

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2015

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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.

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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 →		Change +ve/(-ve) %
	Unaudited 1H2015 S\$'000	Unaudited 1H2014 S\$'000	
Revenue	16,280	16,925	(3.8)
Cost of sales	(11,541)	(11,513)	0.2
Gross profit	4,739	5,412	(12.4)
Other operating income	442	611	(27.7)
Distribution and selling expenses	(2,410)	(2,059)	17.1
Administrative expenses	(3,667)	(3,241)	13.1
Other operating expenses	(4)	(2)	100.0
	(6,081)	(5,302)	14.7
(Loss)/profit from operations	(900)	721	(224.8)
Finance expenses	(166)	(214)	(22.4)
Interest income	9	5	80.0
(Loss)/profit before tax	(1,057)	512	(306.5)
Tax expense	(475)	(47)	910.6
(Loss)/profit for the period	(1,532)	465	(429.5)
Other comprehensive income			
Exchange differences on translating foreign operations	(249)	(448)	(44.4)
Total comprehensive (loss)/income for the period	(1,781)	17	n.m
(Loss)/profit for the year attributable to :-			
Equity holders of the Company	(1,341)	535	(350.7)
Non-controlling interests	(191)	(70)	172.9
	(1,532)	465	(429.5)
Total comprehensive (loss)/income for the period attributable to :-			
Equity holders of the Company	(1,673)	134	n.m
Non-controlling interests	(108)	(117)	(7.7)
	(1,781)	17	n.m

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 1H2015 S\$'000	Unaudited 1H2014 S\$'000	Change +ve/(-ve) %
Dividend income from unquoted investment	-	(369)	n.m
Interest income	(9)	(5)	80.0
Interest expense	166	214	(22.4)
Inventories written down/(back), net	65	(341)	n.m
Allowance for doubtful trade debts	261	20	n.m
Bad debts recovery	-	(3)	n.m
Fixed assets written off	-	4	n.m
Gain on disposal of fixed assets, net	(39)	-	n.m
Depreciation of fixed assets	754	602	25.3
Amortisation of land use rights	23	23	n.m
Amortisation of intangible assets	47	45	4.4
Foreign exchange gain, net	(218)	(44)	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 2015 S\$'000	Audited 31 December 2014 S\$'000	Unaudited 30 June 2015 S\$'000	Audited 31 December 2014 S\$'000
Non-current assets				
Fixed assets	16,673	17,316	7,208	7,320
Land use right	2,122	2,129	-	-
Intangible assets	762	797	-	-
Investments in subsidiary companies	-	-	15,202	15,202
Unquoted investments	90	90	-	-
Other receivables	-	13	-	-
Deferred tax assets	-	131	-	-
Total non-current assets	19,647	20,476	22,410	22,522
Current assets				
Inventories	12,366	11,418	6,278	5,485
Trade debtors	6,287	7,419	3,565	3,830
Other receivables	529	837	88	64
Deposits	417	153	23	23
Prepayments	2,668	614	2,443	472
Due from subsidiary companies (trade)	-	-	1,574	1,225
Due from subsidiary companies (non-trade)	-	-	243	541
Due from affiliated companies (non-trade)	1	-	-	-
Tax recoverable	366	409	-	8
Fixed deposits	461	443	6	6
Cash and bank balances	6,254	5,694	2,477	2,664
Total current assets	29,349	26,987	16,697	14,318
Current liabilities				
Trade payables	2,371	1,953	937	1,107
Trust receipts and bills payable (secured)	7,214	3,293	6,973	2,998
Gross amount due to customers for contract-work-in-progress	39	15	39	15
Other creditors	468	641	291	275
Accruals and other liabilities	2,243	2,484	1,496	1,495
Provision for warranty	28	28	28	28
Dividend payable	143	143	112	112
Due to subsidiary companies (trade)	-	-	1,280	1,053
Due to subsidiary companies (non-trade)	-	-	111	130
Due to affiliated company (trade)	40	39	-	-
Due to affiliated company (non-trade)	158	155	-	-
Provision for income tax	343	238	-	-
Finance lease obligations (current)	377	428	377	416
Term loans (current)	4,670	4,292	3,138	3,124
Total current liabilities	18,094	13,709	14,782	10,753
Net current assets	11,255	13,278	1,915	3,565
Non-current liabilities				
Deferred tax liabilities	364	150	248	85
Finance lease obligations (non-current)	272	455	258	447
Term loans (non-current)	3,017	3,772	3,017	3,772
Total non-current liabilities	3,653	4,377	3,523	4,304
Total net assets	27,249	29,377	20,802	21,783
Share capital and reserves				
Share capital	19,264	19,264	19,264	19,264
Accumulated profits	7,345	9,033	1,216	2,197
Capital reserve	322	322	322	322
Translation reserve	(1,885)	(1,553)	-	-
	25,046	27,066	20,802	21,783
Non-controlling interests	2,203	2,311	-	-
Total equity	27,249	29,377	20,802	21,783

