



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

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2024

*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.*

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.

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

	Notes	Group		Change +ve/(-ve) S\$'000	Change +ve/(-ve) %
		Unaudited 1H2024 S\$'000	Unaudited 1H2023 S\$'000		
Revenue	4	44,255	36,928	7,327	19.8
Cost of sales		(35,696)	(30,285)	(5,411)	17.9
Gross profit		8,559	6,643	1,916	28.8
Other operating income		857	1,144	(287)	(25.1)
Distribution and selling expenses		(2,991)	(3,212)	221	(6.9)
Administrative expenses		(5,883)	(5,869)	(14)	0.2
Reversal of impairment losses/(impairment losses) on trade and other receivables and contract		315	(653)	968	n.m.
Other operating expenses		(34)	(368)	334	(90.8)
Share of results of associate		945	(63)	1,008	n.m.
		(7,648)	(10,165)	2,517	(24.8)
Profit/(loss) from operations		1,768	(2,378)	4,146	n.m.
Finance expenses		(1,060)	(1,003)	(57)	5.7
Interest income		28	25	3	12.0
Profit/(loss) before tax	6	736	(3,356)	4,092	n.m.
Tax expense	7	(72)	(101)	29	(28.7)
Profit/(loss) for the period		664	(3,457)	4,121	n.m.
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation		289	(542)	831	n.m.
Total comprehensive income for the period		953	(3,999)	4,952	n.m.
Profit/(loss) for the period attributable to :-					
Owners of the Company		959	(3,453)	4,412	n.m.
Non-controlling interests		(295)	(4)	(291)	n.m.
		664	(3,457)	4,121	n.m.
Total comprehensive income for the period attributable to :-					
Owners of the Company		1,224	(3,925)	5,149	n.m.
Non-controlling interests		(271)	(74)	(197)	n.m.
		953	(3,999)	4,952	n.m.
Profit/(loss) per share based on loss for the period attributable to the owners of the Company :					
Basic and diluted (cents)		0.86	(3.10)		

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 2024	31 Dec 2023	30 Jun 2024	31 Dec 2023
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets					
Fixed assets	10	24,645	25,391	20,152	20,591
Investment property		-	44	-	-
Intangible assets		188	188	-	-
Right-of-use assets		14,758	14,466	13,898	13,534
Right-of-use assets-land use rights		1,606	1,622	-	-
Investment in subsidiaries		-	-	20,570	20,570
Investment in associates		9,854	8,910	7,281	7,281
Investment securities	9	6,719	6,522	-	-
Deferred tax assets		1,513	1,511	-	-
Total non-current assets		59,283	58,654	61,901	61,976
Current assets					
Inventories		18,255	15,598	6,267	7,656
Investment securities	9	1,484	997	1,484	997
Trade receivables		14,001	15,585	1,677	1,794
Contract assets		14,954	10,337	136	104
Other receivables		820	965	342	365
Deposits		403	305	58	55
Prepayments		302	220	49	50
Advance payment to suppliers		4,219	3,396	1,940	2,610
Amounts due from subsidiaries (trade)		-	-	2,288	543
Amounts due from subsidiaries (non-trade)		-	-	6,949	6,310
Amounts due from associates (trade)		76	419	-	-
Amounts due from associates (non-trade)		134	133	-	-
Tax recoverable		128	22	-	-
Assets held for sale	12	102	-	-	-
Fixed deposits		463	660	213	660
Cash and bank balances		3,294	5,732	995	897
Total current assets		58,635	54,369	22,398	22,041
Current liabilities					
Trade payables		15,084	9,380	3,445	1,443
Contract liabilities		3,033	2,503	741	941
Trust receipts and bills payable (secured)	11	9,690	10,863	6,171	7,000
Other payables		610	902	250	341
Accruals and other liabilities		10,894	10,442	1,381	2,404
Dividend payable		28	27	28	26
Amounts due to subsidiaries (trade)		-	-	6,017	5,401
Amounts due to subsidiaries (non-trade)		-	-	1,492	1,560
Provision for income tax		73	329	-	-
Lease liabilities (current)		910	790	573	554
Term loans (current)	11	8,105	8,424	5,022	4,224
Bank overdraft		282	-	-	-
Total current liabilities		48,709	43,660	25,120	23,894
Net current assets/(liabilities)		9,926	10,709	(2,722)	(1,853)

