

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2016

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

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

The contact person for the Sponsor is Ms. Lee Khai Yinn (Telephone: (65) 6532 3829) at 1 Robinson Road, #21-02 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 →		
	Unaudited 1H2016 S\$'000	Unaudited 1H2015 S\$'000	Change +ve/(-ve) %
Revenue	17,086	16,280	5.0
Cost of sales	(12,546)	(11,541)	8.7
Gross profit	4,540	4,739	(4.2)
Other operating income	265	442	(40.0)
Distribution and selling expenses	(2,091)	(2,410)	(13.2)
Administrative expenses	(3,068)	(3,667)	(16.3)
Other operating expenses	(155)	(4)	n.m
	(5,314)	(6,081)	(12.6)
Loss from operations	(509)	(900)	(43.4)
Finance expenses	(193)	(166)	16.3
Interest income	11	9	22.2
Loss before tax	(691)	(1,057)	(34.6)
Tax expense	(170)	(475)	(64.2)
Loss for the period	(861)	(1,532)	(43.8)
Other comprehensive income			
Exchange differences on translating foreign operations	(619)	(249)	148.6
Total comprehensive income for the period	(1,480)	(1,781)	(16.9)
Loss for the period attributable to :-			
Owners of the Company	(712)	(1,341)	(46.9)
Non-controlling interests	(149)	(191)	(22.0)
	(861)	(1,532)	(43.8)
Total comprehensive income for the period attributable to :-			
Owners of the Company	(1,230)	(1,673)	(26.5)
Non-controlling interests	(250)	(108)	131.5
	(1,480)	(1,781)	(16.9)

n.m : not meaningful

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

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

	← GROUP →		
	Unaudited 1H2016 S\$'000	Unaudited 1H2015 S\$'000	Change +ve/(-ve) %
Interest income	(11)	(9)	22.2
Finance expenses	193	166	16.3
Allowance for obsolete and slow-moving inventories, net	648	65	n.m
Allowance for doubtful trade debts	9	261	(96.6)
Bad debts recovery	(37)	-	n.m
Fixed assets written off	38	-	n.m
Gain on disposal of fixed assets, net	(5)	(39)	(87.2)
Depreciation of fixed assets	732	754	(2.9)
Amortisation of land use rights	23	23	n.m
Amortisation of intangible assets	46	47	(2.1)
Foreign exchange loss/(gain), net	128	(218)	n.m