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 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Repayable in one year or less, or on demand	12,261	-	8,013	-
Repayable after one year	3,289	-	4,227	-
Total borrowings	15,550	-	12,240	-

Details of any collateral

The above borrowings are secured by legal mortgage over the freehold and leasehold land and buildings, motor vehicles, and plant and machinery 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 →	
	1H2015 S\$'000	1H2014 S\$'000
Cash flows from operating activities		
(Loss)/profit before tax	(1,057)	512
Adjustments:		
Allowance for doubtful trade debts	261	20
Provision/(write back) of obsolete inventories	65	(341)
Fixed assets written off	-	4
Gain on disposal of fixed assets, net	(39)	-
Depreciation of fixed assets	754	602
Amortisation of land use rights	23	23
Amortisation of intangible assets	47	45
Interest expense	166	214
Interest income	(9)	(5)
Translation difference	(270)	(61)
Operating (loss)/profit before working capital changes	(59)	1,013
<i>(Increase)/decrease in:</i>		
Trade debtors	871	(129)
Other receivables	321	659
Deposits and prepayments	(2,318)	262
Inventories	(1,013)	(1,170)
<i>Increase/(decrease) in:</i>		
Trade payables	418	51
Gross amount due from customers for contract work-in-progress	24	334
Other creditors	(173)	195
Accruals and other liabilities	(241)	(109)
Due to affiliated companies, net	3	27
Cash (used in)/generated from operations	(2,167)	1,133
Interest paid	(166)	(214)
Income taxes paid	(21)	(209)
Income taxes refunded	38	34
Interest income	9	5
Net cash (used in)/generated from operating activities	(2,307)	749
Cash flows from investing activities		
Purchase of fixed assets	(105)	(336)
Proceed from sale of fixed assets	39	-
Net cash used in investing activities	(66)	(336)

← GROUP →

1H2015	1H2014
S\$'000	S\$'000

Cash flows from financing activities

Dividends paid	(347)	(618)
Fixed deposits pledged to bank	-	431
Draw down of trust receipts and bills payable	3,921	292
Repayment of finance lease obligations	(234)	(303)
Repayment of term loans	(377)	(1,317)
Proceeds from term loans	-	989

Net cash generated from/(used in) financing activities

	2,963	(526)
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Net increase/(decrease) in cash and cash equivalents

	590	(113)
Effect of exchange rate changes on cash and cash equivalents	(12)	(28)
Cash and cash equivalents at beginning of period	6,137	6,858

Cash and cash equivalents at end of period

	6,715	6,717
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Cash and cash equivalents consist of the following :

Cash and bank balances	6,254	6,296
Fixed deposits	461	421
	6,715	6,717

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 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 loss	(249)	(332)	-	-	-	(332)	83
Total comprehensive loss	(1,781)	(1,673)	-	(1,341)	-	(332)	(108)
Dividend paid	(347)	(347)	-	(347)	-	-	-
Balance at 30 June 2015	27,249	25,046	19,264	7,345	322	(1,885)	2,203
Balance at 1 January 2014	28,837	26,473	19,264	8,383	322	(1,496)	2,364
Profit for the period	465	535	-	535	-	-	(70)
Other comprehensive income	(448)	(401)	-	-	-	(401)	(47)
Total comprehensive income	17	134	-	535	-	(401)	(117)
Dividend paid	(618)	(618)	-	(618)	-	-	-
Balance at 30 June 2014	28,236	25,989	19,264	8,300	322	(1,897)	2,247
COMPANY							
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	(634)	(634)	-	(634)	-	-	-
Dividend paid	(347)	(347)	-	(347)	-	-	-
Balance at 30 June 2015	20,802	20,802	19,264	1,216	322	-	-
Balance at 1 January 2014	21,630	21,630	19,264	2,044	322	-	-
Profit for the period	18	18	-	18	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	18	18	-	18	-	-	-
Dividend paid	(618)	(618)	-	(618)	-	-	-
Balance at 30 June 2014	21,030	21,030	19,264	1,444	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 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 2015 to 30 June 2015.

