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 2013

The board of directors (the "Board") of Far East Global Group Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with the comparative figures as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

| | Note | For the six months ended 30 June<br>**2013**<br>**HK$'000** | <br>2012<br>HK$'000 |
|---|---|---|---|
| Revenue | 3 | **786,441** | 568,868 |
| Costs of sales | | **(725,543)** | (551,366) |
| Gross profit | | **60,898** | 17,502 |
| Other income and other gains, net | 4 | **29,095** | 4,682 |
| Administrative expenses | | **(104,368)** | (90,863) |
| Other operating expenses | | **-** | (100,675) |
| Loss from operations | | **(14,375)** | (169,354) |
| Finance costs | 5 | **(1,567)** | (1,659) |
| Loss before tax | 6 | **(15,942)** | (171,013) |
| Income tax credit / (charge) | 7 | **25,454** | (8,318) |
| Profit / (loss) for the period | | **9,512** | (179,331) |
| | | | |
| Profit / (loss) for the period attributable to: | | | |
| Owners of the Company | | **32,111** | (165,091) |
| Non-controlling interests | | **(22,599)** | (14,240) |
| | | **9,512** | (179,331) |
| | | | |
| Earnings / (loss) per share (HK cents) | 8 | | |
| Basic and diluted | | **1.49** | (9.00) |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Profit / (loss) for the period | **9,512** | (179,331) |
| **Other comprehensive income** | | |
| *Items that may be reclassified to profit or loss* | | |
| Exchange differences arising on translation of foreign operations | **(3,415)** | 1,186 |
| (Loss) / gain on fair value changes of available-for-sale investments | **(130)** | 55 |
| Other comprehensive income for the period, net of tax | **(3,545)** | 1,241 |
| Total comprehensive income for the period | **5,967** | (178,090) |
| Total comprehensive income for the period attributable to: | | |
| Owners of the Company | **29,462** | (163,711) |
| Non-controlling interests | **(23,495)** | (14,379) |
| | **5,967** | (178,090) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **30 June 2013 HK$'000 (unaudited)** | 31 December 2012 HK$'000 (audited) |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | | **163,959** | 159,992 |
| Goodwill | 9 | **138,149** | 138,149 |
| Project backlogs | | **19,890** | 30,510 |
| Available-for-sale investments | | **42,153** | 42,283 |
| Deferred tax assets | | **25,239** | 6,000 |
| | | **389,390** | 376,934 |
| **Current Assets** | | | |
| Inventories | | **14,223** | 8,601 |
| Amounts due from customers for contract work | | **622,293** | 442,151 |
| Trade and other receivables | 10 | **326,530** | 377,921 |
| Deposits and prepayments | | **78,262** | 80,641 |
| Amount due from a fellow subsidiary | | **15,152** | 5,152 |
| Tax recoverable | | **2,472** | 4,934 |
| Bank and cash balances | | **145,690** | 340,465 |
| | | **1,204,622** | 1,259,865 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

| | Note | **30 June 2013 HK$'000 (unaudited)** | 31 December 2012 HK$'000 (audited) |
|---|---|---|---|
| **Current Liabilities** | | | |
| Bank and other borrowings | 11 | **105,934** | 24,113 |
| Amounts due to customers for contract work | | **32,195** | 86,753 |
| Trade payables, other payables and accruals | 12 | **242,484** | 275,122 |
| Finance lease payables | | **1,082** | 1,158 |
| Current tax payables | | **10,267** | 15,875 |
| Warranty provisions | | **18,981** | 18,991 |
| Advances from customers for contract work | | **-** | 31,785 |
| | | **410,943** | 453,797 |
| **Net Current Assets** | | **793,679** | 806,068 |
| **Total Assets less Current Liabilities** | | **1,183,069** | 1,183,002 |
| **Capital and Reserve** | | | |
| Share capital | 13 | **21,555** | 21,555 |
| Share premium and reserves | | **1,100,761** | 1,072,304 |
| Equity attributable to owners of the Company | | **1,122,316** | 1,093,859 |
| Non-controlling interests | | **13,036** | 35,277 |
| | | **1,135,352** | 1,129,136 |
| **Non-current Liabilities** | | | |
| Bank and other borrowings | 11 | **26,440** | 27,390 |
| Finance lease payables | | **4,423** | 4,938 |
| Deferred tax liabilities | | **16,854** | 21,538 |
| | | **47,717** | 53,866 |
| | | **1,183,069** | 1,183,002 |

