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UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2022

*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"). This announcement has not been examined or approved by Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.*

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		Change +ve/(-ve) S\$'000	Change +ve/(-ve) %
		Unaudited 1H2022 S\$'000	Unaudited 1H2021 S\$'000		
Revenue	4	48,196	37,330	10,866	29.1
Cost of sales		(38,956)	(30,678)	(8,278)	27.0
Gross profit		9,240	6,652	2,588	38.9
Other operating income		1,016	1,491	(475)	(31.9)
Distribution and selling expenses		(2,978)	(2,655)	(323)	12.2
Administrative expenses		(6,014)	(6,199)	185	(3.0)
(Impairment losses)/reversal of impairment losses on trade and other receivables and contract assets		(658)	118	(776)	n.m.
Other operating expenses		(508)	(82)	(426)	n.m.
Share of results of associate		(38)	-	(38)	n.m.
		(10,196)	(8,818)	(1,378)	15.6
Profit/(loss) from operations		60	(675)	735	n.m.
Finance expenses		(702)	(593)	(109)	18.4
Interest income		57	127	(70)	(55.1)
Loss before tax	6	(585)	(1,141)	556	(48.7)
Tax expense	7	(66)	(16)	(50)	n.m.
Loss for the period		(651)	(1,157)	506	(43.7)
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation		(107)	286	(393)	n.m.
Total comprehensive loss for the period		(758)	(871)	113	(13.0)
Loss for the period attributable to :-					
Owners of the Company		(454)	(1,250)	796	(63.7)
Non-controlling interests		(197)	93	(290)	n.m.
		(651)	(1,157)	506	(43.7)
Total comprehensive (loss)/income for the period attributable to :-					
Owners of the Company		(518)	(1,017)	499	(49.1)
Non-controlling interests		(240)	146	(386)	n.m.
		(758)	(871)	113	(13.0)
Loss per share based on loss for the period attributable to the owners of the Company :					
Basic and diluted (cents)		(0.41)	(1.12)		

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

n.m. : not meaningful

1H: 6 months ended 30 June

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets					
Fixed assets	10	27,661	28,591	22,060	22,574
Investment property		52	53	-	-
Intangible assets		188	189	-	-
Right-of-use assets		14,051	13,296	13,032	12,260
Right-of-use assets-land use rights		1,765	1,802	-	-
Investment in subsidiaries		-	-	16,370	16,370
Investment in associates		8,424	8,454	7,281	7,281
Investment securities	9	10,086	9,853	-	-
Deferred tax assets		630	644	-	-
Total non-current assets		62,857	62,882	58,743	58,485
Current assets					
Inventories		18,968	19,363	7,658	9,391
Investment securities	9	2,356	4,364	2,356	4,364
Trade receivables		18,085	16,240	3,502	3,386
Contract assets		8,841	4,867	-	303
Other receivables		1,363	1,692	724	735
Deposits		456	337	55	55
Prepayments		286	310	67	77
Advance payment to suppliers		3,855	4,102	1,769	2,369
Amounts due from subsidiaries (trade)		-	-	3,037	756
Amounts due from subsidiaries (non-trade)		-	-	5,129	4,498
Amounts due from associates (trade)		879	815	191	-
Amounts due from associates (non-trade)		149	152	-	-
Tax recoverable		197	212	-	-
Fixed assets held for sale		-	890	-	-
Fixed deposits		234	234	209	209
Cash and bank balances		4,257	6,781	554	814
Total current assets		59,926	60,359	25,251	26,957
Current liabilities					
Trade payables		12,714	9,213	2,573	2,503
Contract liabilities		3,010	3,647	430	764
Trust receipts and bills payable (secured)	11	12,223	11,901	7,811	7,581
Other payables		562	883	295	342
Accruals and other liabilities		8,335	9,312	2,037	3,533
Dividend payable		26	25	25	25
Amounts due to subsidiaries (trade)		-	-	3,607	2,715
Amounts due to subsidiaries (non-trade)		-	-	928	1,133
Amounts due to associates (non-trade)		162	158	-	-
Provision for income tax		622	626	-	-
Lease liabilities (current)		912	692	426	295
Term loans (current)	11	5,082	5,171	3,207	3,214
Total current liabilities		43,648	41,628	21,339	22,105
Net current assets		16,278	18,731	3,912	4,852

