

HVAC&R Equipment Specialist Far East Group Limited Reports 10.9% Growth in 1H2014 Revenue to S\$16.9M; Sets Sights On China Expansion

S\$'000	1H FY2014	1H FY2013	Changes S\$	Changes (%)
Revenue	16,925	15,268	1,657	10.9
Gross Profit	5,412	5,249	163	3.1
Gross Profit Margin (%)	32.0	34.4	-	(2.4ppt)
Net Profit Attributable to Equity Holders of the Company	535	1,574	(1,039)	(66.0)
Earnings per Share (Cents)	0.49*	2.18**	(1.69)	(77.5)
NAV per Share (Cents)	24.0 [#]	24.4 ^{##}	0.4	(1.6)

*calculated based on 108,480,000 weighted average number of ordinary shares for the period ended 30 June 2014

** calculated based on 72,320,000 weighted average number of ordinary shares for the period ended 30 June 2013

calculated based on 108,480,000 total number of issued shares as at 30 June 2014 □

calculated based on net asset value of S\$26,473,660 and 108,480,000 total number of issued shares as at 31 December 2013

Singapore, 8 August, 2014 – Far East Group Limited (“Far East” or the “Group”), a Heating, Ventilation, Air-Conditioning and Refrigeration (“HVAC&R”) equipment provider and distributor, which is charting aggressive growth in China, announced today its results for the six months ended 30 June 2014 (“1H2014”).

The Singapore-based SGX Catalist-listed Company said its revenue grew 10.9% in 1H2014 to S\$16.9 million from S\$15.3 million a year ago (“1H2013”) due to higher contribution from China which made up for the slowdown in South East Asia markets that faced intense competition and higher costs.

Far East said 84.25%-owned Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. (“ERM”), located in Jiangsu Province, contributed S\$3.2 million to revenue in 1H2014. ERM was acquired in 2H2013 to establish a manufacturing footprint in China and act as a catalyst for the Group’s transformation as a specialist manufacturer and distributor of HVAC&R components.

Revenue across all business segments – commercial and light industrial (refrigeration), oil, marine and gas (refrigeration and air-conditioning) and residential and commercial (air-conditioning) – improved by S\$1.3 million, S\$0.2 million and S\$0.1 million, respectively.

In tandem with the growth in revenue and despite lower contributions from non-ERM businesses, the Group’s gross profit increased 3.1% to S\$5.4 million in 1H2014 from S\$5.2 million in 1H2013.

Gross profit margin slid slightly to 32.0% from 34.4% in 1H2013 as write-back of provision for stocks obsolescence was offset by clearance of slow-moving stock at a discount, increased competition and higher depreciation costs.

To support increased business activities following the ERM acquisition, Far East incurred higher distribution and selling expenses and administrative expenses of S\$2.1 million and S\$3.2 million, respectively, in 1H2014.

As a result of the above, the Group reported net profit after tax attributable to shareholders of S\$535,000 in 1H2014 as compared to approximately S\$1.6 million in 1H2013.

Earnings per share decreased to 0.49 Singapore cent in 1H2014 (1H2013: 2.18 Singapore cents) while net asset value per share as at 30 June 2014 declined to 24.0 Singapore cents from 24.4 Singapore cents as at 31 December 2013.

Mr. Loh Mun Yew, CEO of Far East, said, “While challenging conditions in Singapore and Malaysia impacted our performance in 1H2014, we are charting a new era of growth with ERM acting as a catalyst for Group-wide transformation. ERM has established itself as one of the leading providers of quality heat-exchangers in China where it possesses sizeable manufacturing capabilities.”

“As urbanization continues to lift demand for cooling systems and cold-chain logistics, we intend to produce better heat-exchangers and to offer higher-value consulting and after-sales support. This combined strategy places Far East at an inflexion point to scale operations and move up the value chain so as to enhance shareholder value,” he said.

On 30 July 2014, Far East outlined a blueprint which included expanding ERM’s operations; strengthening engineering consultancy services as well as R&D; increasing revenue from China through sales of higher-value products and specialised projects such as those involving micro-climate control; and building a new distribution business in China and South East Asia.

The Group remains on the look out for opportunities – through strategic partnerships or mergers and acquisitions – to expand its distribution network and geographical presence in China and South East Asia.

With China’s strong growth prospects, embarkation on specialised projects and its distribution businesses, the Group expects that contribution from China may exceed that of South East Asia in the future.

Given that the first-half of the financial year is traditionally slower than the second and in view of the above and barring any unforeseen circumstances, the Group is reasonably confident of a better performance in 2H2014 compared to 1H2014.

****End of Press Release****

Issued on behalf of the Group by WeR1 ConsultantsPte Ltd.

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About Far East Group Limited

Founded in 1953 and listed on SGX since 8 August 2011, Far East Group Limited (“Far East” or the “Group”) is a pioneer in the refrigeration and air-conditioning business in Singapore. Over the years, it has built up a strong network to become a comprehensive provider of refrigeration and air-conditioning systems and products for the Heating, Ventilation, Air- conditioning and Refrigeration (HVAC&R) industry.

In July 2013, FEG acquired a 84.25%-stake in Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. (“ERM), a manufacturer of heat exchangers and condensing units for the patented Eden line of energy efficient products. The acquisition has given the Group a major manufacturing presence in China, and recognition as one of China’s leading providers of quality heat-exchangers.

Far East offers end-to-end solutions in cooling and refrigeration from consulting to after-sales support. Its customers in China and South East Asia include distributors, dealers as well as refrigeration and air-conditioning contractors for end-users such as major supermarkets, cold store distribution centres, hotels, hospitals, food and beverage establishments, marine vessels, oil rigs and barges.

This press release 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”).

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