



**Far East Group Limited**

# **FAR EAST GROUP LIMITED**

**A One-Stop Refrigeration Systems Provider**

*SGX Sector Connect Seminar  
18 December 2014*

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*The contact person for the Sponsor is Ms Karen Soh, Managing Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.*

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# Overview

- Established in 1953; listed on SGX-Catalist since August 2011
- Manufactures and distributes its patented line of Eden brand energy-efficient products
- Sources and distributes a wide range of products in the heating, ventilation, air-conditioning and refrigeration (HVAC&R) industry
- A pioneer in the refrigeration and air-conditioning business in Singapore; one of China's leading providers of quality heat-exchangers ("HEs")



# Geographical Presence

- Headquartered at Lavender Street, Singapore in the 20,839 sq ft freehold building; Jurong regional distribution centre of approx. 40,000 sq ft
- Group strength with over 200 employees
- Manufacturing facilities in Malaysia and China; subsidiaries in Singapore, Malaysia, Hong Kong, Vietnam and China
- Representative office in Indonesia
- Over 20 distributors and dealers in Southeast Asia, Mauritius, Japan and Sri Lanka.



# Heat Exchangers (“HE”)

- Built to facilitate efficient heat transfer from one medium to another
- A staple and essential component in the HVAC&R industry
- Used frequently in large industry processes for cooling or heating
- One of the Group’s core activities is to conduct R&D on HEs and extend product leadership in China and Southeast Asia



# Eden Products

Unit Coolers



Condensers



Condensing Units / Racks



# HVAC&R Applications

## AIR CONDITIONING SYSTEM



Condensing Unit  
(Compressor + Condenser)



Fan Coil Units  
(aka Unit Cooler / Evaporator)

## REFRIGERATION SYSTEM



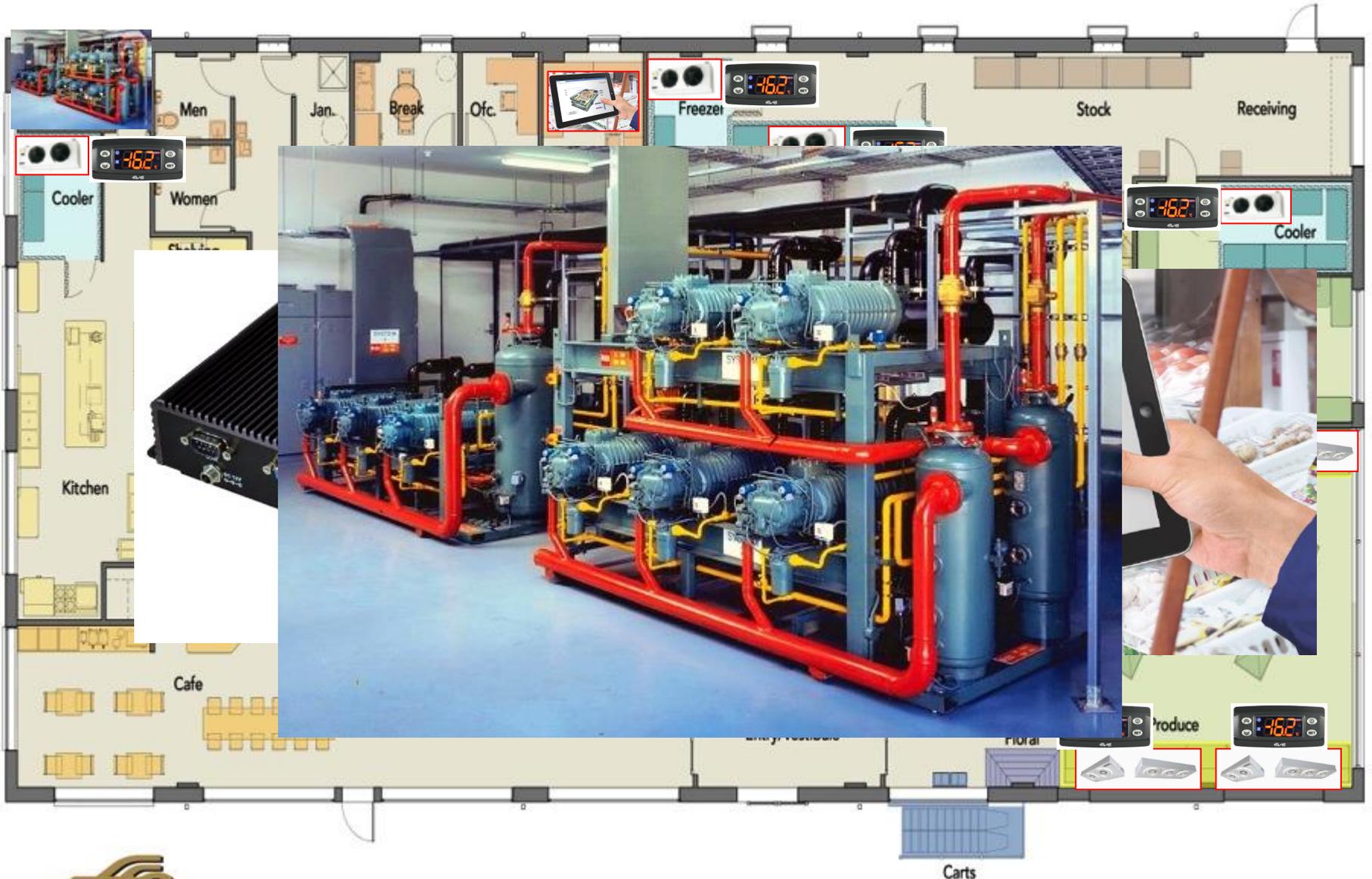
Condensing Unit  
(Compressor + Condenser)