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

	Notes	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30 Jun 2024	31 Dec 2023	30 Jun 2024	31 Dec 2023
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities					
Deferred tax liabilities		2,091	2,012	-	-
Lease liabilities (non-current)		14,378	14,116	14,139	13,716
Term loans (non-current)	11	11,236	12,624	11,236	12,361
Total non-current liabilities		27,705	28,752	25,375	26,077
Net assets		41,504	40,611	33,804	34,046
Equity attributable to owners of the Company					
Share capital	13	19,680	19,680	19,680	19,680
Retained earnings		18,785	17,826	13,802	14,044
Fair value adjustment reserve		5,134	4,977	-	-
Capital reserve		230	230	322	322
Translation reserve		(4,208)	(4,316)	-	-
		39,621	38,397	33,804	34,046
Non-controlling interests		1,883	2,214	-	-
Total equity		41,504	40,611	33,804	34,046

C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Group	
		1H2024 Unaudited S\$'000	1H2023 Unaudited S\$'000
Cash flows from operating activities			
Profit/(loss) before tax	E6	736	(3,356)
Adjustments:			
(Reversal of impairment losses)/impairment losses on trade and other receivables and contract assets	E6	(315)	653
Allowance for obsolete and slow-moving inventories,	E6	89	126
Fixed assets written off	E6	4	-
(Gain)/loss on disposal of fixed assets, net	E6	(11)	63
Depreciation of fixed assets	E6	831	848
Depreciation of right-of-use assets	E6	513	481
Net fair value (gain)/loss on held for trading investment securities	E6	(15)	196
Depreciation of right-of-use assets - land use rights	E6	20	22
Dividend income from unquoted investment	E6	-	(310)
Finance expenses	E6	1,060	1,003
Interest income	E6	(28)	(25)
Share of results of associate	E6	(945)	63
Translation difference		101	(307)
Operating cash flows before working capital changes		2,040	(543)
(Increase)/decrease in:			
Inventories		(2,747)	1,358
Trade receivables		1,979	3,575
Contract assets		(4,517)	(2,511)
Other receivables		(39)	284
Deposits, prepayments and advance payment to suppliers		(1,004)	1,081
Amounts due from associates (trade)		163	298
Increase/(decrease) in:			
Trade payables		15,394	8,210
Contract liabilities		529	569
Other payables		(291)	(117)
Accruals and other liabilities		452	2,517
Cash flows generated from operations		11,959	14,721
Interest paid		(744)	(733)
Income taxes paid		(400)	(658)
Income taxes refunded		-	34
Interest income		28	25
Net cash flows generated from operating activities		10,843	13,389

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

	Notes	Group	
		1H2024 Unaudited S\$'000	1H2023 Unaudited S\$'000
Cash flows from investing activities			
Dividends received		196	142
Proceeds from disposal of fixed assets		11	62
Purchase of investment securities		(471)	-
Purchase of fixed assets	10	(127)	(42)
Proceeds from disposal of investment securities		-	498
Net cash flows (used in)/generated from investing activities		(391)	660
Cash flows from financing activities			
Bank deposit pledged		200	-
Dividends paid on ordinary shares		-	(223)
Dividends paid to non-controlling interest of a subsidiary		(60)	-
Repayment of trust receipts and bill payables, net		(10,855)	(13,957)
Repayment of lease liabilities		(736)	(683)
Repayment of term loans		(12,242)	(1,565)
Proceeds from term loans		10,526	415
Net cash flows used in financing activities		(13,167)	(16,013)
Net decrease in cash and cash equivalents		(2,715)	(1,964)
Effect of exchange rate changes on cash and cash equivalents		(2)	(18)
Cash and cash equivalents at beginning of period		6,192	5,969
Cash and cash equivalents at end of period		3,475	3,987
Cash and cash equivalents consist of the following :			
Cash and bank balances		3,294	4,244
<i>Less: Bank deposit pledged</i>		-	(200)
<i>Less: Bank overdraft</i>		(282)	(266)
Fixed deposits		463	209
		3,475	3,987

