

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2020

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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 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 1H2020 S\$'000	Unaudited 1H2019 S\$'000		
Revenue	21,816	30,300	(8,484)	(28.0)
Cost of sales	(16,419)	(22,012)	5,593	(25.4)
Gross profit	5,397	8,288	(2,891)	(34.9)
Other operating income	1,423	1,685	(262)	(15.5)
Distribution and selling expenses	(3,597)	(4,265)	668	(15.7)
Administrative expenses	(5,982)	(5,857)	(125)	2.1
(Impairment loss)/reversal of impairment loss on trade and other receivables and contract assets	(597)	31	(628)	n.m.
Other operating expenses	(251)	(137)	(114)	83.2
	(10,427)	(10,228)	(199)	1.9
Loss from operations	(3,607)	(255)	(3,352)	n.m.
Finance expenses	(792)	(789)	(3)	0.4
Interest income	121	113	8	7.1
Loss before tax	(4,278)	(931)	(3,347)	n.m.
Tax expense	(78)	(52)	(26)	50.0
Loss for the period	(4,356)	(983)	(3,373)	n.m.
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Foreign currency translation	479	(101)	580	n.m.
Total comprehensive income for the period	(3,877)	(1,084)	(2,793)	n.m.
Loss for the period attributable to :-				
Owners of the Company	(4,140)	(856)	(3,284)	n.m.
Non-controlling interests	(216)	(127)	(89)	70.1
	(4,356)	(983)	(3,373)	n.m.
Total comprehensive income for the period attributable to :-				
Owners of the Company	(3,699)	(995)	(2,704)	n.m.
Non-controlling interests	(178)	(89)	(89)	100.0
	(3,877)	(1,084)	(2,793)	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 →		Change +ve/(-ve) %
	Unaudited 1H2020 S\$'000	Unaudited 1H2019 S\$'000	
Interest income	(121)	(113)	7.1
Finance expenses	792	789	0.4
Provision of allowance for obsolete and slow-moving inventories, net	313	76	n.m.
Impairment loss/(reversal of impairment loss) on trade and other receivables and contract assets	597	(31)	n.m.
Fixed assets written off	-	6	(100.0)
Net fair value loss/(gains) on held for trading investment securities	202	(82)	n.m.
Gains on disposal of held for trading investment securities	(28)	(9)	n.m.
Gains on disposal of fixed assets, net	(36)	(1)	n.m.
Depreciation of fixed assets	968	1,032	(6.2)
Depreciation of right-of-use assets	475	419	13.4
Dividend income from investment securities	-	(446)	(100.0)
Amortisation of right-of-use assets - land use rights	22	22	-
Amortisation of intangible assets	152	43	n.m.
Foreign exchange losses, net	242	126	92.1

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
	30 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Fixed assets	31,824	32,585	24,084	24,589
Intangible assets	495	642	-	-
Right-of-use assets	14,193	14,047	13,007	13,047
Right-of-use assets-land use rights	1,818	1,824	-	-
Investment in subsidiaries	-	-	21,153	21,153
Investment in associates	711	691	-	-
Investment securities	9,357	8,984	-	-
Deferred tax assets	507	503	-	-
Total non-current assets	58,905	59,276	58,244	58,789
Current assets				
Inventories	15,808	13,285	8,243	6,968
Investment securities	7,168	7,914	7,168	7,914
Trade receivables	8,328	12,592	2,118	2,448
Contract assets	8,303	11,002	-	-
Other receivables	1,118	1,533	528	755
Deposits	243	292	69	69
Prepayments	384	255	48	52
Advance payment to suppliers	627	791	338	752
Amounts due from subsidiaries (trade)	-	-	2,738	3,358
Amounts due from subsidiaries (non-trade)	-	-	4,282	4,825
Amounts due from associates (trade)	529	1,047	-	12
Amounts due from associates (non-trade)	141	163	-	-
Tax recoverable	-	18	-	-
Fixed deposits	2,602	3,497	2,286	3,183
Cash and bank balances	7,616	5,548	1,174	654
Total current assets	52,867	57,937	28,992	30,990
Current liabilities				
Trade payables	5,448	7,770	1,876	1,634
Contract liabilities	1,821	1,146	95	253
Trust receipts and bills payable (secured)	8,933	9,047	5,668	6,182
Other payables	542	856	241	356
Accruals and other liabilities	4,470	5,301	1,748	1,492
Dividend payable	137	137	137	137
Amounts due to subsidiaries (trade)	-	-	2,278	2,598
Amounts due to subsidiaries (non-trade)	-	-	147	136
Amounts due to associates (non-trade)	164	158	-	-
Provision for income tax	40	150	-	-
Lease liabilities (current)	739	673	304	294
Term loans (current)	4,234	3,932	2,368	2,248
Bank overdraft	-	113	-	-
Total current liabilities	26,528	29,283	14,862	15,330
Net current assets	26,339	28,654	14,130	15,660
Non-current liabilities				
Deferred tax liabilities	2,579	2,471	-	-
Lease liabilities (non-current)	13,641	13,503	13,014	12,958
Term loans (non-current)	19,499	18,447	16,838	17,785
Total non-current liabilities	35,719	34,421	29,852	30,743
Net assets	49,525	53,509	42,522	43,706
Equity attributable to owners of the Company				
Share capital	19,680	19,680	19,680	19,680
Retained earnings	23,317	27,457	22,520	23,704
Fair value adjustment reserve	6,999	6,999	-	-
Capital reserve	322	322	322	322
Translation reserve	(2,675)	(3,116)	-	-
	47,643	51,342	42,522	43,706
Non-controlling interests	1,882	2,167	-	-
Total equity	49,525	53,509	42,522	43,706