Unit Cooler / Evaporator



# Supermarket Application



# Far East's Product Offerings

## Eden Products

- Energy efficient (10-15% savings compared to other products)
- Owns patent rights for the Eden brand of Heat Exchangers
- Customised to suit customers' specific needs

## Agency Products

- Extensive range which includes:
  - Compressors/Condensing Units
  - Heat Exchangers
  - System Protection/Valve
  - Controllers/Systems
  - Service Equipment/Tools/Accessories

### 3 main business segments:

- i. Commercial and light industrial (refrigeration);
- ii. Residential and commercial (air-conditioning);
- iii. Oil, marine and gas (refrigeration & air-conditioning)



# International Agency Products

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More than 10 years of working relationships with most of our suppliers

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# Where Far East's Products Are Used



**Used across extensive range of sectors**

# Users of Far East's Products

## Hotels / Restaurants



## Retail



## Agriculture / Food

### Processing



## Cold Storage / Logistics



## Airport Flight Kitchen



Cias Flight Kitchen/ Dnata Flight Kitchen  
Catering Centre @ Chongqing Airport

## Pharmaceutical / Hospitals



# Far East's Service Offerings



Consultancy & After-sales service



Wholesale/Retail



Energy Management



Agencies



Manufacturing



System Design

# Strong R&D Capabilities

- R&D team has successfully developed 2 to 3 series of products annually for the past 5 years
- 14 series with more than 300 models of evaporators, condensers and condensing units, to date
- “Eden” G4 condensers and evaporators are designed to maximise coil efficiency and reduce energy consumption of fan motors by up to 50%
- Fins technology used in refrigeration and air-conditioning systems provides higher heat transfer efficiency, as compared with conventional fins designs



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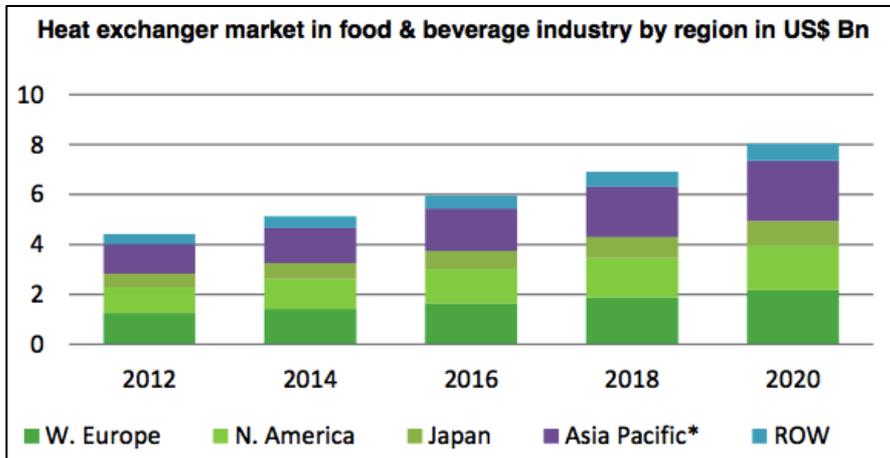
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# Industry Outlook – Asia Potential