**NOTES:**

## (1) BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2013 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 convention, as modified by the revaluation of available-for-sales investments, which are carried at fair value.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial information for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

## (2) PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

| | |
|---|---|
| Amendments to HKFRS 1 | Government Loans |
| Amendments to HKFRS 7 | Financial instruments: Disclosures — Offsetting Assets and Financial Liabilities |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurements |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 27 (as revised in 2011) | Separate Financial Statements |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| HK(IFRIC) –Int 20 | Stripping Costs in the Production Phase of a Surface Mine |
| Annual Improvements Project | Annual Improvements 2009–2011 Cycle |

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.

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

| | |
|---|---|
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-financial Assets[1] |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2] |
| HKFRS 9 | Financial Instruments[2] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment Entities[1] |
| HK(IFRIC) – Int 21 | Levies[1] |

Notes: [1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 January 2015

The Group is in progress of assessing 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 three 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 Mainland China, Hong Kong and Macau.
- Asia and Others include projects in Japan, United Kingdom, Singapore, the United Arabs of Emirates, Chile , Australia, management service income and maintenance projects in all segments.

Unaudited segment results for the six months ended 30 June 2013 and 2012 are as follows:

| | Revenue | | Gross profit | | Segment results | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Reportable segments | | | | | | |
| North America | **417,139** | 369,569 | **(19,999)** | 53,707 | **(71,614)** | 8,164 |
| Greater China | **291,963** | 151,598 | **61,011** | (34,202) | **49,718** | (39,497) |
| Asia and Others | **77,339** | 47,701 | **19,886** | (2,003) | **32,324** | ( 7,434) |
| Total | **786,441** | 568,868 | **60,898** | 17,502 | **10,428** | (38,767) |
| Unallocated administrative expenses | | | | | **(26,078)** | (31,934) |
| Other income and other gains, net | | | | | **1,275** | 2,022 |
| Other operating expenses | | | | | **-** | (100,675) |
| Finance costs | | | | | **(1,567)** | (1,659) |
| Loss before tax | | | | | **(15,942)** | (171,013) |
| Income tax credit / (charge) | | | | | **25,454** | (8,318) |
| Profit / (loss) for the period | | | | | **9,512** | (179,331) |

## (4) OTHER INCOME AND OTHER GAINS, NET

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Bank interest income | **316** | 2,696 |
| Provision for impairment of trade and other receivable and deposits written back | **22,744** | - |
| Sundry income | **6,035** | 1,986 |
| | **29,095** | 4,682 |

## (5) FINANCE COSTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Interest on bank loans and overdrafts wholly repayable within five years | **1,264** | 1,695 |
| Interest on other loans wholly repayable within five years | **146** | 334 |
| Finance lease charges | **157** | 40 |
| Total finance costs incurred | **1,567** | 2,069 |
| Less : amounts capitalised in contracts in progress | **-** | (410) |
| | **1,567** | 1,659 |

## (6) LOSS BEFORE TAX

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| The Group's loss before tax has been arrived at after charging the following: | | |
| Amortisation of project backlogs | **10,620** | 12,199 |
| Depreciation | **3,915** | 5,494 |

## (7) INCOME TAX (CREDIT) / CHARGE

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| Current tax – Hong Kong Profits Tax | | |
| Provision for the period | **-** | - |
| Current tax – overseas | | |
| Provision for the period | **1,172** | 2,732 |
| (Over) / under-provision in prior years | **(2,946)** | 10,288 |
| | **(1,774)** | 13,020 |
| Deferred tax | **(23,680)** | (4,702) |
| Income tax (credit) /charge for the period | **(25,454)** | 8,318 |

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the current and last period.

## (7) INCOME TAX (CREDIT) / CHARGE *(continued)*

Tax charges on estimated assessable profits 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.

## (8) EARNINGS / (LOSS) PER SHARE

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| **Earnings / (loss)** | | |
| Profit / (loss) attributable to owners of the Company, used in the basic and diluted earnings / (loss) per share calculation | **32,111** | (165,091) |

| | | |
|---|---|---|
| | **2013** | 2012 |
| | **'000** | '000 |
| **Number of shares** | | |
| Weighted average number of ordinary shares used in the basic and diluted earnings / (loss) per share calculation | **2,155,545** | 1,833,365 |

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the periods ended 30 June 2013 and 30 June 2012.