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities					
Deferred tax liabilities		2,684	2,627	-	-
Amounts due to subsidiaries (non-trade)		-	-	696	904
Lease liabilities (non-current)		13,614	13,022	13,278	12,562
Term loans (non-current)	11	16,411	18,579	15,377	16,459
Total non-current liabilities		32,709	34,228	29,351	29,925
Net assets		46,426	47,385	33,304	33,412
Equity attributable to owners of the Company					
Share capital	12	19,680	19,680	19,680	19,680
Retained earnings		19,189	19,844	13,302	13,410
Fair value adjustment reserve		7,827	7,641	-	-
Capital reserve		230	230	322	322
Translation reserve		(2,776)	(2,526)	-	-
		44,150	44,869	33,304	33,412
Non-controlling interests		2,276	2,516	-	-
Total equity		46,426	47,385	33,304	33,412

C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Group	
		1H2022 Unaudited S\$'000	1H2021 Unaudited S\$'000
Cash flows from operating activities			
Loss before tax	E6	(585)	(1,141)
Adjustments:			
Impairment loss/(reversal of impairment loss) on trade and other receivables and contract assets	E6	658	(118)
(Written back)/allowance for obsolete and slow- moving inventories, net	E6	(194)	131
Fixed assets written off		2	6
Gain on disposal of fixed assets, net	E6	(1)	(28)
Gain on disposal of fixed assets held for sale, net	E6	(11)	-
Depreciation of fixed assets	E6	914	1,036
Depreciation of right-of-use assets	E6	441	430
Net fair value loss on held for trading investment securities	E6	246	23
Depreciation of right-of-use assets - land use rights	E6	23	23
Amortisation of intangible assets	E6	-	45
Finance expenses	E6	702	593
Interest income	E6	(57)	(127)
Share of results of associate	E6	38	-
Translation difference		(60)	6
Operating cash flows before working capital changes		2,116	879
(Increase)/decrease in:			
Inventories		588	(2,327)
Trade receivables		(2,408)	(2,334)
Contract assets		(4,068)	369
Other receivables		89	262
Deposits, prepayments and advance payment to suppliers		152	(167)
Amounts due from associates (trade)		(64)	(350)
Amounts due from associates (non-trade)		10	-
Increase/(decrease) in:			
Trade payables		15,793	11,689
Contract liabilities		(637)	(130)
Other payables		(320)	496
Accruals and other liabilities		(976)	1,280
Cash flows generated from operations		10,275	9,667
Interest paid		(423)	(320)
Income taxes paid		(213)	(281)
Income taxes refunded		180	-
Interest income		57	127
Net cash flows generated from operating activities		9,876	9,193

C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Notes	Group	
		1H2022 Unaudited S\$'000	1H2021 Unaudited S\$'000
Cash flows from investing activities			
Dividends received		164	52
Acquisition of additional shares in subsidiaries		-	(160)
Proceeds from disposal of fixed assets		12	42
Proceeds from disposal of fixed assets held for sale		901	-
Purchase of fixed assets	10	(89)	(577)
Purchase of investment securities		-	(630)
Proceeds from disposal of investment securities		1,763	878
Net cash flows generated from/(used in) investing activities		2,751	(395)
Cash flows from financing activities			
Dividends paid		(201)	(201)
Repayment of trust receipts and bill payables, net		(12,052)	(8,736)
Repayment of lease liabilities		(663)	(671)
Repayment of term loans		(3,513)	(1,638)
Proceeds from term loans		1,268	1,816
Net cash flows used in financing activities		(15,161)	(9,430)
Net decrease in cash and cash equivalents		(2,534)	(632)
Effect of exchange rate changes on cash and cash equivalents		10	4
Cash and cash equivalents at beginning of period		6,815	7,587
Cash and cash equivalents at end of period		4,291	6,959
Cash and cash equivalents consist of the following :			
Cash and bank balances		4,257	6,927
<i>Less: Bank deposit pledged</i>		(200)	(200)
Fixed deposits		234	232
		4,291	6,959

