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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 2014

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 2014 together with the restated comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000 (restated)
Revenue	3	725,244	786,441
Costs of sales		(621,259)	(725,543)
Gross profit		103,985	60,898
Other income and other gains, net	4	8,546	30,358
Administrative expenses		(92,648)	(99,333)
Distribution and selling expenses		(9,268)	(5,177)
Profit/ (loss) from operations		10,615	(13,254)
Finance costs	5	(4,790)	(2,830)
Profit/ (loss) before tax	6	5,825	(16,084)
Income tax credit	7	15,691	25,454
Profit for the period		21,516	9,370
Profit/ (loss) for the period attributable to:			
Owners of the Company		40,386	31,969
Non-controlling interests		(18,870)	(22,599)
		21,516	9,370
Earnings per share (HK cents)	9		(restated)
Basic and diluted		1.87	1.48

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
		(restated)
Profit for the period	<u>21,516</u>	<u>9,370</u>
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(8,454)	(3,166)
Loss on fair value changes of available-for-sale investments	-	(130)
Other comprehensive income for the period, net of tax	<u>(8,454)</u>	<u>(3,296)</u>
Total comprehensive income for the period	<u>13,062</u>	<u>6,074</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	34,431	29,569
Non-controlling interests	<u>(21,369)</u>	<u>(23,495)</u>
	<u>13,062</u>	<u>6,074</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2014	2013
	Notes	HK\$'000	HK\$'000
			(restated)
Non-current Assets			
Property, plant and equipment		157,899	162,627
Goodwill	10	138,149	138,149
Project backlogs		3,978	11,934
Deposits and prepayments		1,644	7,216
Available-for-sale investments		18,564	18,564
Deferred tax assets		129,411	117,564
		449,645	456,054
Current Assets			
Inventories		25,667	17,650
Amounts due from customers for contract work		570,134	563,455
Trade and other receivables	11	414,705	356,719
Deposits and prepayments		23,319	14,870
Amount due from an intermediate holding company		-	96,470
Amounts due from fellow subsidiaries		62,818	396,248
Tax recoverable		2,981	936
Bank and cash balances		204,990	310,452
		1,304,614	1,756,800

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

		30 June	31 December
		2014	2013
	Notes	<u>HK\$'000</u>	<u>HK\$'000</u>
			(restated)
Current Liabilities			
Bank and other borrowings	12	109,401	157,463
Amounts due to customers for contract work		30,409	22,550
Trade payables, other payables and accruals	13	212,341	258,650
Finance lease payables		1,017	1,087
Current tax payables		7,487	11,470
Dividend payables		10,778	-
Amounts due to fellow subsidiaries		-	45,255
Advances from customers for contract work		83,995	-
		<u>455,428</u>	<u>496,475</u>
Net Current Assets		<u>849,186</u>	<u>1,260,325</u>
Total Assets less Current Liabilities		<u><u>1,298,831</u></u>	<u><u>1,716,379</u></u>
Capital and Reserve			
Share capital	14	21,555	21,555
Share premium and reserves		1,130,142	1,114,305
Equity attributable to owners of the Company		1,151,697	1,135,860
Non-controlling interests		(75,834)	(54,465)
		<u>1,075,863</u>	<u>1,081,395</u>
Non-current Liabilities			
Bank and other borrowings	12	217,170	625,595
Finance lease payables		3,900	4,280
Deferred tax liabilities		1,898	5,109
		<u>222,968</u>	<u>634,984</u>
		<u><u>1,298,831</u></u>	<u><u>1,716,379</u></u>

NOTES:

(1) BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2014 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 interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

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

On 11 March 2014, the Group acquired 100% of equity interests in Treasure Construction Engineering Limited (“Treasure Construction”) from Barkgate Enterprises Limited, a wholly owned subsidiary of China State Construction International Holdings Limited (“CSCIHL”) which is the intermediate holding company of the Company, at a cash consideration of HK\$2,000,000.

The transfer of the equity interests in Treasure Construction (the “Acquired Company”) was regarded as a common control combination. Accordingly, the consolidated financial statements of the Group for the period ended 30 June 2014 was prepared using the principle of Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA, as if the Acquired Company had been combined from the date when the Acquired Company first came under the control of the controlling party of the Group and Acquired Company. The comparative figures of the consolidated financial statements have been restated accordingly.