## (9) GOODWILL

| | **30 June 2013 HK$'000** | 31 December 2012 HK$'000 |
|---|---|---|
| Cost | | |
| At 30 June 2013 and 31 December 2012 | **159,707** | 159,707 |
| | | |
| Impairment | | |
| At 1 January | **21,558** | - |
| Charge for the period / year | **-** | 21,558 |
| At 30 June 2013 and 31 December 2012 | **21,558** | 21,558 |
| | | |
| Carrying amount | | |
| At 30 June 2013 and 31 December 2012 | **138,149** | 138,149 |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGU") that is expected to benefit from that business combination.

For the purpose of impairment testing, the carrying amount of goodwill had been allocated to the CGU relating to the operations of Red Holdings Group, Inc. and its subsidiaries within the North America segment.

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. These rates do not exceed the average long-term growth rate for the relevant markets. The pre-tax rates used to discount the forecast cash flows range from 17.7% to 20.7%.

## (10) TRADE AND OTHER RECEIVABLES

The analysis of trade and other receivables, including the aging analysis of trade receivables, based on the invoice date and progress certification date and net of provisions, is as follows:

| | **30 June 2013 HK$'000** | 31 December 2012 HK$'000 |
|---|---|---|
| Trade receivables: | | |
| 0 to 30 days | **44,301** | 110,712 |
| 31to 60 days | **50,217** | 46,438 |
| 61to 90 days | **19,941** | 22,629 |
| More than 90 days | **20,815** | 17,713 |
| | **135,274** | 197,492 |
| Retention receivables | **155,573** | 163,510 |
| | **290,847** | 361,002 |
| Other receivables | **35,683** | 16,919 |
| Trade and other receivables | **326,530** | 377,921 |

At 30 June 2013, the amount of retentions expected to be recovered after more than twelve months is approximately HK$117,604,000 (31 December 2012: approximately HK$128,593,000).

## (11) BANK AND OTHER BORROWINGS

The maturities of the Group's bank and other borrowings as at 30 June 2013 and 31 December 2012 with details are as follows:

| | **30 June 2013 HK$'000** | 31 December 2012 HK$'000 |
|---|---|---|
| On demand or within one year | **105,934** | 24,113 |
| More than one year but not exceeding two years | **578** | 581 |
| More than two years but not more than five years | **25,862** | 26,809 |
| | **132,374** | 51,503 |
| Less: Amount due for settlement within twelve months | **(105,934)** | (24,113) |
| Amount due for settlement after twelve months | **26,440** | 27,390 |

Bank loans with carrying amount of HK$75,663,000 (31 December 2012: HK$43,703,000) are denominated in Canadian dollars, bears interest rate at 4.14% (2012: 4.25% to 5.05%) per annum.

Bank loans with carrying amount of HK$48,911,000 (31 December 2012: Nil) are denominated in United States dollars, bears interest rate at 4.14% (2012 : Nil) per annum.

## (11) BANK AND OTHER BORROWINGS *(continued)*

Other loans with carrying amount of HK$7,800,000 (31 December 2012: HK$7,800,000) are denominated in United States dollars, bears interest rate at 3.3% (2012: 3.3%) per annum.

## (12) TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

The analysis of trade payables, other payables and accruals, including the aging analysis of trade payables, based on invoice date, is as follows:

| | **30 June 2013 HK$'000** | 31 December 2012 HK$'000 |
|---|---|---|
| Trade payables: | | |
| 0 to 30 days | **116,264** | 147,904 |
| 31to 60 days | **14,805** | 19,112 |
| More than 60 days | **15,980** | 15,649 |
| | **147,049** | 182,665 |
| Retention payables | **40,985** | 34,420 |
| | **188,034** | 217,085 |
| Other payables and accruals | **54,450** | 58,037 |
| Trade payables, other payables and accruals | **242,484** | 275,122 |

## (13) SHARE CAPITAL

| | Authorised | | Issued and fully paid | |
|---|---|---|---|---|
| | Number of shares '000 | **Amount HK$'000** | Number of shares '000 | **Amount HK$'000** |
| Ordinary share of HK$0.01 each | | | | |
| At 1 January 2012 | 10,000,000 | **100,000** | 1,112,878 | **11,129** |
| Issue of shares upon exercise of share options | - | **-** | 4,117 | **41** |
| Issue of shares (Note) | - | **-** | 1,038,550 | **10,385** |
| At 30 June 2013 and 31 December 2012 | 10,000,000 | **100,000** | 2,155,545 | **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 ("CSCIHL"), 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. Subsequently, CSCIHL became the holding company of the Company.