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 (excluding treasury shares) as at 30 June 2015 was 108,480,000 (as at 31 December 2014: 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

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 2014.

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 2015. 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 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

Not applicable.

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	
	1H2015	1H2014
Net (loss)/profit after tax attributable to equity holders of the Company (S\$'000)	(1,341)	535
Weighted average number of ordinary shares ('000)	108,480	108,480
(Loss)/Earnings per share - basic/fully diluted (cents)	(1.24)	0.49

The Company has no dilutive equity instruments as at 30 June 2015 and 30 June 2014.

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 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
Net asset value (S\$'000)	25,046	27,066	20,802	21,783
Number of ordinary shares ('000)	108,480	108,480	108,480	108,480
Net asset value per share (cents)	23.1	25.0	19.2	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 decreased by S\$0.6 million or 3.8%, from S\$16.9 million in the six-month financial period ended 30 June 2014 ("1H2014") to S\$16.3 million in the six-month financial period ended 30 June 2015 ("1H2015"). This was mainly due to a slowdown in projects in China, Indonesia, Philippines and Singapore in 1H2015, resulting in some orders being deferred to the second half of the financial year ending 31 December 2015.

Revenue by Business Segment	← GROUP →				Change +ve/(-ve) %
	1H2015 S\$'000	% Contribution	1H2014 S\$'000	% Contribution	
Residential and commercial (air-conditioning)	2,282	14.0%	2,748	16.2%	(17.0)
Oil, marine and gas (refrigeration and air-conditioning)	1,581	9.7%	1,470	8.7%	7.6
Commercial and light industrial (refrigeration)	12,417	76.3%	12,707	75.1%	(2.3)
	<u>16,280</u>	<u>100%</u>	<u>16,925</u>	<u>100%</u>	

Revenue from the oil, marine and gas (refrigeration and air-conditioning) segment increased by S\$0.1 million in 1H2015 as compared to 1H2014. Revenue from the residential and commercial (air-conditioning) as well as the commercial and light industrial (refrigeration) segments decreased by S\$0.4 million and S\$0.3 million respectively in 1H2015, as compared to 1H2014.

Gross profit and gross profit margin

The Group's gross profit decreased by S\$0.7 million or 12.4%, from S\$5.4 million in 1H2014 to S\$4.7 million in 1H2015, on the back of a 3.8% decline in revenue over the same period. The Group's gross profit margin decreased by 2.9%, from 32.0% in 1H2014 to 29.1% in 1H2015. The decrease was mainly due to lower margin from bulk sales to customers.

Other operating income

Other operating income decreased by S\$0.2 million from S\$0.6 million in 1H2014 to S\$0.4 million in 1H2015. The decrease was mainly due to an absence of dividend income from unquoted investment of S\$0.4 million declared in 1H2014, partially offset by an increase in foreign exchange gain of S\$0.2 million.

Distribution and selling expenses

Distribution and selling expenses increased by S\$0.4 million from S\$2.0 million in 1H2014 to S\$2.4 million in 1H2015. This was mainly due to an increase in (i) exhibition expenses of S\$0.2 million; and (ii) staff costs of S\$0.2 million attributed to the Company's Vietnam subsidiary that was incorporated in the second half of 2014.

Administrative expenses

Administrative expenses increased by S\$0.5 million from S\$3.2 million in 1H2014 to S\$3.7 million in 1H2015. This was mainly due to increase in (i) provision for doubtful debts of S\$0.2 million; (ii) IT maintenance expenses of S\$0.2 million; and (iii) depreciation charges of S\$0.1 million.

Finance expenses

Finance expenses decreased by approximately S\$48,000 mainly due to a decrease in draw down of trust receipts.

Tax expense

Tax expense increased by S\$0.4 million from approximately S\$47,000 in 1H2014 to S\$0.5 million in 1H2015. This was mainly due to (i) reversal of deferred tax assets of S\$0.2 million; and (ii) provision of deferred tax liabilities arising from excess of net carrying amount over tax written down value of fixed assets.

