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遠東環球集團有限公司 FAR EAST GLOBAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 830)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (the “Board”) of Far East Global Group Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 together with the unaudited comparative figures for the corresponding period ended 30 June 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Revenue	3	568,868	367,353
Costs of sales		(551,366)	(259,678)
Gross profit		17,502	107,675
Other income		4,682	5,189
Administrative expenses		(90,863)	(45,628)
Other operating expenses and impairment on goodwill		(100,675)	-
(Loss) / profit from operations		(169,354)	67,236
Finance costs	4	(1,659)	-
(Loss) / profit before tax	5	(171,013)	67,236
Income tax expense	6	(8,318)	(7,853)
(Loss) / profit for the period		(179,331)	59,383
(Loss) / profit for the period attributable to:			
Owners of the Company		(165,091)	56,481
Non-controlling interests		(14,240)	2,902
		(179,331)	59,383
(Loss) / earnings per share	7		
Basic (HK cents)		(9.00)	5.06
Diluted (HK cents)		(9.00)	4.93

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
(Loss) / profit for the period	<u>(179,331)</u>	<u>59,383</u>
Other comprehensive income		
Exchange differences arising on translation of foreign operations	1,186	2,365
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments	-	16
Gain / (loss) on fair value changes of available-for-sale investments	<u>55</u>	<u>(1,394)</u>
Other comprehensive income for the period	<u>1,241</u>	<u>987</u>
Total comprehensive (loss) / income for the period	<u><u>(178,090)</u></u>	<u><u>60,370</u></u>
Total comprehensive (loss) / income for the period attributable to:		
Owners of the Company	(163,711)	57,001
Non-controlling interests	<u>(14,379)</u>	<u>3,369</u>
	<u><u>(178,090)</u></u>	<u><u>60,370</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2012	31 December 2011
	Notes	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current Assets			
Property, plant and equipment	8	112,489	114,467
Goodwill		138,149	159,707
Intangible assets		33,566	45,766
Available-for-sale investments		41,958	54,637
		326,162	374,577
Current Assets			
Inventories		5,893	4,785
Non-current assets held for sale		2,897	2,897
Amounts due from customers for contract work		275,685	196,497
Trade and other receivables	9	314,550	329,987
Deposits and prepayments		71,110	32,167
Amount due from a fellow subsidiary		5,535	-
Tax recoverable		8,044	935
Available-for-sale investments		12,735	-
Pledged bank deposits		-	44,381
Bank balances and cash		596,798	81,564
		1,293,247	693,213

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		30 June	31 December
		2012	2011
	Notes	<u>HK\$'000</u>	<u>HK\$'000</u>
		(unaudited)	(audited)
Current Liabilities			
Bank and other borrowings		64,781	61,262
Amounts due to customers for contract work		121,517	89,553
Trade and other payables	10	210,288	172,618
Finance lease payables		521	524
Tax liabilities		40,618	41,663
Warranty provisions		18,822	17,356
Deposits received		<u>6,836</u>	<u>6,836</u>
		463,383	389,812
Net Current Assets		<u>829,864</u>	<u>303,401</u>
Total Assets less Current Liabilities		<u>1,156,026</u>	<u>677,978</u>
Capital and Reserve			
Share capital	11	21,555	11,129
Share premium and reserves		<u>1,039,866</u>	<u>563,256</u>
Equity attributable to owners of the Company		1,061,421	574,385
Non-controlling interests		<u>38,823</u>	<u>53,202</u>
		1,100,244	627,587
Non-current Liabilities			
Bank and other borrowings		27,286	27,639
Finance lease payables		1,486	1,185
Deferred tax liabilities		<u>27,010</u>	<u>21,567</u>
		55,782	50,391
		<u>1,156,026</u>	<u>677,978</u>

NOTES:

(1) BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 Jun 2012 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

(2) PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial information for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current period, the Group has applied, for the first time, the following revised standards issued by the HKICPA.

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for the First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments : Disclosure – Transfer of Financial Assets
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets

The adoption of these amended standards has no material effect on the results and financial position of the Group for the current or prior accounting period.

(2) PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not adopted the following new or revised standards, amendments and interpretation that have been issued but are not yet effective:

HKFRS 1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements And Disclosure of Interests in Other Entities: Transition Guidance ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine ²
Annual Improvements Project	Annual Improvements 2009-2011 Cycles ²

¹Effective for annual periods beginning on or after 1 July 2012.

²Effective for annual periods beginning on or after 1 January 2013.

³Effective for annual periods beginning on or after 1 January 2014

⁴Effective for annual periods beginning on or after 1 January 2015

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the condensed consolidated financial statements.

(3) REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the facade contracting business. The Group's revenue/turnover represents revenue from construction contracts.

