	3
<b>Net cash flows used in operating activities</b>	<u>(3,868)</u>	<u>(435)</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of fixed assets	3	27,000
Proceeds from disposal of fixed assets held for sale	-	7,764
Purchase of fixed assets	(378)	(1,611)
Dividends received	222	31
Capital contribution from non-controlling interest	-	49
Net cash outflow on investment in subsidiary	(5,500)	-
Purchase of financial instruments	(9,085)	-
Proceeds from disposal of financial instruments	3,283	-
<b>Net cash flows (used in)/generated from investing activities</b>	<u>(11,455)</u>	<u>33,233</u>
<b>Cash flows from financing activities</b>		
Trust receipts and bills payables	1,096	1,276
Dividends paid	-	(195)
Proceeds from lease liabilities	262	-
Repayment of lease liabilities	(682)	(6)
Repayment of term loans	(4,251)	(15,562)
Proceeds from term loans	7,372	3,895
<b>Net cash flows generated from/(used in) financing activities</b>	<u>3,797</u>	<u>(10,592)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(11,526)</u>	<u>22,206</u>
Effect of exchange rate changes on cash and cash equivalents	15	2
Cash and cash equivalents at beginning of period	22,487	4,551
<b>Cash and cash equivalents at end of period</b>	<u>10,976</u>	<u>26,759</u>
<b>Cash and cash equivalents consist of the following :</b>		
Cash and bank balances	4,560	26,391
Less: bank deposit pledged	-	(100)
Fixed deposits	6,416	468
	<u>10,976</u>	<u>26,759</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
<b>GROUP</b>								
<b>Balance at 1 January 2019</b>	54,600	52,579	19,264	28,882	6,988	322	(2,877)	2,021
Loss for the period	(983)	(856)	-	(856)	-	-	-	(127)
<u>Other comprehensive income</u>								
Foreign currency translation	(101)	(139)	-	-	-	-	(139)	38
Total comprehensive loss	(1,084)	(995)	-	(856)	-	-	(139)	(89)
<u>Contributions by and distribution to owners</u>								
Shares issued for acquisition of a subsidiary	433	433	433	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>53,949</b>	<b>52,017</b>	<b>19,697</b>	<b>28,026</b>	<b>6,988</b>	<b>322</b>	<b>(3,016)</b>	<b>1,932</b>
<b>Balance at 1 January 2018</b>	25,402	23,386	19,264	6,612	-	322	(2,812)	2,016
Profit/(loss) for the period	26,852	26,933	-	26,933	-	-	-	(81)
<u>Other comprehensive income</u>								
Foreign currency translation	198	192	-	-	-	-	192	6
Total comprehensive income	27,050	27,125	-	26,933	-	-	192	(75)
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(195)	(195)	-	(195)	-	-	-	-
<u>Changes in ownership interests in subsidiaries</u>								
Capital contribution from non-controlling interest	49	-	-	-	-	-	-	49
<b>Balance at 30 June 2018</b>	<b>52,306</b>	<b>50,316</b>	<b>19,264</b>	<b>33,350</b>	<b>-</b>	<b>322</b>	<b>(2,620)</b>	<b>1,990</b>
<b>COMPANY</b>								
<b>Balance at 1 January 2019</b>	43,672	43,672	19,264	24,086	-	322	-	-
Profit for the period, representing total comprehensive income for the period	144	144	-	144	-	-	-	-
<u>Contributions by and distribution to owners</u>								
Shares issued for acquisition of a subsidiary	433	433	433	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>44,249</b>	<b>44,249</b>	<b>19,697</b>	<b>24,230</b>	<b>-</b>	<b>322</b>	<b>-</b>	<b>-</b>
<b>Balance at 1 January 2018</b>	23,415	23,415	19,264	3,829	-	322	-	-
Profit for the period, representing total comprehensive income for the period	26,169	26,169	-	26,169	-	-	-	-
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(195)	(195)	-	(195)	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>49,389</b>	<b>49,389</b>	<b>19,264</b>	<b>29,803</b>	<b>-</b>	<b>322</b>	<b>-</b>	<b>-</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, 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 number of shares during 1H2019.

The Company does not have any convertible securities, treasury shares and subsidiary holdings as at 30 June 2019 and 30 June 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 30 June 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 qualification or emphasis of matter).**

Not applicable.

**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\$14.8 million and S\$14.5 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 1H2019 is summarised as follows:

	1H2019			1H2018
	After SFRS(I) 16 Adjustments	SFRS(I) 16 adjustments	Before SFRS(I) 16 adjustments	Before SFRS(I) 16 adjustments
	S\$'000	S\$'000	S\$'000	S\$'000
Administrative expenses	5,857	144	6,001	4,752
Finance Expenses	789	(246)	543	558

**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	
	1H2019	1H2018
Net (loss)/profit after tax attributable to owners of the Company (S\$'000)	(856)	26,933
Weighted average number of ordinary shares ('000)	111,462	108,480
(Loss)/ Earnings per share - basic/fully diluted (cents)	(0.77)	24.83

The Company has no dilutive equity instruments as at 30 June 2019 and 30 June 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 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
Net asset value (S\$'000)	52,017	52,579	44,249	43,672
Number of ordinary shares ('000)	111,462	108,480	111,462	108,480
Net asset value per share (cents)	46.7	48.5	39.7	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\$14.0 million or 85.9%, from S\$16.3 million in the six-month financial period ended 30 June 2018 ("1H2018") to S\$30.3 million in the six-month financial period ended 30 June 2019 ("1H2019"). The increase was mainly due to (i) revenue contribution of S\$10.9 million from newly acquired subsidiary, M-Tech Air-Con & Security Engineering Pte Ltd ("M-Tech"); and (ii) increase in revenue from Singapore, Indonesia, Vietnam and Myanmar markets due to increased sales efforts.