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 2024	40,611	38,397	19,680	17,826	4,977	230	(4,316)	2,214
Profit/(loss) for the period	664	959	-	959	-	-	-	(295)
<u>Other comprehensive income</u>								
Foreign currency translation	289	265	-	-	157	-	108	24
Total comprehensive income	953	1,224	-	959	157	-	108	(271)
<u>Contributions by and distribution to owners</u>								
Dividends paid to non-controlling interest of a subsidiary	(60)	-	-	-	-	-	-	(60)
Balance at 30 June 2024	41,504	39,621	19,680	18,785	5,134	230	(4,208)	1,883
Balance at 1 January 2023	48,152	45,675	19,680	21,716	7,455	230	(3,406)	2,477
Loss for the period	(3,457)	(3,453)	-	(3,453)	-	-	-	(4)
<u>Other comprehensive income</u>								
Foreign currency translation	(542)	(472)	-	-	40	-	(512)	(70)
Total comprehensive income	(3,999)	(3,925)	-	(3,453)	40	-	(512)	(74)
<u>Contributions by and distribution to owners</u>								
Dividends on ordinary shares	(223)	(223)	-	(223)	-	-	-	-
Balance at 30 June 2023	43,930	41,527	19,680	18,040	7,495	230	(3,918)	2,403

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

	<u>Attributable to owners of the Company</u>				
	Equity, total S\$'000	Equity attributable to owners of the Company, total S\$'000	Share capital S\$'000	Retained earnings S\$'000	Capital reserve S\$'000
Company					
Balance at 1 January 2024	34,046	34,046	19,680	14,044	322
Loss for the period, representing total comprehensive income for the period	(242)	(242)	-	(242)	-
Balance at 30 June 2024	<u>33,804</u>	<u>33,804</u>	<u>19,680</u>	<u>13,802</u>	<u>322</u>
Balance at 1 January 2023	37,609	37,609	19,680	17,607	322
Loss for the period, representing total comprehensive income for the period	(1,868)	(1,868)	-	(1,868)	-
<u>Contributions by and distribution to owners</u>					
Dividends on ordinary shares	(223)	(223)	-	(223)	-
Balance at 30 June 2023	<u>35,518</u>	<u>35,518</u>	<u>19,680</u>	<u>15,516</u>	<u>322</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") 2024 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.

2. Basis of Preparation

The condensed interim financial statements for 1H2024 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 2023 ("FY2023").

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.

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 2024. 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 2024, the carrying amounts of the Group's tax recoverable, provision for income tax, deferred tax assets and deferred tax liabilities amounted to S\$128,000 (31 December 2023: S\$22,000), S\$73,000 (31 December 2023: S\$329,000), S\$1,513,000 (31 December 2023: S\$1,511,000) and S\$2,091,000 (31 December 2023: S\$2,012,000) 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.

2.2.2 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 2024, the carrying amounts of the Company's investments in subsidiaries S\$20,570,000 (31 December 2023: S\$20,570,000).

2.2.2b 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 2024, the carrying amounts of the Group's and Company's trade receivables and contract assets, including balances with subsidiaries and associates amounted to S\$29,031,000 (31 December 2023: S\$26,341,000) and S\$4,101,000 (31 December 2023: S\$2,441,000) respectively.

2.2.2c 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 2024, the carrying amount of the unquoted equity security amounted to S\$6,719,000 (31 December 2023: S\$6,522,000).

2.2.2d 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 2024, the carrying amounts of the Group's contract assets arising from engineering contracts amounted to S\$14,954,000 (31 December 2023: S\$10,337,000).