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Equity, total S\$'000	Equity attributable to owners of the Company, total S\$'000	Share capital S\$'000	Retained earnings S\$'000	Fair value adjustment reserve S\$'000	Capital reserve S\$'000	Translation reserve S\$'000	Non- controlling interests S\$'000
Group								
Balance at 1 January 2022	47,385	44,869	19,680	19,844	7,641	230	(2,526)	2,516
Loss for the period	(651)	(454)	-	(454)	-	-	-	(197)
<u>Other comprehensive income</u>								
Foreign currency translation	(107)	(64)	-	-	186	-	(250)	(43)
Total comprehensive income	(758)	(518)	-	(454)	186	-	(250)	(240)
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(201)	(201)	-	(201)	-	-	-	-
Balance at 30 June 2022	46,426	44,150	19,680	19,189	7,827	230	(2,776)	2,276
Balance at 1 January 2021	45,385	43,203	19,680	20,077	5,883	322	(2,759)	2,182
(Loss)/profit for the period	(1,157)	(1,250)	-	(1,250)	-	-	-	93
<u>Other comprehensive income</u>								
Foreign currency translation	286	233	-	-	89	-	144	53
Total comprehensive income	(871)	(1,017)	-	(1,250)	89	-	144	146
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(201)	(201)	-	(201)	-	-	-	-
<u>Changes in ownership interest in subsidiaries</u>								
Step acquisition in a subsidiary	(160)	-	-	-	-	-	-	(160)
Balance at 30 June 2021	44,153	41,985	19,680	18,626	5,972	322	(2,615)	2,168

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Attributable to owners of the Company							
	Equity, total S\$'000	Equity attributable to owners of the Company, total S\$'000	Share capital S\$'000	Retained earnings S\$'000	Fair value adjustment reserve S\$'000	Capital reserve S\$'000	Translation reserve S\$'000	Non- controlling interests S\$'000
Company								
Balance at 1 January 2022	33,412	33,412	19,680	13,410	-	322	-	-
Profit for the period, representing total comprehensive income for the period	93	93	-	93	-	-	-	-
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(201)	(201)	-	(201)	-	-	-	-
Balance at 30 June 2022	<u>33,304</u>	<u>33,304</u>	<u>19,680</u>	<u>13,302</u>	<u>-</u>	<u>322</u>	<u>-</u>	<u>-</u>
Balance at 1 January 2021	34,393	34,393	19,680	14,391	-	322	-	-
Loss for the period, representing total comprehensive income for the period	(162)	(162)	-	(162)	-	-	-	-
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(201)	(201)	-	(201)	-	-	-	-
Balance at 30 June 2021	<u>34,030</u>	<u>34,030</u>	<u>19,680</u>	<u>14,028</u>	<u>-</u>	<u>322</u>	<u>-</u>	<u>-</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Far East Group Limited (the "Company") is incorporated and domiciled in Singapore and whose shares are publicly traded on the Catalist of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 30 June ("1H") 2022 comprise the Company and its subsidiaries (collectively, the "Group"). The principal activities of the Company consist of manufacturing and trading of refrigeration parts, servicing of cold rooms, construction and installation of commercial and industrial cold rooms and all other incidental business of refrigeration.

The principal activities of the Group are disclosed in Note 4 on segment and revenue information below.

2. Basis of Preparation

The condensed interim financial statements for 1H2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021 ("FY2021").

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s"), except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

The financial information contained in this announcement has neither been audited nor reviewed by the auditors.

The latest audited annual financial statements were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

2.1. New and amended standards adopted by the Group

The Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2022. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

2.2.1 Judgements made in applying accounting policies

2.2.1a Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the Group's regional business relationships and the nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies.

As at 30 June 2022, the carrying amounts of the Group's tax recoverable, provision for income tax, deferred tax assets and deferred tax liabilities amounted to \$197,000 (31 December 2021: \$212,000), \$622,000 (31 December 2021: \$626,000), \$630,000 (31 December 2021: \$644,000) and \$2,684,000 (31 December 2021: \$2,627,000) respectively.