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 30 June 2020		As at 31 December 2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Repayable in one year or less, or on demand	13,361	-	13,289	-
Repayable after one year	19,996	-	19,001	-
Total borrowings	33,357	-	32,290	-

Details of any collateral

The above borrowings are secured by (i) legal mortgages over the leasehold land and buildings; (ii) joint and several guarantee by the directors of a subsidiary; (iii) corporate guarantee by the Company; and (iv) leased assets. Total borrowings include trust receipts and bills payable, leases liabilities under hire purchase, term loans and bank overdraft.

CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	1H2020 Unaudited S\$'000	1H2019 Unaudited S\$'000
Cash flows from operating activities		
Loss before tax	(4,278)	(931)
Adjustments:		
Impairment loss/(reversal of impairment loss) on trade receivables and contract assets	597	(31)
Provision of allowance for obsolete and slow-moving inventories, net	313	76
Fixed assets written off	-	6
Gain on disposal of fixed assets, net	(36)	(1)
Depreciation of fixed assets	968	1,032
Depreciation of right-of-use assets	475	419
Dividend income from investment securities	-	(446)
Net fair value loss/(gains) on held for trading investment securities	202	(82)
Gain on disposal of held for trading investment securities	(28)	(9)
Amortisation of right-of-use assets - land use rights	22	22
Amortisation of intangible assets	152	43
Finance expenses	792	789
Interest income	(121)	(113)
Translation difference	276	2
Operating cash flows before working capital changes	(666)	776
(Increase)/decrease in:		
Inventories	(2,836)	470
Trade receivables	3,666	1,463
Contract assets	2,699	(2,098)
Other receivables	186	77
Deposits, prepayments and advance payment to suppliers	(79)	(314)
Amounts due from associates (trade)	518	132
Amounts due from associates (non-trade)	-	(24)
Increase/(decrease) in:		
Trade payables	6,685	7,605
Contract liabilities	839	30
Other payables	(313)	(156)
Accruals and other liabilities	(831)	(2,269)
Cash flows generated from operations	9,868	5,692
Interest paid	(508)	(543)
Income taxes paid	(154)	(84)
Income taxes refunded	8	123
Interest income	121	113
Net cash flows generated from operating activities	9,335	5,301
Cash flows from investing activities		
Dividends received	245	222
Bank deposits pledged	-	(100)
Increase in amount due from associates (non-trade)	21	-
Net cash outflow on investment in subsidiary	-	(4,573)
Proceeds from disposal of fixed assets	43	3
Purchase of fixed assets	(161)	(116)
Purchase of investment securities	(1,004)	(9,085)
Proceeds from disposal of investment securities	1,577	3,292
Net cash flows generated from/(used in) investing activities	721	(10,357)
Cash flows from financing activities		
Dividends paid	(107)	-
Repayment of trust receipts and bill payables, net	(9,306)	(8,082)
Repayment of lease liabilities	(704)	(682)
Repayment of term loans	(2,870)	(4,251)
Proceeds from term loans	4,189	7,372
Net cash flows used in financing activities	(8,798)	(5,643)
Net increase/(decrease) in cash and cash equivalents	1,258	(10,699)
Effect of exchange rate changes on cash and cash equivalents	29	15
Cash and cash equivalents at beginning of period	8,731	21,460
Cash and cash equivalents at end of period	10,018	10,776
Cash and cash equivalents consist of the following :		
Cash and bank balances	7,616	4,560
Less: Bank deposit pledged	(200)	(200)
Fixed deposits	2,602	6,416
	10,018	10,776