n.m : not meaningful

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

STATEMENT OF FINANCIAL POSITION

	← Group →		← Company →	
	Unaudited 30 June 2016 S\$'000	Audited 31 December 2015 S\$'000	Unaudited 30 June 2016 S\$'000	Audited 31 December 2015 S\$'000
Non-current assets				
Fixed assets	16,136	16,228	6,948	7,037
Intangible assets	631	717	-	-
Land use rights	2,020	2,102	-	-
Investments in subsidiaries	-	-	15,202	15,202
Unquoted investments	192	91	-	-
Deferred tax assets	-	62	-	62
Deposits	11	11	-	-
Prepayments	10	13	-	-
Total non-current assets	19,000	19,224	22,150	22,301
Current assets				
Inventories	12,271	12,832	3,920	5,533
Trade debtors	7,291	6,618	3,197	2,824
Other receivables	648	932	15	30
Deposits	239	181	8	10
Prepayments	162	74	114	40
Advance payment to suppliers	1,016	191	598	95
Amounts due from subsidiaries (trade)	-	-	4,481	3,729
Amounts due from subsidiaries (non-trade)	-	-	1,368	1,005
Amounts due from affiliated companies (trade)	201	9	-	-
Tax recoverable	257	235	-	46
Fixed deposits	469	490	6	6
Cash and bank balances	4,621	4,488	1,902	1,158
Total current assets	27,175	26,050	15,609	14,476
Current liabilities				
Trade payables	2,164	1,867	915	748
Advance payment from customers	529	463	-	82
Trust receipts and bills payable (secured)	5,191	5,113	4,937	4,894
Other creditors	705	713	353	330
Accruals and other liabilities	1,315	1,971	957	1,223
Provision for warranty	14	14	14	14
Dividend payable	115	115	114	114
Amounts due to subsidiaries (trade)	-	-	922	918
Amounts due to subsidiaries (non-trade)	-	-	100	103
Amounts due to affiliated company (trade)	66	41	-	-
Amounts due to affiliated company (non-trade)	158	166	-	-
Provision for income tax	-	15	-	-
Finance lease obligations (current)	267	390	267	382
Term loans (current)	7,803	5,256	5,400	3,860
Total current liabilities	18,327	16,124	13,979	12,668
Net current assets	8,848	9,926	1,630	1,808
Non-current liabilities				
Deferred tax liabilities	168	104	62	-
Finance lease obligations (non-current)	67	66	64	65
Term loans (non-current)	2,160	2,254	1,468	2,254
Total non-current liabilities	2,395	2,424	1,594	2,319
Net assets	25,453	26,726	22,186	21,790
Equity attributable to owners of the Company				
Share capital	19,264	19,264	19,264	19,264
Retained earnings	6,696	7,408	2,600	2,204
Capital reserve	322	322	322	322
Translation reserve	(2,831)	(2,313)	-	-
	23,451	24,681	22,186	21,790
Non-controlling interests	2,002	2,045	-	-
Total equity	25,453	26,726	22,186	21,790

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 2016		As at 31 December 2015	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Repayable in one year or less, or on demand	13,261	-	10,759	-
Repayable after one year	2,227	-	2,320	-
Total borrowings	15,488	-	13,079	-

Details of any collateral

The above borrowings are secured by legal mortgage over the freehold and leasehold land and buildings, motor vehicles, plant and machinery, software, office equipment and land use rights of the Group, and joint and several guarantees by certain directors of the Group.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED STATEMENT OF CASH FLOWS

	← GROUP →	
	1H2016 S\$'000	1H2015 S\$'000
Cash flows from operating activities		
Loss before tax	(691)	(1,057)
Adjustments:		
Allowance for doubtful trade debts	9	261
Bad debts recovery	(37)	-
Allowance for obsolete and slow-moving inventories, net	648	65
Fixed assets written off	38	-
Gain on disposal of fixed assets, net	(5)	(39)
Depreciation of fixed assets	732	754
Amortisation of land use rights	23	23
Amortisation of intangible assets	46	47
Finance expenses	193	166
Interest income	(11)	(9)
Translation difference	13	(270)
Operating profit/(loss) before working capital changes	958	(59)
<i>(Increase)/decrease in:</i>		
Inventories	(87)	(1,013)
Trade debtors	(645)	871
Other receivables	18	110
Deposits, prepayments and advance payment to suppliers	(968)	(2,318)
<i>Increase/(decrease) in:</i>		
Trade payables	297	418
Advance payment to customers	66	3
Other creditors	(8)	(173)
Accruals and other liabilities	(656)	(220)
Amounts due to affiliated companies, net	(175)	3
Cash used in operations	(1,200)	(2,378)
Interest paid	(193)	(166)
Income taxes paid	(147)	(21)
Income taxes refunded	66	38
Interest income	11	9
Net cash used in operating activities	(1,463)	(2,518)
Cash flows from investing activities		
Proceeds from disposal of fixed assets	31	39
Purchase of fixed assets	(1,191)	(105)
Dividends received	266	211
Net cash inflow on acquisition of subsidiary	207	-
Acquisition of unquoted investment	(102)	-
Net cash (used in)/generated from investing activities	(789)	145

← **GROUP** →

1H2016	1H2015
S\$'000	S\$'000

Cash flows from financing activities

Dividends paid	-	(347)
Trust receipts and bills payable	78	3,921
Repayment of finance lease obligations	(122)	(234)
Repayment of term loans	(1,609)	(377)
Proceeds from term loans	4,062	-

