



FAR EAST GROUP LIMITED

远东集团有限公司

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UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2013 (“1H2013”)

*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“**Sponsor**”), Canaccord Genuity Singapore Pte. Ltd. for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Canaccord Genuity Singapore Pte. Ltd. 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 Alice Ng, Director, Corporate Finance, Canaccord Genuity Singapore Pte Ltd, at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.

**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 1H2013 S\$'000	Unaudited 1H2012 S\$'000	Change +ve/(-ve) %
Revenue	15,268	13,810	10.6
Cost of sales	(10,019)	(9,947)	(0.7)
Gross profit	5,249	3,863	35.9
Other operating income	350	456	(23.2)
Distribution and selling expenses	(1,554)	(1,418)	(9.6)
Administrative expenses	(2,232)	(2,366)	5.7
Other operating expenses	(74)	(2)	3,600.0
	(3,860)	(3,786)	(2.0)
Profit from operations	1,739	533	226.3
Finance expenses	(57)	(65)	12.3
Interest income	7	5	40.0
Profit before tax	1,689	473	257.1
Income tax	(123)	(124)	0.8
Profit after tax	1,566	349	348.7
Other comprehensive income			
Foreign currency translation on foreign operations	50	(165)	n.m.
Total comprehensive income	1,616	184	778.3
Profit for the period attributable to :-			
Equity holders of the Company	1,574	365	331.2
Non-controlling interest	(8)	(16)	50.0
	1,566	349	348.7
Total comprehensive income attributable to :-			
Equity holders of the Company	1,624	200	712.0
Non-controlling interest	(8)	(16)	50.0
	1,616	184	778.3

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		
	1H2013	1H2012	Change
	Unaudited	Unaudited	+ve/(-ve)
	S\$'000	S\$'000	%
Interest income	(7)	(5)	40.0
Interest expenses	57	65	12.3
Inventories (written back)/provision, net	(527)	787	n.m.
Allowance for doubtful trade debts	-	22	n.m.
Allowance for doubtful trade debts written back	(59)	(1)	n.m.
Allowance for doubtful trade debts from an affiliated company written back	(1)	(22)	(95.5)
Depreciation of fixed assets	207	184	(12.5)
Foreign exchange loss/(gain), net	70	(104)	n.m.
Dividend income from unquoted investment	-	(90)	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 Jun 2013 S\$'000	Audited 31 Dec 2012 S\$'000	Unaudited 30 Jun 2013 S\$'000	Audited 31 Dec 2012 S\$'000
Non-current assets				
Fixed assets	7,829	7,056	6,287	6,340
Investments in subsidiary companies	-	-	3,339	3,339
Unquoted investments	89	88	-	-
Prepayment for investment	6,553	-	6,553	-
Deferred tax assets	183	225	11	53
Total non-current assets	14,654	7,369	16,190	9,732
Current assets				
Inventories	7,586	8,918	4,627	5,541
Trade debtors	6,723	6,414	4,728	4,414
Other receivables	360	443	66	52
Deposits	86	84	17	21
Prepayments	835	711	683	515
Due from subsidiary companies (trade)	-	-	1,479	1,316
Due from subsidiary companies (non-trade)	-	-	671	897
Due from affiliated companies (trade)	-	146	-	146
Due from affiliated companies (non-trade)	120	58	120	58
Tax recoverable	460	65	-	-
Fixed deposits pledged to bank	343	331	-	-
Fixed deposits	582	390	6	6
Cash and bank balances	4,928	3,486	2,554	1,089
Total current assets	22,023	21,046	14,951	14,055
Current liabilities				
Trade payables	1,133	1,606	732	1,203
Trust receipts and bills payable (secured)	3,102	3,510	2,962	3,097
Other creditors	790	366	222	288
Accruals and other liabilities	1,084	1,373	696	956
Provision for warranty	336	336	336	336
Dividend payable	104	97	104	97
Due to subsidiary companies (trade)	-	-	997	683
Due to subsidiary companies (non-trade)	-	-	132	514
Due to affiliated company (trade)	721	731	658	668
Due to affiliated company (non-trade)	177	120	28	13
Provision for income tax	378	24	70	20
Finance lease obligations (current)	20	19	20	19
Term loans (current)	2,547	1,132	2,547	1,132
Bank overdrafts (secured)	-	1	-	1
Total current liabilities	10,392	9,315	9,504	9,027
Net current assets	11,631	11,731	5,447	5,028
Non-current liabilities				
Deferred tax liabilities	78	78	-	-
Finance lease obligations (non-current)	10	20	10	20
Term loans (non-current)	6,002	32	6,002	32
Total non-current liabilities	6,090	130	6,012	52
Total net assets	20,195	18,970	15,625	14,708
Share capital and reserves				
Share capital	13,956	13,956	13,956	13,956
Accumulated profits	7,126	5,943	1,347	430
Capital reserve	322	322	322	322
Translation reserve	(1,386)	(1,436)	-	-
	20,018	18,785	15,625	14,708
Non-controlling interests	177	185	-	-
Total equity	20,195	18,970	15,625	14,708