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to owners of the Company							
	Equity, total	Equity attributable to owners of the Company, total	Share capital	Retained earnings	Fair value adjustment reserve	Capital reserve	Translation reserve	Non-controlling interests
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
GROUP								
Balance at 1 January 2020	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 loss	(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)
Balance at 30 June 2020	49,525	47,643	19,680	23,317	6,999	322	(2,675)	1,882
Balance at 1 January 2019	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 income	(1,084)	(995)	-	(856)	-	-	(139)	(89)
<u>Contributions by and distribution to owners</u>								
Shares issued for acquisition of a subsidiary	433	433	433	-	-	-	-	-
Balance at 30 June 2019	53,949	52,017	19,697	28,026	6,988	322	(3,016)	1,932
COMPANY								
Balance at 1 January 2020	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)	-	-	-	-
Balance at 30 June 2020	42,522	42,522	19,680	22,520	-	322	-	-
Balance at 1 January 2019	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	-	-	-	-	-
Balance at 30 June 2019	44,249	44,249	19,697	24,230	-	322	-	-

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, sub-division, consolidation, 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.

There was no change in the Company's issued and paid up share capital from 1 January 2020 to 30 June 2020.

The Company does not have any convertible securities, treasury shares and subsidiary holdings as at 30 June 2020 and 30 June 2019.

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) was 111,462,000 as at 30 June 2020 and 30 June 2019.

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 modification or emphasis of matter).

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainly relating to going concern.

Not applicable. The Group's latest audited financial statements for FY2019 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

4. Whether the same accounting policies and methods of computations as in the issuer's most recent audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial reporting period as compared with the audited financial statements for the financial year ended 31 December 2019, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 January 2020 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.

In the current reporting period, the Group adopted all new or revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations to SFRS(I) ("SFRS(I) INT") that are relevant to its operations and are effective for first-time adoption during the current reporting period. The adoption of these new and revised SFRS(I) and SFRS(I) INT has no material effect on the amounts reported for the current or prior reporting periods.

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	
	1H2020	1H2019
Net loss after tax attributable to owners of the Company (S\$'000)	(4,140)	(856)
Weighted average number of ordinary shares ('000)	111,462	111,462
Loss per share - basic/fully diluted (cents)	(3.71)	(0.77)

The Company has no dilutive equity instruments as at 30 June 2020 and 30 June 2019.

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 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
Net asset value attributable to owners of the Company (S\$'000)	47,643	51,342	42,522	43,706
Number of ordinary shares ('000)	111,462	111,462	111,462	111,462
Net asset value per share (cents)	42.7	46.1	38.1	39.2

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 decreased by S\$8.5 million or 28.0%, from S\$30.3 million in the six-month financial period ended 30 June 2019 ("1H2019") to S\$21.8 million in the six-month financial period ended 30 June 2020 ("1H2020"). The Group's performance for 1H2020 has been impacted across all regions by the COVID-19 outbreak. The restrictions or safety measures imposed in various countries to curb the spread of COVID-19 have disrupted the Group's supply chains and demand in a number of ways, including suspension and delay of supplies, halting or deferring of customers' projects, and limiting of business operations to only those deemed essential services and do not pose high risk of transmission.

Revenue by Business Segment	GROUP				Change +ve/(-ve) S\$'000	Change +ve/(-ve) %
	1H2020 S\$'000	Contribution %	1H2019 S\$'000	Contribution %		
Residential and commercial (air-conditioning)	6,204	28.4%	13,157	43.4%	(6,953)	(52.8)
Oil, marine and gas (refrigeration and air-conditioning)	574	2.6%	519	1.7%	55	10.6
Commercial and light industrial (refrigeration)	15,038	69.0%	16,624	54.9%	(1,586)	(9.5)
	<u>21,816</u>	<u>100%</u>	<u>30,300</u>	<u>100%</u>	<u>(8,484)</u>	<u>(28.0)</u>

Revenue from the residential and commercial (air-conditioning) segment decreased by S\$7.0 million in 1H2020 as compared to 1H2019 mainly due to the significant sales drop in M-Tech Air-Con & Security Engineering Pte Ltd ("M-Tech"). Since the commencement of the Singapore COVID-19 Circuit Breaker period ("CB") on 7 April 2020, M-Tech has suspended most of its air-conditioning and mechanical ventilation activities in Singapore. Only certain essential services, such as repairing works, were allowed to be carried out at the project sites. Despite the lifting of the CB since 2 June 2020, the pace of resumption of project activities remained slow due to the stringent testing and regulatory clearances imposed on the built environment sector.