Net cash generated from financing activities

	2,409	2,963
--	-------	-------

Net increase in cash and cash equivalents

	157	590
Effect of exchange rate changes on cash and cash equivalents	(45)	(12)
Cash and cash equivalents at beginning of period	4,978	6,137

Cash and cash equivalents at end of period

	5,090	6,715
--	-------	-------

Cash and cash equivalents consist of the following :

Cash and bank balances	4,621	6,254
Fixed deposits	469	461
	5,090	6,715

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 S\$'000	Equity attributable to owners of the Company, total S\$'000	Share capital S\$'000	Retained earnings S\$'000	Capital reserve S\$'000	Translation reserve S\$'000	Non- controlling interests S\$'000
GROUP							
Balance at 1 January 2016	26,726	24,681	19,264	7,408	322	(2,313)	2,045
Loss for the period	(861)	(712)	-	(712)	-	-	(149)
Other comprehensive income	(619)	(518)	-	-	-	(518)	(101)
Total comprehensive income for the period	(1,480)	(1,230)	-	(712)	-	(518)	(250)
Acquisition of subsidiary	207	-	-	-	-	-	207
Balance at 30 June 2016	25,453	23,451	19,264	6,696	322	(2,831)	2,002
Balance at 1 January 2015	29,377	27,066	19,264	9,033	322	(1,553)	2,311
Loss for the period	(1,532)	(1,341)	-	(1,341)	-	-	(191)
Other comprehensive income	(249)	(332)	-	-	-	(332)	83
Total comprehensive income for the period	(1,781)	(1,673)	-	(1,341)	-	(332)	(108)
Dividends paid	(347)	(347)	-	(347)	-	-	-
Balance at 30 June 2015	27,249	25,046	19,264	7,345	322	(1,885)	2,203
COMPANY							
Balance at 1 January 2016	21,790	21,790	19,264	2,204	322	-	-
Profit for the period	396	396	-	396	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	396	396	-	396	-	-	-
Balance at 30 June 2016	22,186	22,186	19,264	2,600	322	-	-
Balance at 1 January 2015	21,783	21,783	19,264	2,197	322	-	-
Loss for the period	(634)	(634)	-	(634)	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	(634)	(634)	-	(634)	-	-	-
Dividends paid	(347)	(347)	-	(347)	-	-	-
Balance at 30 June 2015	20,802	20,802	19,264	1,216	322	-	-

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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

There was no change in the Company's issued and paid-up share capital from 1 January 2016 to 30 June 2016.

The Company does not have any convertible securities and treasury shares as at 30 June 2015 and 30 June 2016.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at the immediately preceding year

The total number of issued shares (excluding treasury shares) as at 30 June 2016 was 108,480,000 (as at 31 December 2015: 108,480,000).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period

Not applicable. The Company does not have any treasury shares.

2. Whether the figures have been audited, or review and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or equivalent standard)

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualification or emphasis of matter)

Not applicable.

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

Except as disclosed in item 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the current financial reporting period as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted the applicable new and revised Singapore Financial Reporting Standards (“FRS”) and Interpretations of Financial Reporting Standards (“IFRS”) which became effective for the accounting periods beginning on or after 1 January 2016. The adoption of these new and revised FRS and IFRS is not expected to result in material adjustments to the financial position, results of operations or cash flows of the Group for the financial period ended 30 June 2016.

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	
	1H2016	1H2015
Net loss after tax attributable to owners of the Company (S\$'000)	(712)	(1,341)
Weighted average number of ordinary shares ('000)	108,480	108,480
Loss per share - basic/fully diluted (cents)	(0.66)	(1.24)

The Company has no dilutive equity instruments as at 30 June 2016 and 30 June 2015.