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 2013		As at 31 December 2012	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Repayable in one year or less, or on demand	5,669	0	4,662	0
Repayable after one year	6,012	0	52	0
Total borrowings	11,681	0	4,714	0

Details of any collateral

The above borrowings are secured by legal mortgage over the freehold and leasehold land and buildings, and motor vehicles 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 →	
	1H2013	1H2012
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before tax	1,689	473
Adjustments:		
Allowance for doubtful trade debts	-	22
Allowance for doubtful trade debts written back	(59)	(1)
Allowance for doubtful debts due from an affiliated company written back	(1)	(22)
Inventories (written back)/provision, net	(527)	787
Depreciation of fixed assets	207	184
Interest expense	57	65
Interest income	(7)	(5)
Translation difference	11	(111)
Operating profit before working capital changes	1,370	1,392
<i>(Increase)/decrease in:</i>		
Inventories	1,859	229
Gross amount due to customers for contract work-in-progress	-	19
Trade debtors	(250)	91
Other receivables	83	(395)
Deposits and prepayments	(126)	1,316
<i>Increase/(decrease) in:</i>		
Trade payables	(473)	(507)
Other creditors	424	(45)
Accruals and other liabilities	(289)	(533)
Due to affiliated companies, net	132	(277)
Cash generated from operations	2,730	1,290
Interest paid	(57)	(65)
Income taxes paid	(158)	(418)
Income taxes refunded	36	156
Interest income	7	5
Net cash generated from operating activities	2,558	968
Cash flows from investing activities		
Purchase of fixed assets	(967)	(34)
Prepayment for investment	(6,553)	-
Net cash used in investing activities	(7,520)	(34)

← Group →	
1H2013	1H2012
S\$'000	S\$'000

Cash flows from financing activities

Dividends paid	(384)	(1,840)
(Repayment)/draw down of trust receipts and bills payable	(408)	931
Repayment of loans from shareholders and directors	-	(959)
Repayment of finance lease obligations	(9)	(9)
Repayment of term loans	(115)	(54)
Proceeds from term loans	7,500	1,000

Net cash generated from/(used in) financing activities

6,584	(931)
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Net increase in cash and cash equivalents

1,622	3
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Effect of exchange rate changes on cash and cash equivalents

12	-
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Cash and cash equivalents at beginning of year

3,876	2,499
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Cash and cash equivalents at end of period

5,510	2,502
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Cash and cash equivalents consist of the following :

Cash and bank balances	4,928	2,675
Fixed deposits	582	87
	5,510	2,762
Bank overdraft	-	(260)
Cash and cash equivalents	5,510	2,502