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 reports its financial performance based on the 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
1H2024					
Revenue	25,161	6,802	22,498	(10,206)	44,255
Cost of sales	(20,753)	(5,244)	(19,905)	10,206	(35,696)
Gross profit	4,408	1,558	2,593		8,559
1H2023					
Revenue	20,461	8,715	14,428	(6,676)	36,928
Cost of sales	(16,601)	(6,803)	(13,557)	6,676	(30,285)
Gross profit	3,860	1,912	871		6,643

4.2. Disaggregation of Revenue

Segment	Wholesale and Distribution		Manufacturing		Engineering Solutions		Elimination		Total	
	1H2024	1H2023	1H2024	1H2023	1H2024	1H2023	1H2024	1H2023	1H2024	1H2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Primary geographical markets										
Singapore	5,328	5,494	1,433	1,226	22,368	14,255	(1,977)	(1,642)	27,152	19,333
Malaysia	11,174	8,991	610	601	-	-	(4,673)	(3,245)	7,111	6,347
Indonesia	4,365	2,513	-	-	-	-	(1,456)	(237)	2,909	2,276
Hong Kong/Macau/People's Republic of China	2,226	1,142	4,759	6,870	-	-	(1,080)	(748)	5,905	7,264
Indo-China*	1,481	2,005	-	-	130	173	(1,020)	(804)	591	1,374
Others	587	316	-	18	-	-	-	-	587	334
	25,161	20,461	6,802	8,715	22,498	14,428			44,255	36,928

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	24,811	20,139	6,802	8,715	289	225	(10,047)	(6,661)	21,855	22,418
Project installation and maintenance services	-	16	-	-	1,642	803	(159)	-	1,483	819
Engineering contracts revenue	350	306	-	-	20,567	13,400	-	(15)	20,918	13,691
	25,161	20,461	6,802	8,715	22,498	14,428			44,255	36,928

Timing of transfer of goods or services

At a point in time	24,811	20,155	6,802	8,715	1,931	1,028	(10,047)	(6,661)	23,496	23,237
Over time	350	306	-	-	20,567	13,400	(159)	(15)	20,759	13,691
	25,161	20,461	6,802	8,715	22,498	14,428			44,255	36,928

Geographical information

Non-current assets information based on the geographical location assets are as follows

	30 Jun 2024	31 Dec 2023
Non-current assets	\$'000	\$'000
Singapore	35,029	35,173
Malaysia	274	289
Indonesia	16	14
Hong Kong/Macau/People's Republic of China	5,856	6,164
Indo-China*	22	27
	<u>41,197</u>	<u>41,667</u>

* relates to Vietnam, Myanmar and Cambodia

Non-current assets information presented above consist of fixed assets, intangible assets, right-of-use assets and land use rights as presented in the consolidated balance sheet.

5. Financial assets and financial liabilities

	Group		Company	
	30 Jun 2024 S\$'000	31 Dec 2023 S\$'000	30 Jun 2024 S\$'000	31 Dec 2023 S\$'000
Financial assets				
Financial assets at fair value through other comprehensive income ("FVOCI")				
Unquoted equity security	6,719	6,522	-	-
Financial assets at fair value through profit or loss				
Held for trading investment securities	1,484	997	1,484	997
Financial assets carried at amortised cost				
Cash and bank balances and trade and other receivables (Amortised cost)	19,191	23,799	12,522	10,624
	<u>27,394</u>	<u>31,318</u>	<u>14,006</u>	<u>11,621</u>
Financial liabilities				
Trade and other payables and borrowings (Amortised cost)	<u>71,217</u>	<u>67,568</u>	<u>49,754</u>	<u>49,030</u>

6. Profit/(loss) 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 1H2024 S\$'000	Unaudited 1H2023 S\$'000	
Interest income	(28)	(25)	12.0
Finance expenses	1,060	1,003	5.7
Allowance for obsolete and slow-moving inventories, (Reversal of impairment losses)/impairment losses on trade and other receivables and contract assets	89	126	(29.4)
Fixed assets written off	(315)	653	n.m.
Net fair value (gains)/loss on held for trading investment securities	4	-	n.m.
(Gains)/loss on disposal of fixed assets, net	(15)	196	n.m.
Depreciation of fixed assets	(11)	63	n.m.
Depreciation of right-of-use assets	831	848	(2.0)
Depreciation of right-of-use assets - land use rights	513	481	6.7
Dividend income from unquoted investment	20	22	(9.1)
Share of results of associate	-	(310)	(100.0)
Foreign exchange losses, net	(945)	63	n.m.
	<u>12</u>	<u>88</u>	<u>(86.4)</u>