## OVERALL PERFORMANCE

For the six months ended 30 June 2013, the Group reported aggregate revenue of approximately HK$786 million (30 June 2012: approximately HK$569 million), an increase of approximately 38.1% as compared with the corresponding period of last year. Benefiting from the absence of one-off impairment on receivables, restructuring costs for the factory in Mainland China and impairment of goodwill, the profit attributable to owners of the Company was approximately HK$32 million, compared to loss of HK$165 million in the same period last year. The basic earnings per share was HK1.49 cents, compared to loss per share of HK9 cents in the same period last year.

**Segment Analysis**

North America Division achieved a turnover of approximately HK$417 million (30 June 2012: approximately HK$370 million) during the period under review, representing an increase of about 12.7% compared to last corresponding period. This turnover contributes about 53% of the Group's revenue. While most of North America Division's projects were profitable within budget, unforeseeable delays on a few old projects awarded before 2012 together with the capacity of newly acquired factory in Buffalo not to be fully used and anti-dumping duties imposed on certain projects in Canada which resulted in cost increases impacted overall gross margin. North America Division generated a gross loss of approximately HK$20 million (30 June 2012: gross profit of approximately HK$54 million) during the period under review.

Due to highly challenging engineering requirements on several jobs awarded prior to 2012, North America Division incurred more manufacturing, design, and installation costs than expected which resulted in compression of margins and cost overruns. The cost overrun on those projects has resulted additional variation orders and claims, which upon completion of the projects, may materialize and help with overall margins. North America Division expects to complete above problematic projects by end of 2013.

Revenue derived from Greater China increased by approximately HK$140 million, or approximately 92.1%, from approximately HK$152 million for the six months ended 30 June 2012 to approximately HK$292 million for the six months ended 30 June 2013. The increase in revenue was primarily due to the fact that certain projects in Hong Kong like the Kai Tak Cruise Terminal and New International Mail Centre were substantially completed in the first half of the year. As a result of implementation of stringent cost control measures and the increase in revenue, the Group turned from gross loss of approximately HK$34 million in the corresponding period last year to a gross profit of approximately HK$61 million for the six months ended 30 June 2013.

The shortage of skilled labour and high material costs remain the major challenges in Greater China market during the period under review. In order to retain qualified staff and maintain competitiveness, the implementation of the incentive target performance scheme together with the provision of training and development are key measures. Following the increase in the numbers of constructions and infrastructure projects in Hong Kong and the upcoming integrated resorts and casinos projects in Macau, together with the synergy effect between the Group and China State Construction International Holdings Limited ("CSCIHL"), the proven track record and expertise, the division in the region will benefit from the opportunities and projects.

With the new contribution from projects in Australia and UK and management service income from a construction project in India which the Group monitored the project operation for CSCIHL, revenue derived from Asia and others for the six months ended 30 June 2013 was increased by approximately HK$29 million from approximately HK$48 million for the six months ended 30 June 2012 to approximately HK$77 million for the six months ended 30 June 2013 whereas the Group recorded a gross profit of approximately HK$20 million as compared with the gross loss of approximately HK$2 million in the same period last year.

**Administrative expenses**

For the six months ended 30 June 2013, the Group's administrative expenses were approximately HK$104 million (30 June 2012: approximately HK$91 million), representing an increase of approximately 14.3% as compared to last year. The increase was mainly due to the additional cost incurred for the expansion of North America Division.

**Finance costs**

For the six months ended 30 June 2013, the Group's finance costs were approximately HK$1.6 million (30 June 2012: approximately HK$1.7 million) which represented the bank mortgage loan interest incurred for the land in Canada during the period.