(1) BASIS OF PREPARATION (continued)

The effect of the combination of Acquired Company on the result of the Group for the six months ended 30 June 2013 and the position of the Group as at 31 December 2013 are summarised below:

	For the six months ended 30 June 2013 HK\$'000 (previously stated)	Combination of Acquired Company HK\$'000	Combination Adjustment HK\$'000	For the six months ended 30 June 2013 HK\$'000 (restated)
Revenue	786,441	-		786,441
Cost of sales	<u>(725,543)</u>	<u>-</u>		<u>(725,543)</u>
Gross profit	60,898	-		60,898
Other income and other gains, net	29,095	1,263		30,358
Administrative expenses	(99,191)	(142)		(99,333)
Distribution and selling expenses	<u>(5,177)</u>	<u>-</u>		<u>(5,177)</u>
(Loss)/ profit from operation	(14,375)	1,121		(13,254)
Finance costs	<u>1,567</u>	<u>1,263</u>		<u>2,830</u>
Loss before tax	(15,942)	(142)		(16,084)
Income tax credit	<u>25,454</u>	<u>-</u>		<u>25,454</u>
Profit / (loss) for the period	<u>9,512</u>	<u>(142)</u>		<u>9,370</u>
Profit / (loss) for the period attributable to:				
Owners of the Company	32,111	(142)		31,969
Non-controlling interests	<u>(22,599)</u>	<u>-</u>		<u>(22,599)</u>
	<u>9,512</u>	<u>(142)</u>		<u>9,370</u>

(1) BASIS OF PREPARATION (continued)

	31 December 2013 HK\$'000 (previously stated)	Combination of Acquired Company HK\$'000	Combination Adjustment (Note) HK\$'000	31 December 2013 HK\$'000 (restated)
Non-current Assets				
Property, plant and equipment	162,624	3		162,627
Goodwill	138,149	-		138,149
Project backlogs	11,934	-		11,934
Deposits and prepayments	7,216	-		7,216
Available-for-sale investments	18,564	-		18,564
Deferred tax assets	<u>117,564</u>	<u>-</u>		<u>117,564</u>
	<u>456,051</u>	<u>3</u>		<u>456,054</u>
Current Assets				
Inventories	17,650	-		17,650
Amounts due from customers for contract work	563,455	-		563,455
Trade and other receivables	356,719	-		356,719
Deposits and prepayments	14,870	-		14,870
Amount due from an intermediate holding company	-	96,470		96,470
Amounts due from fellow subsidiaries	4,376	391,872		396,248
Tax recoverable	936	-		936
Bank and cash balances	<u>213,404</u>	<u>97,048</u>		<u>310,452</u>
	<u>1,171,410</u>	<u>585,390</u>		<u>1,756,800</u>
Current Liabilities				
Bank and other borrowings	157,463	-		157,463
Amounts due to customers for contract work	22,550	-		22,550
Trade payables, other payables and accruals	224,341	34,309		258,650
Finance lease payables	1,087	-		1,087
Current tax payables	11,470	-		11,470
Amounts due to fellow subsidiaries	<u>-</u>	<u>43,255</u>	2,000	<u>45,255</u>
	<u>416,911</u>	<u>77,564</u>		<u>496,475</u>
Net Current Assets	<u>754,499</u>	<u>507,826</u>		<u>1,260,325</u>
Total Assets less Current Liabilities	<u>1,210,550</u>	<u>507,829</u>		<u>1,716,379</u>
Capital and reserve	1,130,031	7,829	(2,000)	1,135,860
Non-controlling interests	(54,465)	-		(54,465)
Non-current liabilities	<u>134,984</u>	<u>500,000</u>		<u>634,984</u>
	<u>1,210,550</u>	<u>507,829</u>		<u>1,716,379</u>

Note : The combination adjustment represents the excess of consideration paid over share capital of the acquired company.

(2) PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013 except the following:

- (i) In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK(IFRIC)-Int 21	Levies

The application of the above new or revised HKFRSs has had no material effect on the Group's results and financial position.

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

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans — Employees Contributions ¹
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
HKFRS 9	Financial Instruments ⁴
HKFRS 9	Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39) ⁴
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Annual Improvements Project	Annual Improvements 2010 – 2012 Cycle ¹
Annual Improvements Project	Annual Improvements 2011 – 2013 Cycle ¹

Notes: ¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

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

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 disclosures and remeasurement of certain items in the condensed consolidated financial statements.