2.2.1b Assessment of classification of unquoted investment security

The Group holds 30% equity interest in its unquoted investment security. The Group does not participate in the operating and financing decision process, fails to obtain representation on the board of directors and is unable to obtain timely or adequate financial information required to apply equity method. Based on these facts and circumstances, management concludes that the Group cannot exert a significant influence in its unquoted investment security and classifies this investment as financial instrument carried at fair value through other comprehensive income.

2.2.1c Determination of lease term of contracts with extension options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the extension option in the lease term for lease of leasehold land in alignment with the expected useful life of its leasehold building.

2.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2.2.2a Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

As at 30 June 2022, the carrying amounts of the Company's investments in subsidiaries and fixed assets were \$16,370,000 (31 December 2021: \$16,370,000) and \$22,060,000 (31 December 2021: \$22,574,000) respectively. The carrying amounts of the Group's fixed assets and goodwill were \$27,661,000 (31 December 2021: \$28,591,000) and \$188,000 (31 December 2021: \$189,000) respectively.

2.2.2b Allowance for obsolete and slow-moving inventories

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

As at 30 June 2022, the carrying amounts of the Group's and Company's inventories amounted to \$18,968,000 (31 December 2021: \$19,363,000) and \$7,658,000 (31 December 2021: \$9,391,000) respectively.

2.2.2c Expected credit losses ("ECL") for trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. For trade receivables and contract assets, the provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As at 30 June 2022, the carrying amounts of the Group's and Company's trade receivables and contract assets, including balances with subsidiaries and associates amounted to \$27,954,000 (31 December 2021: \$22,074,000) and \$11,859,000 (31 December 2021: \$8,943,000) respectively.

2.2.2d Fair value measurement of unquoted equity security

The Group has investment in unquoted equity security which is measured at FVOCI. This requires the Group to engage external valuation expert to perform the valuation.

This financial instrument is categorised as Level 3 in the fair value hierarchy where certain pricing inputs to value these instruments are unobservable. The valuation involves the application of unobservable inputs such as discount for lack of marketability used by the external valuation expert.

As at 30 June 2022, the carrying amount of the unquoted equity security amounted to \$10,086,000 (31 December 2021: \$9,853,000).

2.2.2e Revenue from engineering contracts

Engineering contracts revenue is recognised over time by reference to the Group's progress towards completing the performance obligation in the contract. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the performance obligation within the contract.

Significant assumptions are required to estimate the total contract costs that will affect the stage of completion and revenue recognised. The estimates are based on the past experiences and knowledge of the project director and the quantity surveyor team.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

As at 30 June 2022, the carrying amounts of the Group's contract assets arising from engineering contracts amounted to \$8,841,000 (31 December 2021: \$4,867,000).

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group has reported its financial performance based on the business segments of Residential and commercial (air-conditioning), Commercial and light industrial (refrigeration) and Oil, marine and gas (refrigeration and air-conditioning) respectively since its listing in 2011. Over the past decade, the Group has developed new business, formed new partnerships, and made new acquisitions. The Management has conducted a review of its businesses and found that the previous segments are no longer representative of its enlarged business offerings. To present shareholders with a clearer understanding of the Group's businesses, the Management has redefined its business segments. With effect from FY2022, the Group will be reporting its financial performance based on the new business segments of Wholesale and Distribution, Manufacturing and Engineering Solutions respectively. The Wholesale and Distribution segment represents the sale of the Group's own manufactured products, multinational agency products and other distribution models of the Group. The Manufacturing segment mainly comprises the manufacturing and sale of the Group's comprehensive range of energy-efficient heat-exchangers, compressor racks and condensing units. The Engineering Solutions segment represents the provision of system design and installation of various sustainable engineering solutions and applications for various industries. More information and details of the new business segments can be found on the Group's website www.fareastref.com.sg.