Revenue by Business Segment	GROUP				Change +ve/(-ve) S\$'000	Change +ve/(-ve) %
	1H2019 S\$'000	% Contribution	1H2018 S\$'000	% Contribution		
Residential and commercial (air-conditioning)	13,157	43.4%	1,896	11.6%	11,261	593.9
Oil, marine and gas (refrigeration and air-conditioning)	519	1.7%	429	2.6%	90	21.0
Commercial and light industrial (refrigeration)	16,624	54.9%	13,973	85.7%	2,651	19.0
	<b>30,300</b>	<b>100%</b>	<b>16,298</b>	<b>100%</b>	<b>14,002</b>	

Revenue from the residential and commercial (air-conditioning) segment increased by S\$11.3 million in 1H2019 as compared to 1H2018 mainly due to the acquisition of M-Tech. Revenue from the commercial and light industrial (refrigeration) segment increased by S\$2.7 million in 1H2019 as compared to 1H2018.

**Gross profit and gross profit margin**

The Group's gross profit increased by S\$4.3 million or 106.7%, from S\$4.0 million in 1H2018 to S\$8.3 million in 1H2019 mainly due to the increase in revenue. The gross profit margin increased by 2.8%, from 24.6% in 1H2018 to 27.4% in 1H2019.

**Other operating income**

Other operating income decreased by S\$29.2 million, from S\$30.9 million in 1H2018 to S\$1.7 million in 1H2019. This was mainly due to (i) one-off gain on disposal of fixed assets and fixed assets held for sale of S\$22.8 million and S\$6.6 million respectively in 1H2018; and (ii) decrease in management service income of S\$0.2 million. This was partially offset by dividend income from unquoted investment of S\$0.4 million in 1H2019.

**Distribution and selling expenses**

Distribution and selling expenses increased by S\$1.7 million or 67.9%, from S\$2.5 million in 1H2018 to S\$4.3 million in 1H2019 due to (i) consolidation of M-Tech's distribution and selling expenses of S\$1.3 million pursuant to M-Tech's acquisition; and (ii) increase in staff costs of S\$0.4 million.

**Administrative expenses**

Administrative expenses increased by S\$1.1 million, from S\$4.7 million in 1H2018 to S\$5.8 million in 1H2019. This was mainly due to (i) consolidation of M-Tech's administrative expenses of S\$2.1 million pursuant to M-Tech's acquisition. The increase was partially offset by the decrease in (i) professional fee of S\$0.6 million; (ii) management fee paid to a consultant of S\$0.1 million; (iii) rental expenses of S\$0.2 million; and (iv) fixed asset written off expenses of S\$0.1 million.

**Other operating expenses**

Other operating expenses increased by S\$0.1 million. This was mainly due to unrealised foreign exchange loss incurred in 1H2019.

**Finance expenses**

Finance expenses increased by S\$0.2 million, from S\$0.6 million in 1H2018 to S\$0.8 million in 1H2019. This was mainly due to the increase of interest expenses of S\$0.2 million after the adoption of SFRS(I) 16 Leases in 1H2019.

### **Tax expense**

Tax expense decreased by S\$0.1 million, from S\$0.2 million in 1H2018 to S\$0.1 million in 1H2019. This was mainly due to one-off property gains tax on disposal of subsidiary's asset held for sale in Malaysia in 1H2018.

### **Profitability**

The Group's net loss before taxation has decreased by S\$0.6 million or 30% to S\$1.2 million in 1H2019 as compared to S\$1.8 million in 1H2018 before accounting for M-Tech's profit of S\$0.3 million in 1H2019 and the one-off gains from disposal of fixed assets and fixed assets held for sale and relevant professional fees of S\$29.4 million and S\$0.5 million respectively in 1H2018.

### **Review of Financial Position**

#### **Non-current assets**

Non-current assets increased by S\$16.7 million, from S\$45.0 million as at 31 December 2018 to S\$61.7 million as at 30 June 2019.

This was mainly due to (i) increase in fixed assets of S\$1.8 million and increase in goodwill of S\$0.3 million mainly due to M-Tech's acquisition; and (ii) the recognition of right-of-use assets after the adoption of SFRS(I) 16 Leases of S\$14.7 million. This was partially offset by the decrease in unquoted investment of S\$0.1 million due to foreign exchange revaluation.

#### **Current assets**

Current assets increased by S\$5.5 million, from S\$47.6 million as at 31 December 2018 to S\$53.1 million as at 30 June 2019.