- (ii) During the six months ended 30 June 2014, the Group acquired 100% equity interest in Treasure Construction from Barkgate Enterprises Limited, a wholly owned subsidiary of CSCIHL, the intermediate holding company of the Company. This transaction was regarded as common control combinations and the accounting policies of such are as follows:

Business combinations – common control combinations

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 'Merger Accounting for Common Control Combinations'. In applying merger accounting, the consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated income statement also takes into account the profit or loss attributable to the non-controlling interests of the controlling party. Upon the completion of common control combinations, the retained profit of the combining entities or business is transferred to the retained profits of the Group.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

(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 Singapore, the United Arabs of Emirates, Chile, Australia, the United Kingdom and maintenance projects in all segments.

Unaudited segment results for the six months ended 30 June 2014 and 2013 are as follows:

	<u>Revenue</u>		<u>Gross profit</u>		<u>Segment results</u>	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segments						(restated)
North America	441,158	417,139	13,292	(19,999)	(32,954)	(71,614)
Greater China	189,228	291,963	54,142	61,011	37,561	47,440
Asia and Others	<u>94,858</u>	<u>77,339</u>	<u>36,551</u>	<u>19,886</u>	<u>26,157</u>	<u>32,324</u>
Total	<u>725,244</u>	<u>786,441</u>	<u>103,985</u>	<u>60,898</u>	<u>30,764</u>	8,150
Unallocated administrative expenses					(20,273)	(23,942)
Other income and other gains, net					124	2,538
Finance costs					<u>(4,790)</u>	<u>(2,830)</u>
Profit / (loss) before tax					5,825	(16,084)
Income tax credit					<u>15,691</u>	<u>25,454</u>
Profit for the period					<u>21,516</u>	<u>9,370</u>

(4) OTHER INCOME AND OTHER GAINS, NET

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
		(restated)
Bank interest income	753	316
Provision for impairment of trade and other receivable and deposits written back	-	22,744
Sundry income	<u>7,793</u>	<u>7,298</u>
	<u>8,546</u>	<u>30,358</u>

(5) FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
		(restated)
Interest on bank loans and overdrafts wholly repayable within five years	4,576	1,264
Interest on other loans wholly repayable within five years	74	146
Finance lease charges	140	157
Other financial expenses	-	1,263
Total finance costs incurred	<u>4,790</u>	<u>2,830</u>

(6) PROFIT/ (LOSS) BEFORE TAX

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit/ (loss) before tax has been arrived at after charging:		
Amortisation of project backlogs	7,956	10,620
Depreciation	5,950	3,915

(7) INCOME TAX CREDIT

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Overprovision in prior years	<u>(3,062)</u>	<u>-</u>
Current tax – overseas		
Provision for the period	2,764	1,172
Overprovision in prior years	<u>(193)</u>	<u>(2,946)</u>
	<u>2,571</u>	<u>(1,774)</u>
Deferred tax	<u>(15,200)</u>	<u>(23,680)</u>
Income tax credit for the period	<u>(15,691)</u>	<u>(25,454)</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2014 (30 June 2013 : 16.5%).

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) DIVIDENDS

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
<u>Dividend recognised as distribution during the period</u>		
2013 final dividends of HK0.5 cent per share paid on 11 July 2014 (six months ended 30 June 2013: Nil)	<u>10,778</u>	<u>-</u>

The Board has declared the payment of interim dividend of HK0.5 cent per share (30 June 2013: HK0.5 cent), amounting to approximately HK\$10,778,000 (30 June 2013: approximately HK\$10,778,000) payable on 22 September 2014 to shareholders whose names appear on the register of members of the Company on 12 September 2014. This interim dividend has not been recognised as a liability at the end of the reporting period.

(9) EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Earnings		(restated)
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>40,386</u>	<u>31,969</u>
	<u>2014</u>	<u>2013</u>
	<u>'000</u>	<u>'000</u>
Number of shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	<u>2,155,545</u>	<u>2,155,545</u>
		(restated)
Basic and diluted earnings per share (HK cents)	<u>1.87</u>	<u>1.48</u>

The diluted earnings per share for the six months ended 30 June 2014 equals to the basic earnings per share as there are no potential dilutive potential ordinary shares in issue during the period.

(10) GOODWILL

	<u>HK\$'000</u>
Cost, at 30 June 2014 and 31 December 2013	159,707
Impairment, at 30 June 2014 and 31 December 2013	(21,558)
Carrying values, at 30 June 2014 and 31 December 2013	<u>138,149</u>

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 Gamma North America, 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 20.12% to 21.27%.