Source: 2013 Acmite Market Intelligence Report

Heat exchanger market in food & beverage industry by region in US\$ Bn

	2012	2014	2016	2018	2020	CAGR
W. Europe	1.24	1.42	1.64	1.89	2.17	7.3%
N. America	1.04	1.19	1.37	1.57	1.80	7.2%
Japan	0.55	0.64	0.73	0.84	0.97	7.4%
Asia Pacific*	1.19	1.42	1.70	2.03	2.42	9.3%
ROW	0.40	0.45	0.51	0.58	0.66	6.5%
Total	4.41	5.13	5.95	6.91	8.02	7.8%

Source: 2013 Acmite Market Intelligence Report

- Asia-Pacific region is the fastest-growing market
- China identified as potential market for growth opportunities
- Growth drivers of emerging markets:
  - Increase in consumption of perishable foods, such as frozen foods,
  - Governmental support

\* Source: [http://www.researchandmarkets.com/research/2lrz29/cold\\_chain\\_market](http://www.researchandmarkets.com/research/2lrz29/cold_chain_market)

# Eden Refrigeration Manufacturing Co., Ltd. (“ERM”)

- Acquired controlling stake (84.25%) in **Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. (“ERM”)** in July 2013 for S\$11.7 million – a catalyst for transformation of the Group; 344,000 sq ft facility
- HVAC&R industry poised for healthy growth – ERM acquired at inflexion point of Far East’s growth and is a transformation which will also extend to distribution activities



# Eden Refrigeration Manufacturing Co., Ltd. (“ERM”)

- Located in Changzhou, Jiangsu, China – 2 manufacturing facilities occupying two-thirds of the area and 1 administration building/HQ; manufactures Eden line of HEs and condensing units
- Contributed to 12.3% of Far East’s revenue - 6 months’ recognition - in FY2013
- Solidifies Far East’s manufacturing footprint in China and strengthens Eden brand as one of China’s leading providers of HEs



# Three-Pronged Strategy

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**1** **Expand manufacturing operations and increase revenue in China** – Via higher-value products and new distribution businesses