4.1. Reportable segments

Group	Wholesale and Distribution \$'000	Manufacturing \$'000	Engineering Solutions \$'000	Elimination \$'000	Total \$'000
1H2022					
Revenue	26,903	10,631	19,713	(9,051)	48,196
Cost of sales	21,799	9,098	17,110	(9,051)	38,956
Gross profit	5,104	1,533	2,603		9,240
1H2021					
Revenue	21,481	13,290	11,092	(8,533)	37,330
Cost of sales	17,984	11,073	10,154	(8,533)	30,678
Gross profit	3,497	2,217	938		6,652

4.2. Disaggregation of Revenue

Segment	Wholesale and Distribution		Manufacturing		Engineering Solutions		Elimination		Total	
	1H2022	1H2021	1H2022	1H2021	1H2022	1H2021	1H2022	1H2021	1H2022	1H2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Primary geographical markets										
Singapore	7,675	4,638	1,718	1,649	19,439	10,939	(2,033)	(2,387)	26,799	14,839
Malaysia	10,748	9,194	888	564	-	-	(5,122)	(4,600)	6,514	5,158
Indonesia	4,112	4,541	-	-	-	-	(306)	(189)	3,806	4,352
Hong Kong/Macau/People's Republic of China	1,428	1,029	8,013	10,956	-	-	(981)	(752)	8,460	11,233
Indo-China*	1,968	1,646	11	-	274	153	(609)	(605)	1,644	1,194
Others	972	433	1	121	-	-	-	-	973	554
	26,903	21,481	10,631	13,290	19,713	11,092			48,196	37,330

Revenue contribution from a single region is disclosed separately when it exceeds 5% of the Group's revenue respectively.

Major revenue streams

Sale of goods	25,578	21,020	10,631	13,290	145	48	(9,042)	(8,434)	27,312	25,924
Project installation and maintenance services	15	366	-	-	619	681	-	-	634	1,047
Engineering contracts revenue	1,310	95	-	-	18,949	10,363	(9)	(99)	20,250	10,359
	26,903	21,481	10,631	13,290	19,713	11,092			48,196	37,330

Timing of transfer of goods or services

At a point in time	25,593	21,386	10,631	13,290	764	729	(9,042)	(8,434)	27,946	26,971
Over time	1,310	95	-	-	18,949	10,363	(9)	(99)	20,250	10,359
	26,903	21,481	10,631	13,290	19,713	11,092			48,196	37,330

* relates to Vietnam, Myanmar and Cambodia

5. Financial assets and financial liabilities

	Group		Company	
	30 Jun 2022 \$'000	31 Dec 2021 \$'000	30 Jun 2022 \$'000	31 Dec 2021 \$'000
Financial assets				
<u>Financial assets at fair value through other comprehensive income ("FVOCI")</u>				
Unquoted equity security	10,086	9,853	-	-
<u>Financial assets at fair value through profit or loss</u>				
Held for trading investment securities	2,356	4,364	2,356	4,364
<u>Financial assets carried at amortised cost</u>				
Cash and bank balances and trade and other receivables (Amortised cost)	25,423	26,251	13,401	10,453
	37,865	40,468	15,757	14,817
Financial liabilities				
Trade and other payables and borrowings (Amortised cost)	55,515	55,242	36,556	38,409

6. Profit before taxation

6.1. Significant items

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

	Group		Change +ve/(-ve) %
	Unaudited 1H2022 S\$'000	Unaudited 1H2021 S\$'000	
Interest income	(57)	(127)	(55.1)
Finance expenses	702	593	18.4
(Written back)/allowance for obsolete and slow-moving inventories, net	(194)	131	n.m.
Impairment loss/(Reversal of impairment loss) on trade and other receivables and contract assets	658	(118)	n.m.
Fixed assets written off	2	6	(66.7)
Net fair value loss on held for trading investment securities	246	23	n.m.
Gains on disposal of fixed assets, net	(1)	(28)	(96.4)
Gains on disposal of fixed assets held for sale, net	(11)	-	n.m.
Depreciation of fixed assets	914	1,036	(11.8)
Depreciation of right-of-use assets	441	430	2.6
Depreciation of right-of-use assets - land use rights	23	23	-
Amortisation of intangible assets	-	45	(100.0)
Share of results of associate	38	-	n.m.
Foreign exchange losses, net	165	37	n.m.

n.m. : not meaningful

6.2. Related party transactions

Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the condensed interim financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during 1H2022:

	Group \$'000	Company \$'000
Income		
Sales of goods to subsidiaries	-	6,431
Sales of goods to associates	739	-
Sales of goods to affiliated companies	163	-
Dividend income from subsidiaries	-	206
Management fee income from subsidiaries	-	892
Royalty fee income from a subsidiary	-	58
	<hr/>	<hr/>
Expenses		
Purchases from subsidiaries	-	2,147
Rental paid to an affiliated company	13	-
Loan interest paid to subsidiaries	-	20
	<hr/>	<hr/>

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	1H2022	1H2021
	\$'000	\$'000
Current income tax expense	34	79
Deferred income tax expense/(benefits) relating to origination and reversal of temporary differences	32	(63)
	<hr/>	<hr/>
	66	16
	<hr/>	<hr/>

8. Dividends

Declared and payable during the financial period:

Dividends on ordinary shares:
Final exempt 2021 dividend of 0.18 cents per share (2021: Final exempt 2020 dividend of 0.18 cents per share)

	Company	
	1H2022	1H2021
	\$'000	\$'000
	<hr/>	<hr/>
	201	201
	<hr/>	<hr/>

9. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise the following:

	Group	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
FVOCI		
Unquoted equity security	10,086	9,853
- Guangzhou Fayi Trading Co., Ltd.		

The Group has elected to measure the unquoted equity security at FVOCI due to the Group's intention to hold the equity instruments for long-term appreciation.

9.1 Fair value measurement

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table presented the assets measured at fair value:

	Group			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2022				
Financial assets				
FVOCI investments	-	-	10,086	10,086
At fair value through profit or loss- held for trading investment securities (quoted)	2,356	-	-	2,356
31 December 2021				
Financial assets				
FVOCI investments	-	-	9,853	9,853
At fair value through profit or loss- held for trading investment securities (quoted)	4,364	-	-	4,364

10. Fixed assets

During 1H2022, the Group acquired assets amounting to \$89,000 (1H2021: \$577,000) and disposed of assets amounting to \$11,000 (1H2021: \$14,000).

11. Borrowings

	Group				Company			
	As at 30 June 2022		As at 31 December 2021		As at 30 June 2022		As at 31 December 2021	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Repayable in one year or less, or on demand	17,553	-	17,245	-	11,130	-	10,795	-
Repayable after one year	17,123	-	18,895	-	15,826	-	16,459	-
Total borrowings	34,676	-	36,140	-	26,956	-	27,254	-

Details of any collateral

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

12. Share Capital

	Group and Company			
	30 Jun 2022		31 Dec 2021	
	No. of shares	\$'000	No. of shares	\$'000
Issued and fully paid ordinary shares				
Beginning and end of interim period	111,462	19,680	111,462	19,680

The total number of issued shares (excluding treasury shares) was 111,462,000 as at 30 June 2022 and 31 December 2021.

There was no change in the Company's issued and paid up share capital from 1 January 2022 to 30 June 2022.

The Company does not hold any treasury shares or convertible instruments as at 30 June 2022, 31 December 2021 and 30 June 2021.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2022, 31 December 2021 and 30 June 2021.

13. Net assets value

	Group		Company	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
Net asset value attributable to owners of the Company (S\$'000)	44,150	44,869	33,304	33,412
Number of ordinary shares ('000)	111,462	111,462	111,462	111,462
Net asset value per share (cents)	39.6	40.3	29.9	30.0

14. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. OTHER INFORMATION REQUIRED BY CATALIST RULE APPENDIX 7C

1. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, cost, and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Financial Performance

Revenue

Revenue increased by S\$10.9 million or 29.1%, from S\$37.3 million in 1H2021 to S\$48.2 million in 1H2022. The Group has gradually recovered from the impact of COVID-19 in 1H2022 mainly due to the resumption of business activities.