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 2016	As at 31 December 2015	As at 30 June 2016	As at 31 December 2015
Net asset value (S\$'000)	23,451	24,681	22,186	21,790
Number of ordinary shares ('000)	108,480	108,480	108,480	108,480
Net asset value per share (cents)	21.6	22.8	20.5	20.1

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 performance

Revenue

Revenue increased by S\$0.8 million or 5.0%, from S\$16.3 million in the six-month financial period ended 30 June 2015 ("1H2015") to S\$17.1 million in the six-month financial period ended 30 June 2016 ("1H2016"). This was mainly due to increased sales from Malaysia, Indonesia, Vietnam and China markets. The increase was partially offset by a decrease in sales from the Singapore market.

Revenue by Business Segment	GROUP				Change +ve/(-ve) %
	1H2016 S\$'000	% Contribution	1H2015 S\$'000	% Contribution	
Residential and commercial (air-conditioning)	1,863	10.9%	2,282	14.0%	(18.4)
Oil, marine and gas (refrigeration and air-conditioning)	936	5.5%	1,581	9.7%	(40.8)
Commercial and light industrial (refrigeration)	14,287	83.6%	12,417	76.3%	15.1
	<u>17,086</u>	<u>100%</u>	<u>16,280</u>	<u>100%</u>	

Revenue from the commercial and light industrial (refrigeration) segment increased by S\$1.9 million in 1H2016 as compared to 1H2015. Revenue from the residential and commercial (air-conditioning) as well as the oil, marine and gas (refrigeration and air-conditioning) segments decreased by S\$0.4 million and S\$0.7 million respectively in 1H2016, as compared to 1H2015.

Gross profit and gross profit margin

The Group's gross profit decreased by S\$0.2 million or 4.2%, from S\$4.7 million in 1H2015 to S\$4.5 million in 1H2016. The Group's gross profit margin decreased by 2.5ppts, from 29.1% in 1H2015 to 26.6% in 1H2016. The decrease was mainly due to provision for stock obsolescence made in 1H2016. Excluding the provision for stock obsolescence, gross profit margin would have increased from 29.5% in 1H2015 to 30.4% in 1H2016.

Other operating income

Other operating income decreased by S\$0.1 million from S\$0.4 million in 1H2015 to S\$0.3 million in 1H2016. The decrease was mainly due to a decrease in foreign exchange gain of S\$0.2 million, partially offset by an increase in rental income and income from scrap sales of S\$0.1 million.

Distribution and selling expenses

Distribution and selling expenses decreased by S\$0.3 million from S\$2.4 million in 1H2015 to S\$2.1 million in 1H2016. This was mainly due to decrease in (i) exhibition expenses of S\$0.2 million; and (ii) payroll related costs of S\$0.1 million.

Administrative expenses

Administrative expenses decreased by S\$0.6 million from S\$3.7 million in 1H2015 to S\$3.1 million in 1H2016. This was mainly due to decrease in (i) provision for doubtful debts of S\$0.3 million; (ii) IT maintenance expenses of S\$0.2 million; and (iii) payroll related costs of S\$0.1 million.

Other operating expenses

Other operating expenses increased by S\$0.2 million from S\$4,000 in 1H2015 to S\$0.2 million in 1H2016 due to an increase in foreign exchange loss.

Finance expenses

Finance expenses increased by S\$27,000 due to an increase in usage of banking facilities.

Tax expense

Tax expense decreased by S\$0.3 million from S\$0.5 million in 1H2015 to S\$0.2 million in 1H2016 due to a decrease in provision for current tax.

Review of Financial Position

Non-current assets

Non-current assets decreased by S\$0.2 million from S\$19.2 million as at 31 December 2015 to S\$19.0 million as at 30 June 2016.

The decrease was mainly due to (i) depreciation and amortisation costs of S\$0.8 million; (ii) foreign translation loss on fixed assets of S\$0.6 million; and (iii) reversal of deferred tax assets of S\$0.1 million. The decrease was partially offset by (a) acquisition of fixed assets of S\$1.2 million; and (b) acquisition of unquoted investment of S\$0.1 million.

