

Far East, HVAC&R Equipment Specialist, Announces Higher Revenue Contribution For FY2014; Eyes Growth Opportunities In Vietnam

Singapore, 26 February 2015 – Far East Group Limited (“**Far East**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) said today its revenue for the financial year ended 31 December 2014 (“**FY2014**”) increased to S\$36.7 million from S\$35.6 million in the financial year ended 31 December 2013 (“**FY2013**”) on the back of higher revenue contribution from its China subsidiary, which was partially offset by a slowdown in Singapore and Malaysia markets.

The SGX Catalist-listed Heating, Ventilation, Air-Conditioning and Refrigeration (“**HVAC&R**”) equipment provider and distributor said its 84.25%-owned Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. (“**ERM**”) reported an increase in revenue contribution of S\$3.4 million in FY2014, from FY2013 where it had recognised only 6 months of revenue subsequent to the acquisition in July 2013.

ERM, consolidated as a subsidiary in July 2013, serves as an important prong of Far East’s strategy to extend the reach of its manufacturing facilities in Asia while expanding its Eden brand in China to support the growing demand for cold-chain logistics and cooling systems amidst growing urbanisation in the country.

The growth in the China business comes amidst slower contributions from Far East’s existing main markets in Singapore and Malaysia, where the devaluation of the Malaysian Ringgit had affected the Group’s FY2014 financial performance.

Revenue from the commercial and light industrial (refrigeration) as well as oil, marine and gas (refrigeration and air-conditioning) segments improved by 8.8% and 0.6%, respectively, driven by higher contributions from ERM which mitigated the slower performance in the residential and commercial (air-conditioning) segment.

Gross profit increased to S\$11.7 million in FY2014 from S\$11.5 million in FY2013. Gross profit margin decreased marginally to 31.9% from 32.3% over the same comparative periods, attributable to higher volume of lower-margin sales.

Following the acquisition of ERM, the Group incurred higher distribution and selling expenses as well as administrative expenses of S\$0.4 million and S\$1.7 million, respectively, in FY2014.

As a result of the above, the Group reported net profit after tax attributable to shareholders of S\$1.2 million in FY2014 as compared to S\$2.8 million in FY2013.

Earnings per share decreased to 1.17 Singapore cents in FY2014 from 3.91 Singapore cents in FY2013. Net asset value per share as at 31 December 2014 increased to 25.0 Singapore cents from 24.4 Singapore cents as at 31 December 2013.

The Board of Directors has proposed a final cash dividend of 0.32 Singapore cent per ordinary share for FY2014 (subject to shareholders’ approval at the annual

general meeting of the Company to be convened), equivalent to a dividend payout ratio of 27.4%, compared to 0.57 Singapore cent per ordinary share or a dividend payout ratio of 21.8% for FY2013.

Mr. Loh Mun Yew, CEO of Far East, said, “The results of FY2014 underscore the challenges of slower growth in Singapore and Malaysia as well as opportunities in China – where our subsidiary is gaining strength and significance – as well as emerging markets such as Vietnam.”

The increased activities in China and Vietnam are part of Far East’s strategic shift announced on 30 July 2014 to increase revenue, move up the value chain through higher-margin projects such as consultancy services and developing specialized products for niche markets as well as expanding its distribution networks principally in China and Southeast Asia.

In line with this strategy, in October 2014, the Group commenced operations in Vietnam, one of the larger seafood processing countries in the world and has a sizeable demand for refrigeration and cooling solutions. The Group intends to expand its distribution network through increasing dealerships and direct provision to various key contractors to drive top-line growth in the country with nearly 90 million people.

Amidst higher demand in China for cold chain infrastructure due to increasing urbanisation in second and third-tier cities, the Group continues to scale up manufacturing operations in ERM. It expects ERM’s revenue contribution to rise from the 21% which was achieved in FY2014 and will also look out for merger and acquisition opportunities to extend its value proposition and distribution network in China.

“Concurrently, we are actively driving cost efficiencies by streamlining and centralising functions such as warehousing and procurement in Malaysia which is expected to generate cost savings and mitigate pressures from the depreciation of the Malaysian Ringgit,” Mr. Loh added.

The Group continues to pursue growth in its main markets while also exploring opportunities to expand into other regional markets and remains optimistic of its revenue growth prospects in view of the abovementioned strategies and opportunities present in its key markets.

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

Issued on behalf of the Group by WeR1 Consultants Pte Ltd.

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About Far East Group Limited

Founded in 1953 and listed on SGX Catalist since 8 August 2011, Far East Group Limited (“**Far East**” or the “**Company**” and together with its subsidiaries, the “**Group**”) is a pioneer in the refrigeration and air-conditioning business in Singapore, offering end-to-end solutions in cooling and refrigeration ranging from consulting to after-sales support. 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.

The Group owns a facility in China, which manufactures its patented line of Eden energy-efficient products, and has established itself as one of China’s leading providers of quality heat-exchangers. Far East counts distributors, dealers and refrigeration and air-conditioning contractors across China and Southeast Asia as its customers.

*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**”). The Sponsor has not independently verified the contents of this press release.*

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