

Overview

Founded in 1953, Far East Group Limited ("FEG") 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. It was listed on SGX Catalist on 8 August 2011.

In July 2013, FEG acquired an 84.25%-stake in Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. ("ERM"), a manufacturer of heat exchangers and condensing units under the Eden brand. The acquisition has given FEG a major manufacturing presence in China, positioning it as one of China's leading providers of quality heat exchangers.

FEG offers total solutions in cooling and refrigeration from consulting to aftersales support. Its customers in China and SE 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.



Financial Highlights

SGD\$'000	1HFY2014	1HFY2013	Change (%)
Revenue	16,925	15,268	10.9
Gross Profit	5,412	5,249	3.1
Gross Profit Margin (%)	32.0	34.4	(2.4) ppt
Net Profit After Tax (Attributable to shareholders)	535	1,574	(66.0)
EPS on fully diluted basis (cents) ⁽¹⁾	0.49	2.18	(77.5)
NAV per share (cents) ⁽²⁾	24.0	24.4	(1.6)

- (1) Calculated based on 108,480,000 weighted average number of ordinary shares for the period ended 30 June 2014 (30 June 2013: 72,320,000 shares)
 (2) Calculated based on 108,480,000 total number of issued shares as at 30 June 2014 and net asset value of S\$26,473,660 (108,480,000 total number of issued shares) as at 31 December 2013

Top Three Shareholders	Shareholding (As at 17 Dec 2014)	
	No. of shares	%
Universal Pte. Ltd.	63,855,000	58.86
Leng Chee Keong	6,324,800	5.83
Cheung Wai Sum	6,300,000	5.81

1 Loh Ah Peng@ Loh Ee Ming and Loh Mun Yew are deemed to have an interest in the shares held by Universal Pte. Ltd.

2 Loh Pui Lai, the wife of Cheung Wai Sum, is deemed to have an interest in the shares held by Cheung Wai Sum

Basic Share Data (As at 17 Dec 2014)

Share Price	S\$0.17
Market Capitalisation	~S\$18.4 million
Price/Earnings Ratio ⁽¹⁾	6.5
Issued share capital base	108,480,000
Dividend (As at FY2013)	0.57 Singapore cents per share

(1) Based on latest Full Year results announcement, adjusted for the current number of shares

Industry Outlook - HVAC&R poised for growth

- Growing urbanization - higher demand for cooling systems and cold chain logistics for food storage by hypermarkets, hotels, logistics hubs, distributors and retailers, particularly in China
- Major customers demand end-to-end solutions, specialised engineering, R&D; projects getting increasingly complex

FEG Investment Merits

Established reputation & track record
Strong business relationships with business partners
Strong R&D capabilities
Setting sights on China expansion

Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd

- Acquired 84.25%-stake of ERM for S\$11.7 million in July 2013 (at NAV of RMB 43.8M or ~S\$8.6 million as at 31 December 2012) - catalyst for Group's transformation
- Contributed 12.3% of FEG's revenue (6-months recognition) in FY2013
- 344,000 sq ft facility currently housing two manufacturing facilities occupying two-thirds of the area, and an admin building. New R&D centre expected to complete by 2016
- Manufactures the Eden line of heat exchangers and condensing units
- Capital expenditure incurred in FY2012 and FY2013: ~RMB 15M; expected to be lowered significantly in the next 2 years
- Target to increase ERM production capacity and raise utilization rate significantly over next 3 years (End-2013: 40%)
- FEG to leverage on strong position in Chinese market as a result of ERM acquisition to further distribution strategy

Products and Services

Products under "Eden" brand

- Compressors / Condensing Units
- Heat Exchangers
- System Protection / Valve
- Controllers / Systems
- Service Equipment / Tools / Accessories

Services

- Consultancy & After-sales services
- Wholesale/Retail
- Energy Management
- Agencies
- Manufacturing
- System Design



Growth Strategies

- Expand manufacturing operations and increase revenue in China** - Via higher-value products and new distribution businesses
- Move up the HVAC&R value chain** - Strengthening engineering consultancy services and R&D
- Develop economies of scale and scalability for ERM and third-party products** - Principally in China and SEA

Group Outlook

- Expects to see higher contribution in revenue following ERM acquisition in FY2013
- ERM's gross profit expected to increase in FY2014 y-o-y due to more efficient use of raw materials and lower tooling costs
- The Group continues to seek M&A opportunities to expand within China and SE Asia

Media & Analyst Contact

WeR1 Consultants Pte Ltd | 38A Circular Road, Singapore 049394 | Tel: (65) 6737 4844; Fax (65) 6737 4944 | Sheryl Sim: Sheryl@wer1.net; Amelia Lee: Amelia@wer1.net