Revenue from the commercial and light industrial (refrigeration) segment decreased by S\$1.6 million in 1H2020 as compared to 1H2019 mainly due to the drop in sales in various countries due to COVID-19 outbreak.

Gross profit and gross profit margin

The Group's gross profit decreased by S\$2.9 million or 34.9%, from S\$8.3 million in 1H2019 to S\$5.4 million in 1H2020 mainly due to the decrease in revenue. The gross profit margin decreased by 2.7%, from 27.4% in 1H2019 to 24.7% in 1H2020.

Other operating income

Other operating income decreased by S\$0.3 million, from S\$1.7 million in 1H2019 to S\$1.4 million in 1H2020. This was mainly due to (i) the decrease in rental income from third party of S\$0.5 million; (ii) the one-off dividend income received in 1H2019 of S\$0.4 million; and (iii) the changes on unrealised loss on held for trading investment securities of S\$0.3 million. This was partially offset by the increase in (i) one-off government grant received of S\$0.7 million; and (ii) management fee from third party of S\$0.2 million.

Distribution and selling expenses

Distribution and selling expenses decreased by S\$0.7 million or 15.7%, from S\$4.3 million in 1H2019 to S\$3.6 million in 1H2020 due to (i) the decrease in travelling, entertainment expenses and exhibition expenses of S\$0.4 million due to travel restrictions and safety measures imposed by the various countries ; and (ii) the decrease in payroll cost in line with the drop of revenue.

Administrative expenses

No significant fluctuation for administrative expenses which remain at approximately S\$5.9 million in 1H2019 and 1H2020.

Impairment loss on trade and other receivables and contract assets

Impairment loss of S\$0.6 million arose from estimated credit losses recognised in 1H2020.

Other operating expenses

Other operating expenses increased by S\$0.1 million. This was mainly due to unrealised foreign exchange loss incurred in 1H2020.

Finance expenses

No significant fluctuation for finance expenses which remains at approximately S\$0.8 million in 1H2019 and 1H2020.

Tax expense

No significant fluctuation for tax expenses which remains at S\$0.1 million in 1H2019 and 1H2020.

Profitability

The Group's net loss before taxation has widened by S\$3.4 million to S\$4.3 million in 1H2020 as compared to S\$0.9 million in 1H2019 mainly due to the drop in both revenue and gross profit margin by S\$8.5 million and 2.6%, due to the COVID-19 outbreak.

Review of Financial Position

Non-current assets

Non-current assets decreased by S\$0.4 million, from S\$59.3 million as at 31 December 2019 to S\$58.9 million as at 30 June 2020.

This was mainly due to the decrease in (i) fixed assets of S\$0.8 million; and (ii) intangible assets of S\$0.1 million. The decrease was partially offset by the increase in (i) investment in unquoted equity securities of S\$0.4 million; and (ii) right-of-use assets of S\$0.1 million.

Current assets

Current assets decreased by S\$5.0 million, from S\$57.9 million as at 31 December 2019 to S\$52.9 million as at 30 June 2020.

The decrease was mainly due to decrease in (i) trade receivables of S\$4.3 million; (ii) contract assets of S\$2.7 million; (iii) held for trading investment securities of S\$0.7 million; (iv) amount due from associates of S\$0.5 million; (v) other receivables of S\$0.4 million; and (vi) advance payments to suppliers of S\$0.2 million. The decrease was partially offset by increase in (i) inventories of S\$2.5 million; (ii) cash and cash balances of S\$1.2 million; and (iii) prepayment of S\$0.1 million.

Current liabilities

Current liabilities decreased by S\$2.8 million, from S\$29.3 million as at 31 December 2019 to S\$26.5 million as at 30 June 2020.