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 shareholders of the Company						Non-controlling interests
	Equity, Total	Equity attributable to owners of the parent, total	Share capital	Accumulated profits	Capital reserve	Translation reserve	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
GROUP							
Balance at 1 January 2013	18,970	18,785	13,956	5,943	322	(1,436)	185
Profit for the year	1,566	1,574	-	1,574	-	-	(8)
Other comprehensive income	50	50	-	-	-	50	-
Total comprehensive income	1,616	1,624	-	1,574	-	50	(8)
Dividend paid	(391)	(391)	-	(391)	-	-	-
Balance at 30 June 2013	20,195	20,018	13,956	7,126	322	(1,386)	177
Balance at 1 January 2012	19,598	19,414	13,956	6,319	322	(1,183)	184
Profit for the year	349	365	-	365	-	-	(16)
Other comprehensive income	(165)	(165)	-	-	-	(165)	-
Total comprehensive income	184	200	-	365	-	(165)	(16)
Dividend paid	(760)	(760)	-	(760)	-	-	-
Balance at 30 June 2012	19,022	18,854	13,956	5,924	322	(1,348)	168
COMPANY							
Balance at 1 January 2013	14,708	14,708	13,956	430	322	-	-
Profit for the year	1,308	1,308	-	1,308	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	1,308	1,308	-	1,308	-	-	-
Dividend paid	(391)	(391)	-	(391)	-	-	-
Balance at 30 June 2013	15,625	15,625	13,956	1,347	322	-	-
Balance at 1 January 2012	15,966	15,966	13,956	1,688	322	-	-
Profit for the year	50	50	-	50	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	50	50	-	50	-	-	-
Dividend paid	(760)	(760)	-	(760)	-	-	-
Balance at 30 June 2012	15,256	15,256	13,956	978	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 at the end of the current financial period reported on and 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 2013 to 30 June 2013.

The Company does not have any convertible securities.

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 as at 30 June 2013 was 72,320,000 (As at 31 December 2012: 72,320,000).

The Company does not have any treasury shares.

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

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

Save as disclosed in paragraph 5, the unaudited financial statements have been prepared by applying accounting policies and methods of computation consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2012.

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 2013. 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 2013.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year

	G R O U P	
	1H2013	1H2012
Net profit after tax attributable to equity holders of the Company (S\$'000)	1,574	365
Weighted average number of ordinary shares ('000)	72,320	72,320
Earning per share - basic/fully diluted (cents)	2.18	0.50

The Company has no dilutive equity instruments as at 30 June 2013.

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

	G R O U P		C O M P A N Y	
	As at 30 Jun 2013	As at 31 Dec 2012	As at 30 Jun 2013	As at 31 Dec 2012
Net asset value (S\$'000)	20,018	18,785	15,625	14,708
Number of ordinary shares ('000)	72,320	72,320	72,320	72,320
Net asset value per share (cents)	27.7	26.0	21.6	20.3

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

Review of performance

Revenue

Revenue increased by approximately S\$1.5 million or 10.6%, from approximately S\$13.8 million in 1H2012 to approximately S\$15.3 million in 1H2013. This was mainly due to an increase in revenue of approximately S\$1.9 million from the commercial and light industrial (refrigeration) segment and approximately S\$0.1 million from the oil, marine and gas (refrigeration and air-conditioning) segment, partly offset by a decrease in revenue of approximately S\$0.5 million from the residential and commercial (air-conditioning) segment.

The increase in revenue from the commercial and light industrial (refrigeration) segment was mainly due to higher export sales to the Indonesia, Malaysia and Singapore markets arising from the increase in domestic demand as well as from projects which were previously delayed. The contribution from this segment to the Group increased from 69.0% in 1H2012 to 74.7% in 1H2013.

The decrease in revenue from the residential and commercial (air-conditioning) segment was mainly due to the reduction in purchases from customers in Singapore mainly attributed to increased price competition. The contribution from this segment to the Group reduced from 22.4% in 1H2012 to 17.1% in 1H2013.