Current assets

Current assets increased by S\$1.1 million from S\$26.1 million as at 31 December 2015 to S\$27.2 million as at 30 June 2016.

The increase was mainly due to (i) increase in trade receivables of S\$0.7 million; (ii) increase in advance payment to suppliers of S\$0.8 million; (iii) increase in prepayments of S\$0.1 million; (iv) increase in amounts due from affiliated companies (trade) of S\$0.2 million; and (v) increase in cash and bank balances of S\$0.1 million. The increase was partially offset by (a) decrease in inventories of S\$0.5 million; and (b) decrease in other receivables of S\$0.3 million.

Current liabilities

Current liabilities increased by S\$2.2 million from S\$16.1 million as at 31 December 2015 to S\$18.3 million as at 30 June 2016.

The increase was mainly due to (i) increase in borrowings of S\$2.5 million; (ii) increase in trade payables of S\$0.3 million; and (iii) increase in trust receipts and bills payable of S\$0.1 million. The increase was partially offset by (i) decrease in accruals and other liabilities of S\$0.6 million and (ii) decrease in finance lease obligations of S\$0.1 million.

Non-current liabilities

Non-current liabilities remained at S\$2.4 million as at 31 December 2015 and 30 June 2016.

Equity

Total equity decreased by S\$1.2 million from S\$26.7 million as at 31 December 2015 to S\$25.5 million as at 30 June 2016. This was mainly due to (i) loss for the period amounting to S\$0.7 million; and (ii) decrease in translation reserve of S\$0.5 million.

Review of Cash Flow Statement

Net cash generated from operating activities before changes in working capital was approximately S\$1.0 million. Net cash used in operating activities amounted to S\$1.5 million. This was mainly due to cash outflows arising from (i) deposits, prepayments and advance payment to suppliers of S\$1.0 million; (ii) trade debtors of S\$0.6 million; (iii) accruals and other liabilities of S\$0.7 million; (iv) amounts due to affiliated companies of S\$0.2 million; (v) interest paid of S\$0.2 million; and (vi) net income tax paid of S\$0.1 million. These were partially offset by cash inflows mainly arising from trade payables of S\$0.3 million.

Net cash used in investing activities amounted to S\$0.8 million. This was due to (i) purchase of fixed assets of S\$1.2 million; and (ii) acquisition of unquoted investment of S\$0.1 million. These were partially offset by (i) dividend received of S\$0.3 million; and (ii) net cash inflow on acquisition of subsidiary of S\$0.2 million.

Net cash generated from financing activities amounted to S\$2.4 million. This was mainly due to draw down of term loans of S\$4.1 million and partially offset by repayments of term loans and finance leases of S\$1.6 million and S\$0.1 million respectively.

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

The general economic environment remains soft mainly due to the slowdown in China and its ripple effects across the region. The oil industry has been impacted with depressed prices and this had a negative impact on our oil, marine and gas (refrigeration and air-conditioning) segment.

Our Group continues to leverage on our strengths and network to carefully steer ahead in this environment. We will continue our efforts to streamline our operation and be prudent on our expenditure to reduce costs so as to stay competitive during this difficult period, preparing ourselves for a market recovery. Our cost reduction efforts are paying off as evidenced in our reduction of expenses in the Group. With the efforts to rationalize our costs of operations, this will also prepare the Group to look out for opportunities of growth.

11. Dividend

(a) Current Financial Period Reported on 30 June 2016

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) Books Closure Date

Not applicable.

12. If no dividend has been declared/recommended, a statement to the effect

No dividend has been declared or recommended for 1H2016.

13. Interested Person Transaction ("IPT")

The Group has an existing general mandate from shareholders for interested person transactions which was last renewed at the annual general meeting of the Company on 26 April 2016.

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)

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

**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 2016 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD
Far East Group Limited**

Loh Mun Yew
CEO and Executive Director

Leng Chee Keong
COO (Sales & Marketing) and Executive Director

10 August 2016