Revenue by Business Segment	Group				Change	Change
	1H2022 S\$'000	Contribution %	1H2021 S\$'000	Contribution %	+ve/(-ve) S\$'000	+ve/(-ve) %
Wholesale and Distribution	20,733	43.0%	15,780	42.3%	4,953	31.4
Manufacturing	7,759	16.1%	10,557	28.3%	(2,798)	(26.5)
Engineering Solutions	19,704	40.9%	10,993	29.4%	8,711	79.2
	<u>48,196</u>	<u>100%</u>	<u>37,330</u>	<u>100%</u>	<u>10,866</u>	<u>29.1</u>

Revenue from wholesale and distribution segment increased by S\$5.0 million in 1H2022 as compared to 1H2021 mainly due to the recovery from the impact of COVID-19 in 1H2021 in Singapore and Malaysia.

Revenue from manufacturing segment decreased by S\$2.8 million in 1H2022 as compared to 1H2021 mainly due to the lockdowns in China to curb COVID-19 outbreak in 1H2022. There are supply chains disruptions which caused delay in sales delivery.

Revenue from engineering solutions segment increased by S\$8.7 million in 1H2022 as compared to 1H2021 mainly due to the resumption of project site activities in 1H2022 and the increase in productivity to meet the project completion deadline.

Gross profit and gross profit margin

The Group's gross profit increased by S\$2.6 million or 38.9%, from S\$6.7 million in 1H2021 to S\$9.3 million in 1H2022 mainly due to the increase in sales. The gross profit margin increased by 1.4 percentage points, from 17.8% in 1H2021 to 19.2% in 1H2022 mainly due to recovery of business performance of the Engineering Solutions segment.

Other operating income

Other operating income decreased by S\$0.5 million mainly due to decrease in government grant in 1H2022.

Distribution and selling expenses

Distribution and selling expenses increased by S\$0.3 million in line with increase in sales in 1H2022.

Administrative expenses

Administrative expenses decreased by S\$0.2 million. This was mainly due to (i) professional fees of S\$0.1 million; and (ii) rental expense of S\$0.1 million.

(Impairment losses)/ reversal of impairment losses on trade and other receivables and contract assets

Impairment loss of S\$0.7 million arose from the provision on doubtful debts in 1H2022 due to uncertainties in debt recovery.

Other operating expenses

Other operating expenses increased by S\$0.4 million. This was mainly due to (i) unrealised foreign exchange losses incurred in 1H2022 of \$0.2 million; and (ii) net fair value loss on held for trading investment securities.

Finance expenses

Finance expenses increased by S\$0.1 million in line with the business expansion.

Profitability

In view of the above reasons, the Group's loss before taxation decreased by S\$0.6 million to S\$0.5 million in 1H2022 as compared to S\$1.1 million in 1H2021.

Review of Financial Position

Non-current assets

Non-current assets remained at S\$62.9 million as at 31 December 2021 and 30 June 2022.

Current assets

Current assets decreased by S\$0.4 million, from S\$60.4 million as at 31 December 2021 to S\$60.0 million as at 30 June 2022.

The decrease was mainly due to decrease in (i) cash and cash balances of S\$2.5 million ; (ii) investment securities of S\$2.0 million; and (iii) fixed assets held for sale of S\$0.9 million. The decrease was partially offset by increase in (i) contract assets of S\$4.0 million; and (ii) trade receivables of S\$1.8 million.

Current liabilities

Current liabilities increased by S\$2.0 million, from S\$41.6 million as at 31 December 2021 to S\$43.6 million as at 30 June 2022.

The increase was mainly due to increase in (i) trade payables of S\$3.5 million; (ii) trust receipts and bill payables of S\$0.3 million; and (iii) lease liabilities of S\$0.2 million. The increase was partially offset by decrease in (i) accrual and other liabilities of S\$1.0 million; (ii) contract liabilities of S\$0.6 million; (iii) other payables of S\$0.3 million; and (iv) term loans of S\$0.1 million.

Non-current liabilities

Non-current liabilities decreased by S\$1.5 million, from S\$34.2 million as at 31 December 2021 to S\$32.7 million as at 30 June 2022.

The decrease was mainly due to decrease in term loans of S\$2.2 million. The decrease was partially offset by increase in (i) lease liabilities of S\$0.6 million; and (ii) deferred tax liabilities of S\$0.1 million.

Equity

Total equity decreased by S\$1.0 million, from S\$47.4 million as at 31 December 2021 to S\$46.4 million as at 30 June 2022.