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 1H2024:

	Group S\$'000	Company S\$'000
Income		
Sales of goods to subsidiaries	-	9,281
Sales of goods to associates	214	-
Sales of goods to affiliated companies	258	-
Dividend income from subsidiaries	-	469
Management fee income from subsidiaries	-	966
Royalty fee income from a subsidiary	-	60
		<hr/>
Expenses		
Purchases from subsidiaries	-	1,789
Loan interest paid to subsidiaries	-	35
		<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	
	1H2024 S\$'000	1H2023 S\$'000
Current income tax (benefit)/expense	(8)	72
Deferred income tax expense relating to origination and reversal of temporary differences	80	29
	<hr/>	<hr/>
	72	101
	<hr/> <hr/>	<hr/> <hr/>

8. Dividends

Declared and payable during the financial period:

	Company	
	1H2024 S\$'000	1H2023 S\$'000
Dividends on ordinary shares:		
1H2024: Nil (1H2023: Final exempt 2023 dividend of 0.20 cents per share)	-	223
	<hr/> <hr/>	<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 2024	31 Dec 2023
	S\$'000	S\$'000
FVOCI		
Unquoted equity security	6,719	6,522
- Guangzhou Fayi Trading Co., Ltd.		

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

9.1 Fair value measurement

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

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

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

The following table presented the assets measured at fair value:

	Group			Total
	Level 1	Level 2	Level 3	S\$'000
	S\$'000	S\$'000	S\$'000	S\$'000
30 June 2024				
Financial assets				
FVOCI investments- unquoted equity security	-	-	6,719	6,719
At fair value through profit or loss- held for trading investment securities (quoted)	1,484	-	-	1,484
31 December 2023				
Financial assets				
FVOCI investments- unquoted equity security	-	-	6,522	6,522
At fair value through profit or loss- held for trading investment securities (quoted)	997	-	-	997

10. Fixed assets

During 1H2024, the Group acquired assets amounting to S\$127,000 (1H2023: S\$42,000) and disposed of assets amounting to Nil (1H2023: S\$125,000).

11. Borrowings

	Group				Company			
	As at 30 June 2024		As at 31 December 2023		As at 30 June 2024		As at 31 December 2023	
	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	17,168	1,135	18,413	1,123	10,279	1,135	10,101	1,123
Repayable after one year	11,460	857	12,351	1,426	11,266	857	10,935	1,426
Total borrowings	28,628	1,992	30,764	2,549	21,544	1,992	21,036	2,549

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; (iii) leased assets; and (iv) a personal guarantee by a director of a subsidiary. Total borrowings include trust receipts and bills payable, leases liabilities under hire purchase, term loans and bank overdraft.

12. Assets held for sale

	Group	
	30 Jun 2024 S\$'000	31 Dec 2023 S\$'000
Property 1	44	-
Property 2	58	-
	<u>102</u>	<u>-</u>

On 12 June 2024, the Group received an offer from an unrelated third party to purchase its freehold building (the "**Property 1**") which was owned by Far East Enterprises (Penang) Sdn. Bhd, a wholly-owned subsidiary of the Group. The Property 1 has been reclassified from investment property to assets held for sale amounting to S\$44,000. The Group is currently assessing the offer and will release announcements on any material developments, as necessary.

As at 30 June 2024, the Group committed to a plan to sell its leasehold building (the "**Property 2**") which was owned by Far East Enterprises (K.L.) Sdn. Bhd, a wholly-owned subsidiary of the Group. The Property 2 has been reclassified from fixed asset to assets held for sale amounting to S\$58,000.

13. Share Capital

The total number of issued shares (excluding treasury shares) was 111,462,000 as at 30 June 2024 and 31 December 2023.

There was no change in the Company's issued and paid up share capital from 1 January 2024 to 30 June 2024.

The Company does not hold any treasury shares or convertible instruments as at 30 June 2024, 31 December 2023 and 30 June 2023.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2024, 31 December 2023 and 30 June 2023.