The Group has four reportable segments principally based on the geographical locations of the projects and are determined as follows:

- North America includes projects in the United States of America and Canada.
- Greater China includes projects in the People's Republic of China (the "PRC"), Hong Kong and Macau.
- Asia & others include projects in Japan, Korea, Singapore, the United Arabs of Emirates and Chile and maintenance projects in all segments.

(3) REVENUE AND SEGMENT INFORMATION *(continued)*

Unaudited segment results for the six months ended 30 June 2012 and 2011 are as follows:

	<u>Revenue</u>		<u>Gross profit</u>		<u>Segment result</u>	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segments						
North America	369,569	185,367	53,707	46,156	8,164	41,293
Greater China	151,598	136,656	(34,202)	39,155	(39,497)	33,949
Asia & others	<u>47,701</u>	<u>45,330</u>	<u>(2,003)</u>	<u>22,364</u>	<u>(7,434)</u>	<u>18,396</u>
Total	<u>568,868</u>	<u>367,353</u>	<u>17,502</u>	<u>107,675</u>	<u>(38,767)</u>	<u>93,638</u>
Unallocated administrative expenses					(31,934)	(30,881)
Other income					2,022	4,479
Other operating expenses and impairment on goodwill					(100,675)	-
Finance costs					<u>(1,659)</u>	-
(Loss) / profit before tax					(171,013)	67,236
Income tax expense					<u>(8,318)</u>	<u>(7,853)</u>
(Loss) / profit for the period					<u>(179,331)</u>	<u>59,383</u>

(4) FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	1,695	51
Finance lease charges	40	-
Interest on other loans	<u>334</u>	-
	2,069	51
Amounts capitalised	<u>(410)</u>	<u>(51)</u>
	<u>1,659</u>	-

(5) (LOSS) / PROFIT BEFORE TAX

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
The Group's (loss) / profit before tax has been arrived at after charging the following:		
Amortisation of intangible assets	12,199	-
Depreciation	5,494	1,519
Impairment on goodwill	21,558	-
Provision for impairment on trade and other receivables, deposits and prepayments and amounts due from customers for contract work	41,162	-

(6) INCOME TAX EXPENSE

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	-	6,000
Over-provision in prior years	-	(892)
	-	5,108
Current tax – overseas		
Provision for the period	2,732	3,018
Under/(over) provision in prior years	10,288	(273)
	13,020	2,745
Deferred tax	(4,702)	-
Income tax expense for the period	8,318	7,853

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the current and last period.

The Group's subsidiary in the PRC was approved as a new and high technology enterprise pursuant to which the PRC subsidiary can enjoy a preferential income tax rate of 15% effective from 2009 to 2012.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

(7) (LOSS) / EARNINGS PER SHARE

The calculation of the basic and diluted (loss) / earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2012	2011
	<u>HK\$'000</u>	<u>HK\$'000</u>
(Loss) / earnings		
(Loss) / profit attributable to owners of the Company, used in the basic and diluted (loss) / earnings per share calculation	<u>(165,091)</u>	<u>56,481</u>
	<u>2012</u>	<u>2011</u>
	<u>'000</u>	<u>'000</u>
Number of shares		
Weighted average number of ordinary shares used in basic (loss) / earnings per share calculation	<u>1,833,365</u>	<u>1,115,613</u>
Effect of dilutive potential ordinary shares arising from share options	<u>-</u>	<u>29,874</u>
Weighted average number of ordinary shares used in diluted (loss) / earnings per share calculation	<u>1,833,365</u>	<u>1,145,487</u>

(8) PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$6,764,000 (corresponding period in 2011 approximately: HK\$57,408,000) on additions to property, plant and equipment.

(9) TRADE AND OTHER RECEIVABLES

The aging analysis of trade receivables, based on the invoiced date, and net of allowance, is as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade receivables:		
0 to 30 days	85,600	72,993
31 to 60 days	20,417	30,233
61 to 90 days	7,975	22,151
More than 90 days	11,507	27,430
	125,499	152,807
Retention receivables	161,493	155,330
	286,992	308,137
Other receivables	27,558	21,850
Trade and other receivables	314,550	329,987

At 30 June 2012, the amount of retentions expected to be recovered after more than twelve months is approximately HK\$84,933,000 (31 December 2011 approximately : HK\$88,447,000).