(11) TRADE AND OTHER RECEIVABLES

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Trade receivables:		
0 to 30 days	98,459	58,628
31 to 60 days	38,425	55,538
61 to 90 days	29,686	9,764
More than 90 days	37,553	14,171
	204,123	138,101
Retention receivables	172,914	161,204
	377,037	299,305
Other receivables	37,668	57,414
Trade and other receivables	414,705	356,719

At 30 June 2014, the amount of retentions expected to be recovered over twelve months is approximately HK\$126,160,000 (31 December 2013: approximately HK\$90,499,000).

(12) BANK AND OTHER BORROWINGS

The borrowings are repayable as follows:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000 (restated)
On demand or within one year	109,401	157,463
In the second year	585	8,378
In the third to fifth years, inclusive	216,585	617,217
	326,571	783,058
Less: Amount due for settlement within twelve months	(109,401)	(157,463)
Amount due for settlement after twelve months	217,170	625,595

	Hong Kong dollar HK\$'000	Canadian dollar HK\$'000	United States dollar HK\$'000	Total HK\$'000
Bank loans as at 30 June 2014	<u>200,000</u>	<u>52,367</u>	<u>74,204</u>	<u>326,571</u>
	(restated)	(restated)	(restated)	(restated)
Bank loans	640,000	62,537	72,721	775,258
Loans from non-controlling interests	<u>-</u>	<u>-</u>	<u>7,800</u>	<u>7,800</u>
Total borrowings as at 31 December 2013	<u>640,000</u>	<u>62,537</u>	<u>80,521</u>	<u>783,058</u>

(12) BANK AND OTHER BORROWINGS *(continued)*

The average interest rates are as follows:

	30 June 2014	31 December 2013 (restated)
Bank loans	3.15%	2.58%
Loans from non-controlling interests	-	3.30%

(13) 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 2014 HK\$'000	31 December 2013 HK\$'000 (restated)
Trade payables:		
0 to 30 days	75,998	117,664
31 to 60 days	22,998	24,140
More than 60 days	23,098	15,426
	122,094	157,230
Retention payables	34,238	32,523
	156,332	189,753
Other payables and accruals	56,009	68,897
Trade payables, other payables and accruals	212,341	258,650

As at 30 June 2014, the amount of retention payables expected to be due after more than twelve months was approximately HK\$4,072,000 (31 December 2013: approximately HK\$3,295,000).

(14) SHARE CAPITAL

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary share of HK\$0.01 each At 30 June 2014 and 31 December 2013	10,000,000	100,000	2,155,545	21,555

OVERALL PERFORMANCE

For the six months ended 30 June 2014, the Group recorded aggregate revenue of HK\$725 million (30 June 2013: HK\$786 million), a decrease of 7.8% as compared with the corresponding period of last year. The profit attributable to owners of the Company was HK\$40 million (30 June 2013: HK\$32 million), an increase of 26.3% as compared with the corresponding period of last year. The basic earnings per share was HK1.87 cents (30 June 2013: HK1.48 cents), representing the growth of 26.3% as compared with the same period last year.

During the period under review, the Group has acquired 100% of equity interests in Treasure Construction Engineering Limited (“Treasure Construction”) from Barkgate Enterprises Limited, a wholly owned subsidiary of China State Construction International Holdings Limited (“CSCIHL”) at a cash consideration of HK\$2 million. The acquisition was regarded as common control combination and merger accounting was adopted as if Treasure Construction had been combined from the date when Treasure Construction first came under the control of the controlling party. The comparative figures of the consolidated financial statements have been restated accordingly.

Segment Analysis

North America Division achieved a turnover of HK\$441 million (30 June 2013: HK\$417 million) during the period under review, representing an increase of about 5.7 % compared to last corresponding period. This turnover contributes about 60.8% of the Group’s revenue. During the period under review, North America focused on execution of its existing projects and restructuring of senior management in the region. Hong Kong headquarter has transferred a few senior staff to be stationed in North America, to strengthen the management and cost control in the region. North America was able to turn around operations and generate a positive gross profit as a result of management’s efforts. North America Division generated a gross profit of HK\$13 million (30 June 2013: gross loss of HK\$20 million) during the period under review.

North America Division is pushing forward to complete old problematic projects that incurred more manufacturing, design, and installation costs than expected. The region will also step up new contract bidding effects in latter half of 2014. North America Division expects future awarded projects in the region, under the guidance of new management, will result in higher margins and smoother execution.