Review of Financial Position

Non-current assets

Non-current assets decreased by S\$0.9 million from S\$20.5 million as at 31 December 2014 to S\$19.6 million as at 30 June 2015.

The decrease was mainly due to (i) depreciation and amortisation costs of S\$0.8 million; and (ii) reversal of deferred tax assets of S\$0.1 million.

Current assets

Current assets increased by S\$2.3 million from S\$27.0 million as at 31 December 2014 to S\$29.3 million as at 30 June 2015.

The increase was mainly due to (i) increase in inventories of S\$0.9 million; (ii) increase in prepayment to suppliers of S\$2.0 million; and (iii) increase in cash and bank balances of S\$0.5 million. The increase was partially offset by a decrease in trade receivables of S\$1.1 million.

Current liabilities

Current liabilities increased by S\$4.4 million from S\$13.7 million as at 31 December 2014 to S\$18.1 million as at 30 June 2015.

The increase was mainly due to (i) increase in borrowings of S\$4.2 million; and (ii) increase in trade payables of S\$0.4 million. The increase was partially offset by a decrease in accruals and other liabilities of S\$0.2 million.

Non-current liabilities

Non-current liabilities decreased by S\$0.7 million from S\$4.4 million as at 31 December 2014 to S\$3.7 million as at 30 June 2015.

The decrease was mainly due to a repayment of long term borrowings of S\$0.9 million, and partially offset by an increase in deferred tax liabilities of S\$0.2 million.

Equity

Share capital and reserves decreased by S\$2.2 million from S\$29.4 million as at 31 December 2014 to S\$27.2 million as at 30 June 2015.

This was mainly due to (i) loss for the year amounting to S\$1.5 million; (ii) dividend payment of S\$0.3 million; (iii) decrease in translation reserve of S\$0.3 million; and (iv) decrease in non-controlling interests of S\$0.1 million.

Review of Cash Flow Statement

Net cash used in operating activities before changes in working capital was approximately S\$59,000. Net cash used in working capital amounted to approximately S\$2.2 million. This was mainly due to cash outflows arising from (i) deposits and prepayments of S\$2.3 million; (ii) inventories of S\$1.0 million; (iii) other creditors of S\$0.2 million; and (iv) accruals and other liabilities of S\$0.2 million. These were partially offset by cash inflows mainly arising from (a) trade debtors of S\$0.9 million; (b) other receivables of S\$0.3 million; and (c) trade payables of S\$0.4 million.

Net cash used in investing activities of approximately S\$66,000 was due to purchase of fixed assets of S\$0.1 million and partially offset by proceed from sale of fixed assets of approximately S\$39,000.

Net cash generated from financing activities of S\$3.0 million was due to draw down of trust receipts and bills payable of S\$3.9 million and partially offset by (i) dividend payout of S\$0.3 million; and (ii) repayments of term loans and finance leases of S\$0.4 million and S\$0.2 million respectively.

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

The unaudited financial results for 1H2015 set out in this announcement are in line with the profit guidance announcement released by the Company on 5 August 2015.

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

New challenges have developed in the markets where the Group is operating in, specifically Malaysia and China. The weakening of the Malaysian Ringgit against the US Dollar has affected the Group's operations in Malaysia. However, having recently streamlined its Malaysian operations, including consolidating four entities into one, the Group expects operating efficiencies to improve.

While the operating environment in China remains challenging amidst rising competition and labour costs, the Group continues to explore opportunities to expand its cold chain business in the China market and increase manufacturing utilization at its subsidiary, Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. The Group is also on the lookout for merger and acquisition opportunities to deepen its reach in the cooling systems market and widen its distribution network in China.

The Group is generally experiencing a slowdown in its key markets in Southeast Asia and China. In view of the challenging market conditions, the Group will step up efforts to keep costs low through streamlining of its operations to drive internal cost efficiencies and exercising greater prudence in corporate spending.

11. Dividend

(a) Current Financial Period Reported on 30 June 2015

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.

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

No dividend has been declared or recommended for 1H2015.

13. Interested Person Transaction ("IPT")

The Group has not obtained a general mandate from shareholders for interested person transactions. 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 unaudited financial results for 1H2015 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

12 August 2015