The decrease was mainly due to decrease in (i) trade payables of S\$2.3 million; (ii) accrual and other liabilities of S\$0.8 million; (iii) other payables of S\$0.3 million; (iv) trust receipts and bills payable of S\$0.1 million; (v) provision for income tax of S\$0.1 million; and (vi) bank overdraft of S\$0.1 million. This was partially offset by increase in (i) contract liabilities of S\$0.6 million; and (ii) term loans of S\$0.3 million.

Non-current liabilities

Non-current liabilities increased by S\$1.3 million, from S\$34.4 million as at 31 December 2019 to S\$35.7 million as at 30 June 2020.

The increase was mainly due to increase in (i) term loans of S\$1.1 million; (ii) lease liabilities of S\$0.1 million; and (iii) deferred tax liabilities of S\$0.1 million.

Equity

Total equity decreased by S\$4.0 million, from S\$53.5 million as at 31 December 2019 to S\$49.5 million as at 30 June 2020.

This was mainly due to (i) loss for the period of S\$4.0 million; (ii) decrease in non-controlling interest of S\$0.3 million; and (iii) dividend paid of S\$0.1 million. This was partially offset by changes in translation reserve of S\$0.4 million.

Review of Cash Flow Statement

The Group used S\$0.7 million net cash in operating activities before changes in working capital in 1H2020 while net cash flows generated from operating activities amounted to S\$9.3 million. This was mainly due to positive working capital changes of S\$10.5 million, interest income of S\$0.1 million, partially offset by income taxes and interest paid of S\$0.1 million and S\$0.5 million respectively.

The working capital changes consist of net cash inflows arising from (i) trade payables of S\$6.7 million; (ii) trade receivables of S\$3.7 million; (iii) contract assets of S\$2.7 million; (iv) contract liabilities of S\$0.8 million; (v) amount due from associates of S\$0.5 million; and (vi) other receivables of S\$0.2 million.

While net cash outflows arising from changes in (i) inventories of S\$2.9 million; (ii) accruals and other liabilities of S\$0.8 million; (iii) other payables of S\$0.3 million; and (iv) deposits, prepayments and advance payments to suppliers of S\$0.1 million.

Net cash generated from investing activities amounting to S\$0.7 million in 1H2020 was mainly due to (i) proceeds of disposal in investment securities of S\$1.6 million; and (ii) dividend received of S\$0.3 million. This was partially offset by (i) purchase of investment securities of S\$1.0 million; and (ii) purchase of fixed assets of S\$0.2 million.

Net cash used in financing activities amounted to S\$8.8 million in 1H2020. This was mainly due to (i) net repayment of trust receipts and bill payables of S\$9.3 million; (ii) repayment of term loans of S\$2.9 million; (iii) net repayment of lease liabilities of S\$0.7 million; and (iv) dividend paid of S\$0.1 million. This was partially offset by proceeds of term loans of S\$4.2 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.

FY2020 started on a dismal note with the news of the COVID-19 outbreak in China causing our production facilities to shut down for nearly 2 months. This is followed by the World Health Organisation's declaration of COVID-19 being a pandemic and lockdowns being enforced in many countries globally. This has caused the stoppage of work at job sites as well as reduced trading and transactions. Inventories were held up as a result, causing an unforeseen build up.

Nevertheless, the Group foresees a recovery of activities, albeit cautiously, with the possibility of the occurrence of 2nd and 3rd waves of COVID-19 spread arising from the easing of safe-distancing measures. In the second half of FY2020 and further 6 months, the economy is expected to gradually resume business activities. It will be a time for the Group to catch up on work that has been put on hold during the lockdowns as well as to push for sales. Our production facilities in China have resumed operation and production have gradually recovered to pre-lockdown levels. The wholesale and distribution business for both the commercial and light industrial (refrigeration) and residential and commercial (air-conditioning) segments are also gradually resuming operations.

The management is of the view that the Group continues to face challenges due to the uncertainties in terms of the impact of COVID-19 and the corresponding measures that may be put in place by the respective governments in the regions that we operate in. Margins may face pressure as many companies are struggling to stay afloat and will compete aggressively but the management is confident on building on its strengths and relations to pull through this uncertainty.

Amidst this challenging operating environment, the Group will continue to exercise prudence by keeping to a lean structure and control expenditure.

11. Dividend

(a) Current Financial Period Reported on 30 June 2020

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.

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

No dividend is proposed for 1H2020 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 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 2020 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

13 August 2020