The increase was mainly due to (i) increase in investment in financial instruments of S\$5.9 million; (ii) increase of trade receivables of S\$1.6 million; (iii) increase of contract assets of S\$7.7 million pursuant to M-Tech's acquisition; (iv) increase in advance payments to suppliers of S\$0.2 million; (v) increase in other receivables of S\$0.7 million; and (vi) increase in deposits of S\$0.2 million. The increase was partially offset by (i) decrease in cash and bank balances (including fixed deposits) of S\$10.6 million; and (ii) decrease in tax recoverable of S\$0.2 million.

#### **Current liabilities**

Current liabilities increased by S\$5.0 million, from S\$19.8 million as at 31 December 2018 to S\$24.8 million as at 30 June 2019.

The increase was mainly due to (i) increase in trade payables of S\$2.4 million; (ii) increase in trust receipts and bills payable of S\$3.4 million; (iii) increase in lease liabilities of S\$0.8 million due to the adoption of SFRS(I) 16 Leases; and (iv) increase in term loans of S\$0.5 million. This was partially offset by decrease in accruals and other liabilities of S\$2.1 million.

#### **Non-current liabilities**

Non-current liabilities increased by S\$17.8 million, from S\$18.2 million as at 31 December 2018 to S\$36.0 million as at 30 June 2019.

The increase was mainly due to (i) increase in lease liabilities of S\$14.0 million after the adoption of SFRS(I) 16 Leases; (ii) increase in lease liabilities pursuant to M-Tech's acquisition of S\$0.5 million; and (iii) increase in term loans of S\$3.3 million.

### **Equity**

Total equity decreased by S\$0.7 million, from S\$54.6 million as at 31 December 2018 to S\$53.9 million as at 30 June 2019.

This was mainly due to (i) loss for the period of S\$0.9 million; (ii) decrease in translation reserve of S\$0.1 million; and (iii) decrease in non-controlling interests of S\$0.1 million. The decrease was partially offset by the issuance of shares of S\$0.4 million.

### **Review of Cash Flow Statement**

The Group generated S\$0.8 million net cash in operating activities before changes in working capital in 1H2019 while net cash flows used in operating activities amounted to S\$3.9 million. This was mainly due to negative working capital changes of S\$4.3 million and interest paid of S\$0.5 million, partially offset by income taxes refunded and interest income of S\$0.2 million. The working capital changes consist of net cash inflows arising from (i) inventories of S\$0.5 million; (ii) trade receivables of S\$1.5 million; (iii) other receivables of S\$0.1 million; and (iv) amounts due from joint venture and associates (trade) of S\$0.1 million while net cash outflows arising from changes in (i) contract assets of S\$2.1 million; (ii) deposits, prepayments and advance payments to suppliers of S\$0.3 million; (iii) trade payables of S\$1.6 million; (iv) other payables of S\$0.2 million; and (v) accruals and other liabilities of S\$2.3 million.

Net cash used in investing activities amounting to S\$11.5 million in 1H2019 was mainly due to (i) purchase of fixed assets of S\$0.4 million; (ii) acquisition of investment in subsidiary of S\$5.5 million; and (iii) purchase of financial instruments of S\$9.1 million. This was partially offset against (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\$3.8 million in 1H2019. This was mainly due to (i) proceeds from trust receipts and bills payable of S\$1.1 million; (ii) proceeds from lease liabilities of S\$0.3 million; and (iii) proceeds from term loans of S\$7.4 million. These were partially offset by (i) repayment of lease liabilities S\$0.7 million; and (ii) repayment of term loans of S\$4.3 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.**

In 1H2019, the Group's financial performance includes that of our newly-acquired subsidiary, M-Tech Air-Con & Security Engineering Pte Ltd ("M-Tech"). With M-Tech's inclusion, the Group has synergically expanded into the residential and commercial (air-conditioning) segment and at the same time reduced the dependency on the traditional commercial and light industrial (refrigeration) segment. The Group has benefited from the addition of M-Tech's financial performance.

Nevertheless, the management is of the view that both segments continue to face challenges due to the regional political and economic uncertainties affecting market sentiments. While the direct impact of the US-China trade war may not yet be felt, costs of operations in the regional are gradually increasing. This may have an impact on increased competition and competitors cutting margins. To compete, the Group may have to do the same to maintain market share. In the same period, the Group has also revamped our operations in Hong Kong by focusing on distributors instead of operating from our retail outlet. If the social unrest in Hong Kong persists, the operations in Hong Kong may be affected negatively as well.

The Directors are of the view that barring unforeseen circumstances and adverse developments in the region, the Group is heading in the right direction to enhance its strategies of diversification and improving performance.

**11. Dividend**

**(a) Current Financial Period Reported on 30 June 2019**

**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?**

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**

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 dividend is proposed for 1H2019 as the Board is of the view that it would be more prudent to utilise the cash resources to invest in complementary businesses to derive a more sustainable income stream and to diversify its business portfolio to mitigate risks on being too concentrated on the current industry.

**13. 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.

**14. 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.

**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 2019 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 (Sales & Marketing) and Executive Director

8 August 2019