This was mainly due to (i) loss for the period of S\$0.7 million; (ii) translation reserve of S\$0.3 million; and (iii) dividend on ordinary shares of S\$0.2 million. This was partially offset by the increase in fair value adjustment reserve of S\$0.2 million.

Review of Cash Flow Statement

The Group generated S\$2.1 million net cash in operating activities before changes in working capital in 1H2022 while net cash flows generated from operating activities amounted to S\$9.9 million. This was mainly due to positive working capital changes of S\$8.2 million and income tax refunded of S\$0.2 million, partially offset by interest paid of S\$0.4 million and income taxes paid of S\$0.2 million.

The working capital changes mainly consist of net cash inflows arising from changes in (i) trade payables of S\$15.8 million; (ii) inventories of S\$0.6 million; and (iii) deposits, prepayments and advance payments to suppliers of S\$0.2 million.

While net cash outflows arising from changes in (i) contract assets of S\$4.1 million; (ii) trade receivables of S\$2.4 million; (iii) accruals and other liabilities of S\$1.0 million; (iv) contract liabilities of S\$0.6 million; and (v) other payables of S\$0.3 million.

Net cash generated from investing activities amounting to S\$2.8 million in 1H2022 was mainly due to (i) proceeds from disposal of investment securities of S\$1.8 million; (ii) proceeds from disposal of fixed assets held for sale of S\$0.9 million; and (iii) dividend received of S\$0.2 million. This was partially offset by purchase of fixed assets of S\$0.1 million.

Net cash used in financing activities amounted to S\$15.2 million in 1H2022. This was mainly due to (i) net repayment of trust receipts and bill payables of S\$12.1 million; (ii) net repayment of term loans of S\$2.2 million; (iii) net repayment of lease liabilities of S\$0.7 million; and (iv) dividend paid of S\$0.2 million.

2. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement has been previously disclosed.

3. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Escalating costs of labour, raw materials, parts and accessories have not eased since the Company's last results announcement. Uncertain and long supply chain lead times continue to impact the Group's business, leading to the need to increase inventory holding as buffer by the Group. The increased inventory levels relate to the agency products, raw and semi-finished materials for the manufacturing and engineering solutions businesses. The Group continues to face high inflationary pressures and escalating interest rates, and expects the various business costs to remain high or be even higher. With the rapidly increasing costs, the Group is unable to pass on all cost increases to customers due to contracts and agreements committed based on previous prices quoted. In addition, China's zero-Covid-19 policy and staggered lockdowns imposed across the country have taken a toll on our customers in China and consequently, impacted our sales of our manufactured products in China. The Management is of the view that it will continue to be challenging operating in China due to the current uncertainties and the Chinese government's measures taken to stem the spread of the Covid-19 virus. Nevertheless, with the opening up of the regional economies and resumption of overseas travel, the Group expects the distribution business to cushion some of the impact on the business in China. The engineering business is gradually picking up but continues to face labour shortages and high costs. The Group will continue to be cautious and prudent in navigating the uncertain economic environment in the next 12 months.

4. Dividend

(a) Current Financial Period Reported on 30 June 2022

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

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

(c) Date Payable

Not applicable.

(d) Record Date

Not applicable.

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

No dividend is proposed for 1H2022 as the Board is of the view to conserve cash amid the COVID-19 outbreak crisis and to diversify its business portfolio to mitigate risks of being too concentrated on the current industry.

6. Interested Person Transaction ("IPT")

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(ii) of the Catalist Rules. There are no interested person transactions of S\$100,000 or more during the financial period under review.

7. Issuer to confirm that it has procured undertaking from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

The Board of Directors confirms that the Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

8. Disclosure pursuant to Rule 706A of the Catalist Rules

There were no acquisition or realization of shares thereby resulting (i) in a change in the shareholding percentage in any of the subsidiary or associated company of the Group or (ii) an entity becoming or ceasing to be (as the case may be) a subsidiary or associated company of the Group during 1H2022. Neither was there any incorporation or striking off of subsidiary or associated company by the Group during 1H2022.

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 2022 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

11 August 2022