(10) TRADE AND OTHER PAYABLES

The aging analysis of trade payables, based on receipt of goods and services, is as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade payables:		
0 to 30 days	52,923	54,676
31 to 60 days	38,931	20,822
More than 60 days	22,738	21,850
	114,592	97,348
Retention payables	34,188	30,913
	148,780	128,261
Other payables	61,508	44,357
Trade and other payables	210,288	172,618

(11) SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary share of HK\$0.01 each (2011: HK\$0.01)				
At 1 January 2011	10,000,000,000	100,000	1,116,108,000	11,161
Repurchase of shares	-	-	(4,348,000)	(43)
Issue of shares upon exercise of share options	-	-	1,117,500	11
At 31 December 2011	10,000,000,000	100,000	1,112,877,500	11,129
Issue of shares upon exercise of share options			4,117,500	41
Issue of shares (Note)			1,038,550,000	10,385
At 30 June 2012	10,000,000,000	100,000	2,155,545,000	21,555

Note : On 2 February 2012, the Company entered into a subscription agreement with Add Treasure Holdings Limited (“Add Treasure”), a wholly-owned subsidiary of China State Construction International Holdings Limited, pursuant to which Add Treasure conditionally agreed to subscribe from the Company 1,038,550,000 new shares of the Company (the “Subscription”) for a total consideration of HK\$643,901,000. Completion of the Subscription took place on 28 February 2012.

RESULTS

For the six months ended 30 June 2012, the Group recorded a turnover of approximately HK\$569,000,000 and a loss attributable by the owners of the Company of approximately HK\$165,000,000. The value of the new contracts was approximately HK\$347,000,000, an increase of 478.5% over the corresponding period of last year. The new contracts were mainly originated in North America and the Great China region. The aggregate value of the contracts on hand was approximately HK\$2,835,500,000, in which the value of the outstanding contracts was approximately HK\$1,735,000,000, an increase of 78.1% over the value of the outstanding contracts as at 30 June 2011.

Business Review

During the period, China State Construction International Holdings Limited (“CSCIHL”, listed on the main board of The Stock Exchange of Hong Kong Limited, stock code: 03311) has completed the acquisition of the controlling shareholding of the Company.

After the new management took over in this year, they have been understanding the actual situation of the Group and responded the historical issues in a careful, responsible and active manner. The one off provision does not affect the Company’s cash flow and the new management is confident and capable to continue the Group’s business development stably. The Group actively pursued organisational restructuring to optimise the resources utilisation and efficiency and the results were revealed gradually, in particular, the value of new contracts awarded in the overseas market was impressive.

The Group will complete the organisational restructuring gradually in 2012 to strengthen and develop the business of high-ended curtain wall system, and if opportunity arises, the Group will continue to develop new market to expand overseas platform for the Group.

RESULTS *(continued)*

Group Strategy

The Group is prudent and optimistic towards the high-ended curtain wall market in 2012 and anticipates the trend of the overseas wall curtain market, in particular the North America division, will restore to a relatively normal and stable condition. After the Group's parent company CSCIHL acquired the Group's controlling shareholding early of the year, the Group has enhanced the manpower and management of the professional talents of the Group, optimised the resources utilisation and efficiency, re-established the Group's marketing and sales strategy and objective, continued to provide quality high-ended curtain wall solution. The Group will complete the organisational restructuring gradually in 2012 to strengthen the business of high-ended curtain wall system, and if opportunity arises, the Group will develop new market to expand overseas platform for the Group.

Furthermore, the Group will utilise the synergy effect with the parent company and identify curtain wall contract work suitable for the Group in Hong Kong, Macau and the Greater China region. It will also improve the level of return of the projects and control the costs effectively to generate value for the shareholders and achieve a sustainable and healthy development of the core business in high-ended curtain wall system. In response to the fluctuation of the external economic environment, the Group will closely monitor the impact made by the international economic environment and construction market and formulate applicable group strategy on a timely basis.

HUMAN RESOURCES

At 30 June 2012, the Group employed a total of 1,304 (31 December 2011: 364) employees. The Group has sound policies of management incentives and competitive remuneration, which align the interests of management, employees and shareholders' alike. The Group sets its remuneration policy by reference to the prevailing market conditions and the performance of the individuals concerned, subject to review from time to time. The components of the remuneration package consist of base salary, allowances, fringe benefits including medical insurance and contributions to pension funds as well as incentives such as discretionary bonus and participation in the share option scheme.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has made any purchase, sale or redemption of any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), from 1 January 2012 until its amendment on 1 April 2012 and with the amended Code from 1 April 2012 to 30 June 2012.

DIRECTOR'S SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the six months ended 30 June 2012.

REVIEW OF ACCOUNTS

The Group's unaudited interim results for the six months ended 30 June 2012 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors.

APPRECIATION

I would like to express my sincere gratitude to the members of the Board and all employees for their effort and support to the Group during the period.

By Order of the Board
Far East Global Group Limited
Zhou Yong
Chairman and Non-executive Director

Hong Kong, 15 August 2012

As at the date of this announcement, the Board comprises Mr. Zhou Yong as Chairman and Non-executive Director; Dr. Cheong Chit Sun (Vice-chairman and Chief Executive Officer), Mr. Ko Chuk Kin, Herbert and Mr. Chan Sim Wang as Executive Directors; Mr. Huang Brad and Mr. Hung Cheung Shew as Non-executive Directors; and Mr. Zhou Jinsong, Mr. Yen Homer Shih Hung and Mr. Hong Winn as Independent Non-executive Directors.