Revenue contribution from the oil, marine and gas (refrigeration and air-conditioning) segment remained relatively stable, accounting for 8.2% of the Group's revenue in 1H2013 (1H2012: 8.6%).

Gross profit and gross profit margin

The Group's gross profit increased by approximately S\$1.4 million or 35.9%, from S\$3.9 million in 1H2012 to S\$5.3 million in 1H2013 while gross profit margin increased by approximately 6.4 percentage points from 28.0% to 34.4% in the same period.

Gross profit and gross profit margins have increased for all of the Group's three business segments. The gross profit for commercial and light industrial (refrigeration) segment increased by S\$1.2 million or 47.6% mainly due to the write-back of inventories. The commercial and light industrial (refrigeration) segment accounts for 73.1% (1H2012: 67.3%) of the Group's total gross profit for 1H2013.

The gross profit from oil, marine and gas (refrigeration and air-conditioning) increased by approximately S\$87,000 or 18.7% while the residential and commercial (air-conditioning) segment increased by approximately S\$61,000 or 7.6%. The increase in both segments' gross profit was mainly attributable to the write-back of inventories.

Other operating income

Other operating income decreased by approximately S\$0.1 million or 23.2% from approximately S\$0.5 million in 1H2012 to approximately S\$0.4 million in 1H2013. This was mainly due to a decrease in dividend income from an unquoted investment of approximately S\$0.1 million and foreign exchange gains

in 1H2012 amounting to approximately S\$0.1 million. This was offset by insurance claims of approximately S\$0.1 million relating to a fire incident at one of our subsidiary in Malaysia.

Distribution and selling expenses

Distribution and selling expenses increased by approximately S\$0.1 million or 9.6%, from approximately S\$1.4 million in 1H2012 to approximately S\$1.5 million in 1H2013. This was mainly due to an increase in selling and related expenses, higher exhibition costs and labour-related costs, which was in line with the increase in the Group's revenue.

Administrative expenses

Administrative expenses decreased by approximately S\$134,000 or 5.7% from approximately S\$2.4 million in 1H2012 to approximately S\$2.2 million in 1H2013. This was mainly due to lower technical consultancy fees incurred, a decrease in provision for doubtful debts and an increase in bad debts recovered in 1H2013.

Other operating expenses

Other operating expenses increased by approximately S\$72,000 which was mainly due to foreign exchange losses incurred.

Finance expenses

Finance expenses remained relatively stable at approximately S\$0.1 million in 1H2013 and 1H2012.

Review of Financial Position

Non-current assets

Non-current assets increased by approximately S\$7.3 million from S\$7.4 million as at 31 December 2012 to approximately S\$14.7 million as at 30 June 2013, mainly due to prepayments of S\$6.6 million made in relation to the proposed acquisition of Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd (“**ERM**”) and the acquisition of new machinery for production.

Current assets

Current assets increased by approximately S\$1.0 million or 4.8%, from approximately S\$21.0 million as at 31 December 2012 to approximately S\$22.0 million as at 30 June 2013.

The increase was mainly due to increases in (i) cash and cash equivalents of approximately S\$1.6 million; (ii) tax recoverable of approximately S\$0.4 million; and (iii) trade receivables of approximately S\$0.3 million. These increases were partially offset by decrease in inventories of approximately S\$1.3 million.

Current liabilities

Current liabilities increased by approximately S\$1.1 million or 11.8%, from approximately S\$9.3 million as at 31 December 2012 to approximately S\$10.4 million as at 30 June 2013.

This was mainly due to increases in (i) term loans of approximately S\$1.4 million which were taken to fund the proposed acquisition of ERM; (ii) other creditors of approximately S\$0.4 million and (iii) provision for income tax of approximately S\$0.4 million. These increases were partly offset by decreases in (i) trade payables of approximately S\$0.5 million; (ii) trust receipts and bills payables of approximately S\$0.4 million; and (iii) accruals and other liabilities of approximately S\$0.3 million.