As at the date of this announcement, the Group has secured 9 new contracts with an aggregate value of approximately HK$942 million. Major new contracts include the following:-

– Prima Pearl, Melbourne, Australia
– St. Paul's Hospital Block B, Hong Kong
– Shatin Communication and Technology Centre, Hong Kong
– St. Justin Hospital, Montreal, Canada
– 1 Franklin Street, Boston, USA
– One The Elephant, London, United Kingdom

## LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2013, the Group had net cash of approximately HK$14 million (31 December 2012: approximately HK$289 million), which represented total bank and cash balances of approximately HK$146 million (31 December 2012: approximately HK$340 million) and total debt of approximately HK$132 million (31 December 2012: approximately HK$51 million). On the basis of net borrowings for the calculation of gearing ratio, the Group was practically debt free as at 30 June 2013. Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK$1,059 million, the Group had sufficient financial resources to meet the business development and expansion. The Group's borrowings have not been hedged by any interest rate financial instruments.

As at 30 June 2013, the Group's equity attributable to owners of the Company amounted to approximately HK$1,122 million (31 December 2012: approximately HK$1,093 million), comprising issued capital of approximately HK$21 million (31 December 2012: approximately HK$21 million) and reserves of approximately HK$1,101 million (31 December 2012: approximately HK$1,072 million).

## TREASURY POLICY

The Group adopts conservative treasury policy in cash and financial management. The Group's treasury activities are centralised in order to achieve better risk control and minimise cost of funds. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollar or US dollar. The Group's liquidity and financing requirements are frequently reviewed. In anticipating new investments or maturity of bank loans, the Group will consider new financing while maintaining an appropriate level of gearing.

## EMPLOYEES AND REMUNERATION POLICY

At 30 June 2013, the Group employed a total of 1,456 (31 December 2012: 1,429) 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.

## FOREIGN CURRENCY RISK

The Group's foreign currency exposures primarily arise from certain sales or purchases by operating units in currencies other than the unit's functional currency where these sales or purchases are mainly denominated in United States dollar, Renminbi, Australian dollar, Canadian dollar, Pound Sterling and Singapore dollar. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currencies should the need arise.

## PROSPECTS

With European debt crisis remaining a threat to global economic recovery, no definite withdrawal timetable of U.S. quantitative easing monetary policy, and impact of China's tightening policy on construction markets to varying degrees, many uncertainties still remain in the second half of 2013. The Group will closely watch domestic and international economic trends, timely adjust our strategies to control and manage various risks, and implement prudent financial management, to assure the Group's steady growth.

**Operating Strategies**

The Group has improved its management, design and quality following internal optimization and adjustment in 2012. It will maintain its reputation of high-quality products and competitive edges thereupon and develop businesses healthily and steadily in North America, Mainland China and Asia Pacific regions. In the North America region, the Group will further maturate the localized management model and actively expand local business market and production capacities, in order to capture market opportunities at present and in the future; meanwhile, the Group will optimize management, control operating expenses and mitigate impacts of trade protection. In the Asia Pacific region especially Hong Kong and Macau, the Group will be more aligned with demands of local construction markets and will further strengthen its leading position in the high-end curtain wall market and expand market shares by utilizing synergies with the parent companies to capture opportunities and seek potential projects in other markets. At the same time, the Group will continue paying close attention to the Mainland China market and employ differentiated operations to make breakthroughs. Instead of competing with low price, the Group will enhance its brand awareness with high quality products to maintain our presence in the high-end curtain wall market in Mainland China. In the second half of 2013, the Group will continue its efforts to explore different areas of investment and consider entering the overseas general contracting business, to lay a solid foundation for business development in the future.

## INTERIM DIVIDEND

The Board declares the payment of an interim dividend of HK0.5 cents per share (30 June 2012: Nil), payable on Monday, 23 September 2013 to shareholders whose names appear on the register of members of the Company on Friday, 13 September 2013.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 September 2013 to Friday, 13 September 2013, both days inclusive, for the purpose of determining shareholders' entitlement to the interim dividend.

In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 11 September 2013.

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

During the six months ended 30 June 2013, 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 throughout the six months to 30 June 2013 with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 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 2013.

## REVIEW OF ACCOUNTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2013 have been reviewed by the Audit Committee which comprises four Independent Non-executive Directors.

## APPRECIATION

I would like to take this opportunity to thank the leadership of the Board, our shareholders support and continuous efforts of all our staffs.

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

Hong Kong, 8 August 2013

*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. Wang Hai and Mr. Chan Sim Wang as Executive Directors; and Mr. Zhou Jinsong, Mr. Yen Homer Shih Hung, Mr. Hong Winn and Ms. Kwong Sum Yee Anna as Independent Non-executive Directors.*