**2** **Move up the HVAC&R value chain** – Strengthening engineering consultancy services and R&D

**3** **Develop economies of scale and scalability for ERM and third-party products** – Principally in China and SEA



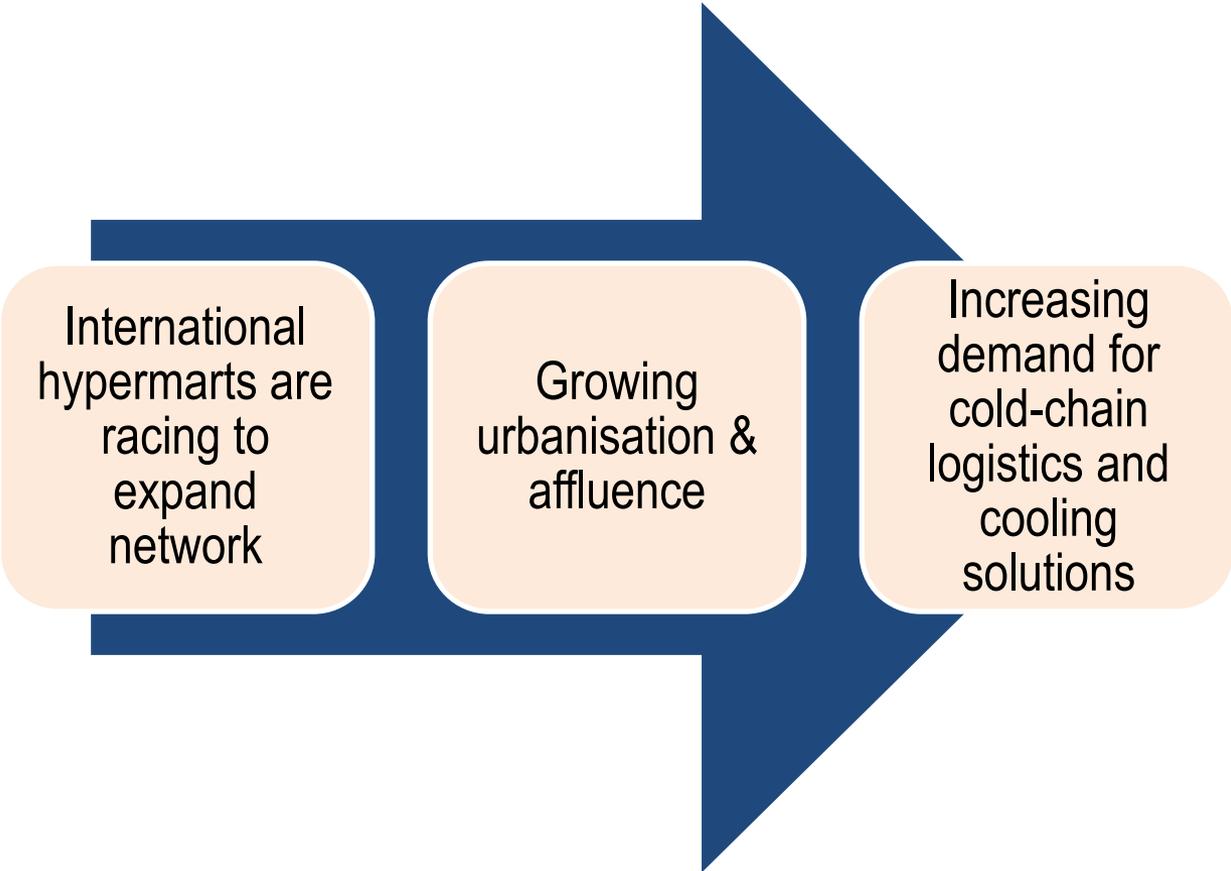
# #1. Expansion in China via ERM

- Recognised 6 months of ERM financial contribution in FY2013
- Target to increase ERM's production capacity and raise utilisation rate significantly over next 3 years from 40% as at end of 2013
- Target to complete R&D centre by 2016 to support the commercial and industrial refrigeration segment
- Capital expenditure incurred in FY2012 and FY2013: ~RMB 15M; expected to be lowered significantly in the next 2 years



# #1A. China's Market Potential

## STRATEGIES



International hypermarkets are racing to expand network

Growing urbanisation & affluence

Increasing demand for cold-chain logistics and cooling solutions

Strengthen partnerships with key contractors servicing hypermarkets, hotels, logistics hubs, distributors and retailers

Provide consultancy, value-added services and supply to larger-scale projects requiring higher-value products and services



# #2. Moving Up the Value-Chain

## Building up R&D Capabilities

- Already owns 4 patents in China
- Currently building a R&D Centre within the ERM complex to value-add to existing range of condensers & evaporators

## Engineering, Consultancy and Project Management

- Offer value-added services instead of mere hardware
- Recently undertook a consultancy project in China, with fees valued at RMB1.5M (S\$300,900), for an MNC (currently 80% completed)

## Specialised Large-Scale Projects

- In discussions to support “Smart farms” (to cultivate high-value mushrooms or herbs) in China
- Far East will supply specialised solutions and products for controlling micro climate



# #3. Expand Distribution Network

## Target Markets

**China**

**South-East Asia**  
*(Indo-China)*

## **Strategies**

- Build on economies of scale and scalability via ERM
- Form strategic alliances or acquire companies with existing distribution networks in China
- Strengthen distribution network in Singapore, Malaysia, Hong Kong and Vietnam

## Aim

- **Greater Economies of Scale**
- **Greater Scalability**



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# Financial Highlights

S\$'000	1H FY2014	1H FY2013	Changes Amount	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	-	(2.4 ppt)
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

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# Industry Outlook – Global

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- Growing urbanisation – higher demand for cooling systems and cold chain logistics for food storage by hypermarkets, hotels, logistics hubs, distributors and retailers, particularly in China
  - Global demand for HEs reached US\$42.7B in 2012; growth estimated to be 7.8% p.a. over next few years\*
  - Market expected to reach US\$57.9B by 2016 and US\$78.16B by 2020\*
- Major customers demand end-to-end solutions, specialised engineering, R&D; some projects getting more complex

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\* Based on 2013 Acmite Market Intelligence report

# Business Outlook - Charting New Era of Growth

- Group will see higher contribution in revenue following ERM acquisition in July 2013
- ERM expected to contribute positively to Far East's revenue in FY2014
- ERM's gross profit is expected to increase in FY2014 year-on-year due to more efficient use of raw materials as well as lower tooling costs
- Far East continues to look out for mergers and acquisitions to expand within China and Southeast Asia



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# Investment Merits

Established reputation and track record

Strong business relationships with business partners

Strong R&D Capabilities

Setting sights on China expansion



**Far East Group Limited**





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# **FAR EAST GROUP LIMITED**

**Thank You**

Media and Investor Contact Information:

**WeR1 Consultants Pte Ltd**

38A Circular Road, Singapore 049394

Tel: (65) 67374844 | Fax: (65) 67374944

**Sheryl Sim**, [sheryl@wer1.net](mailto:sheryl@wer1.net)

**Amelia Lee**, [Amelia@wer1.net](mailto:Amelia@wer1.net)