14. Net assets value

	Group		Company	
	As at 30 June 2024	As at 31 December 2023	As at 30 June 2024	As at 31 December 2023
Net asset value attributable to owners of the Company (S\$'000)	39,621	38,397	33,804	34,046
Number of ordinary shares ('000)	111,462	111,462	111,462	111,462
Net asset value per share (cents)	35.5	34.4	30.3	30.5

15. 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\$7.3 million or 19.8%, from S\$36.9 million in 1H2023 to S\$44.3 million in 1H2024, primarily owing to larger contribution from Engineering Solutions segment.

Revenue by Business Segment	Group				Change	Change
	1H2024 S\$'000	Contribution %	1H2023 S\$'000	Contribution %	+ve/(-ve) S\$'000	+ve/(-ve) %
Wholesale and Distribution	17,157	38.8%	15,630	42.3%	1,527	9.8
Manufacturing	4,760	10.8%	6,887	18.6%	(2,127)	(30.9)
Engineering Solutions	22,338	50.5%	14,411	39.0%	7,927	55.0
	<u>44,255</u>	<u>100%</u>	<u>36,928</u>	<u>100%</u>	<u>7,327</u>	<u>19.8</u>

Revenue from Wholesale and Distribution segment increased by S\$1.5 million in 1H2024 compared with 1H2023 mainly due to increase in export sales and higher sales in Indonesia market.

Revenue from Manufacturing segment decreased by S\$2.1 million in 1H2024 compared with 1H2023 on the back of sluggish economy in China. The lacklustre economy caused delays in projects and customers became more conservative in spending.

Revenue from Engineering Solutions segment increased by S\$7.9 million in 1H2024 compared with 1H2023 as job site activities picked up significantly in respect of project orders secured in late 4Q2023.

Gross profit and gross profit margin

The Group's gross profit increased by S\$1.9 million or 28.8%, from S\$6.6 million in 1H2023 to S\$8.5 million in 1H2024. The gross profit margin increased by 1.3 percentage points, from 18.0% in 1H2023 to 19.3% in 1H2024. This higher gross profit margin arose from Engineering Solutions segment due to projects undertaken in 1H2024.

Other operating income

Other operating income decreased by S\$0.3 million mainly due to dividend income in 1H2023, which was absent in 1H2024.

Distribution and selling expenses

Distribution and selling expenses decreased by S\$0.2 million mainly due to the decrease in staff costs.

Administrative expenses

Administrative expenses remained at S\$5.9 million in both 1H2024 and 1H2023.

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

The Group managed to write back S\$0.2 million on trade and other receivables and S\$0.1 million on contract assets in 1H2024 (1H2023: a provision of S\$0.7 million on contract assets).

Other operating expenses

Other operating expenses decreased by S\$0.3 million. This was mainly due to fair value loss in investment securities of S\$0.2 million in 1H2023 and loss of disposal in fixed assets of S\$0.1 million in 1H2023, both of which were absent in 1H2024.

Finance expenses

Finance expenses remained at S\$1.0 million in both 1H2024 and 1H2023.

Share of results of associate

The positive results from associates were mainly contributed by the Comfresh Group Holdings Pty Ltd and Fayi Technology Inc. of S\$0.7 million and S\$0.2 million respectively.

Profitability

In view of the above, the Group turned a net profit before tax of S\$0.7 million in 1H2024, from a loss before tax of S\$3.4 million in 1H2023.

Review of Financial Position

Non-current assets

Non-current assets increased by S\$0.6 million, from S\$58.7 million as at 31 December 2023 to S\$59.3 million as at 30 June 2024.

The increase was mainly due to increase in (i) investment in associates due to profit sharing in 1H2024 of S\$0.9 million; (ii) right-of-use assets of S\$0.3 million; and (iii) unquoted investment of S\$0.2 million. The increase was partially offset by decrease in (i) fixed assets of S\$0.7 million mainly due to depreciation charges; and (ii) investment property of S\$0.1 million.

Current assets

Current assets increased by S\$4.2 million, from S\$54.4 million as at 31 December 2023 to S\$58.6 million as at 30 June 2024.