Non-current liabilities

Non-current liabilities increased by approximately S\$6.0 million from approximately S\$130,000 as at 31 December 2012 to approximately S\$6.1 million as at 30 June 2013, mainly due to the increase in term loans which were taken to fund the proposed acquisition of ERM.

Equity

Share capital and reserves increased by approximately S\$1.2 million or 6.4%, from approximately S\$18.8 million as at 31 December 2012 to approximately S\$20.0 million as at 30 June 2013, mainly due to retained profits of S\$1.6 million for 1H2013, which was partially offset by a final dividend in respect of FY2012 of approximately S\$0.4 million which was declared and paid in 1H2013.

Review of Cash Flow Statement

Net cash generated from operating activities before changes in working capital was approximately S\$1.4 million. Net cash generated from working capital amounted to approximately S\$1.4 million. This was mainly due to cash inflows arising from (i) decrease in inventories of approximately S\$1.9 million; and (ii) increase in other creditors of approximately S\$0.4 million, partially offset by outflows arising from (i) increase in deposits and prepayments of approximately S\$0.1 million; (ii) increase in trade debtors of approximately S\$0.3 million; and (iii) decrease in trade payables of approximately S\$0.5 million. The Group had also paid bank interest charges of approximately S\$57,000 and income tax of approximately S\$158,000.

Net cash used in investing activities of approximately S\$7.5 million was mainly due to the purchase of plant and equipment for the manufacturing facility of approximately S\$1.0 million and prepayment made in relation to the proposed acquisition of ERM of approximately S\$6.5 million.

Net cash generated from financing activities of approximately S\$6.6 million was mainly due to net proceeds from terms loans of approximately S\$7.4 million which were taken to fund the proposed acquisition of ERM. This was partially offset by repayments of trust receipts and bills payable of approximately S\$0.4 million and dividends paid of approximately S\$0.4 million.

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

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

While the Group's sales in the Southeast Asian markets have increased in 1H2013, the Directors remain cautious on the general economic outlook for the rest of the year, as concerns on rising interest rates and

a slow-down in the China market continue to persist. As a result, there may be delays in projects taken up by our customers, which may adversely impact on the Group's financial performance.

The Group's main revenue drivers continue to be from its main markets of Singapore, Malaysia and Indonesia. The Group will continue to tap on the growth potential of our main markets while looking to further penetrate into the other regional markets, such as Australia, Indochina and the Philippines.

The Group also expects the completion of the acquisition of ERM to contribute to our financial performance. The Group has obtained management control over ERM as of 1 July 2013 and expects the completion of legal title transfer by the 4th quarter of the current financial year.

11. Dividend

(a) Current Financial Period Reported on 30 June 2013

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?

No dividend was declared in respect of the corresponding period of the immediate preceding financial year.

The following final dividend was declared to the shareholders of the Company in respect of the financial year ended 31 December 2012.

Name of dividend	Final dividend for financial year ended 31 December 2012
Dividend type	Ordinary
Dividend rate	S\$0.0054 tax exempt (one-tier) per ordinary share
Tax rate	Tax exempt (one-tier)

(c) Date Payable

No dividend had been declared for the period from 1 January 2013 to 30 June 2013.

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

No dividend had been declared for the period from 1 January 2013 to 30 June 2013.

13. Interested Person Transaction ("IPT")

There are no interested person transactions of S\$100,000 or more during the financial period under review.

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 full year financial results for the period ended 30 June 2013 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Steven Loh Mun Yew
CEO and Executive Director

David Leng Chee Keong
COO and Executive Director

BY ORDER OF THE BOARD
Far East Group Limited

Steven Loh Mun Yew
CEO and Executive Director
13 August 2013