The increase was mainly due to increase in (i) contract assets of S\$4.6 million; (ii) inventories of S\$2.7 million; (iii) advance payment to suppliers of S\$0.8 million; and (iv) assets held for sale of S\$0.1 million. The increase was partially offset by decrease in (i) cash and cash balances of S\$2.4 million; and (ii) trade receivables of S\$1.6 million.

Current liabilities

Current liabilities increased by S\$5.0 million, from S\$43.7 million as at 31 December 2023 to S\$48.7 million as at 30 June 2024.

The increase was mainly due to increase in (i) trade payables of S\$5.7 million; (ii) accruals and other liabilities of S\$0.5 million; (iii) contract liabilities of S\$0.5 million; (iv) bank overdraft of S\$0.3 million; and (v) lease liabilities of S\$0.1 million. The increase was partially offset by decrease in (i) trust receipts and bill payables of S\$1.2 million; (ii) term loans of S\$0.3 million; (iii) other payables of S\$0.3 million; and (iv) provision for income tax of S\$0.3 million.

Non-current liabilities

Non-current liabilities decreased by S\$1.1 million, from S\$28.8 million as at 31 December 2023 to S\$27.7 million as at 30 June 2024.

The decrease was mainly due to decrease in term loans of S\$1.4 million. The decrease was partially offset by increase in lease liabilities of S\$0.3 million.

Equity

Total equity increased by S\$0.9 million, from S\$40.6 million as at 31 December 2023 to S\$41.5 million as at 30 June 2024.

This was mainly due to (i) profit for the period of S\$1.0 million; and (ii) increase in fair value adjustment reserve of S\$0.2 million. The increase was partially offset by non-controlling interests' share of loss of S\$0.3 million.

Review of Cash Flow Statement

The Group generated S\$2.0 million net cash in operating activities before changes in working capital in 1H2024 while net cash flows generated from operating activities amounted to S\$10.8 million. This was mainly due to positive working capital changes of S\$9.9 million, partially offset by interest paid of S\$0.7 million and income taxes paid of S\$0.4 million.

The working capital changes mainly consist of net cash inflows of S\$18.4 million arising from changes in (i) trade payables of S\$15.4 million; (ii) trade receivables of S\$2.0 million; (iii) accruals and liabilities of S\$0.5 million; and (iv) contract liabilities of S\$0.5 million. These were partly offset by net cash outflows of S\$8.5 million arising from changes in (i) contract assets of S\$4.5 million; (ii) inventories of S\$2.7 million; (iii) deposits, prepayments and advance payment to suppliers of S\$1.0 million; and (iv) other payables of S\$0.3 million.

Net cash used in investing activities amounting to S\$0.4 million in 1H2024 was mainly due to (i) purchase of investment securities of S\$0.5 million; and (ii) purchase of fixed assets of S\$0.1 million. This was partially offset by dividend received of S\$0.2 million.

Net cash used in financing activities amounted to S\$13.2 million in 1H2024. This was mainly due to (i) net repayment of trust receipts and bill payables of S\$10.9 million; (ii) net repayment of term loans of S\$1.7 million; (iii) net repayment of lease liabilities of S\$0.7 million; and (iv) dividend paid to non-controlling interest of a subsidiary of S\$0.1 million. This was partially offset by release of bank deposits pledged 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.

While the interest rates and costs of operations have started to stabilise, the impact of inflation remains high. The Group has to cope with increasing prices from suppliers over the past 2 years and manage customers' expectations. With stiff competition affecting various segments of the Group, the Group faces challenges in pricing and margins.

In the Distribution and Wholesale segment, the Group intends to step up export sales to counter the competitive pressures in other markets. The performance of the Engineering Solutions segment is dependent on the number of tenders awarded and the ability of the segment to deliver faster completion of site works and obtain speedier certification of work from the main contractors, barring unforeseen delays. The Group expects the Manufacturing segment's recovery to be slow as the China economy, being a major market, does not seem to be turning around soon.

In these uncertain times, the Group will focus on managing costs and defending market share.

4. Dividend

(a) Current Financial Period Reported on 30 June 2024

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 1H2024 as the Board is of the view to conserve cash in this challenging year.

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 1H2024. Neither was there any incorporation or striking off of subsidiary or associated company by the Group during 1H2024.

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 2024 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 2024