Revenue derived from Greater China decreased by HK\$103 million, or 35.3%, from HK\$292 million for the six months ended 30 June 2013 to HK\$189 million for the six months ended 30 June 2014. The decrease 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 had been completed in 2013 and our new projects in Macau like Wynn Palace Cotai, MGM Cotai and Louis XIII are in preliminary stage in the first half of 2014. The gross profit decreased by HK\$7 million from HK\$61 million for the six months ended 30 June 2013 to HK\$54 million for the six months ended 30 June 2014 as a result of the decrease of revenue.

The booming construction market in recent years has given numerous opportunities on business growth for the building construction division. However, the increase in materials and labour costs has made the division very cautious in submitting tenders. As part of its long term resources planning and cost control measures, the division has been providing more training opportunities for graduates and experienced expertise so as to strengthen the team’s competitiveness and make it well positioned to take up more projects in the future.

With the new contribution from projects in Australia and UK, revenue derived from Asia and others for the six months ended 30 June 2014 was increased by HK\$18 million from HK\$77 million for the six months ended 30 June 2013 to HK\$95 million for the six months ended 30 June 2014 whereas the Group recorded a gross profit of HK\$37 million, an increase in gross profit of HK\$17 million as compared with the same period last year.

Administrative expenses

For the six months ended 30 June 2014, administrative expenses decreased by 6% to HK\$93 million (30 June 2013: HK\$99 million) as a result of the structural reorganisation of divisions to optimize resource utilization and efficiency.

Finance costs

For the six months ended 30 June 2014, the Group's finance costs were HK\$5 million (30 June 2013: HK\$3 million). The increments in bank borrowings escalated the finance costs during the period.

New Contracts Awarded

As of 30 June 2014, the Group has secured new contracts with an aggregate value of approximately HK\$1,128 million. Major new contracts include the following:-

- MGM Cotai, Macau
- Louis XIII, Macau
- Vancouver Stock Exchange, Vancouver, Canada
- L' Avenue, Montreal, Canada

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation with internally generated cash flow and credit facilities provided by its principal bankers. At 30 June 2014, the Group had bank balances and cash of HK\$205 million (31 December 2013: HK\$310 million of which the Group included the amount of HK\$97 million from Treasure Construction), total borrowings of the Group were HK\$326 million (31 December 2013: HK\$783 million of which the Group included the amount of HK\$500 million from Treasure Construction), due to the drawn down of Hong Kong dollars bank borrowings for financing working capital of our projects. The Group's net gearing ratio (net debt to total equity) as at 30 June 2014 was approximately 11.7% (31 December 2013: 7% after excluding the impact on the net borrowings of HK\$403 million from Treasure Construction). Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK\$1,319 million, the Group had sufficient financial resources to meet the business development and expansion. The Group's borrowings are principally on a floating rate basis and have not been hedged by any interest rate financial instruments.

The maturities of the Group's total borrowings as at 30 June 2014 and 31 December 2013 are set out as follows:

	30 June 2014 HK\$' 000	31 December 2013 HK\$' 000 (restated)
On demand or within one year	109,401	157,463
More than one year but not exceeding two years	585	8,378
More than two years but not more than five years	216,585	617,217
Total borrowings	326,571	783,058

The portfolio of the currencies of bank deposits of the Group as at 30 June 2014 and 31 December 2013 is set out as follows:

	30 June 2014 %	31 December 2013 % (restated)
United States Dollars	26	28
Hong Kong Dollars	48	40
Renminbi	16	7
Canadian Dollars	1	18
Australian Dollars	2	4
Macau Pataca	3	1
Others	4	2

As at 30 June 2014, the Group's equity attributable to owners of the Company amounted to HK\$1,152 million (31 December 2013: HK\$1,136 million), comprising issued capital of HK\$21 million (31 December 2013: HK\$21 million) and reserves of HK\$1,131 million (31 December 2013 (restated): HK\$1,115 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 2014, the Group employed a total of 1,348 (31 December 2013: 1,462) 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 Macau Pataca. 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

The Group will continue to enlarge its share in the high-end curtain wall market in different regions and increase its competitiveness and profitability.

In the North America region, the total amount of new projects in the construction industry in the United States is expected to exceed US\$500 billion in 2014 with a year-on-year growth forecast of 5% while the average growth rate of the curtain wall industry in the United States between 2011 and 2015 is estimated to be 7.7%. In 2014, investment on the construction industry in Canada is expected to exceed US\$300 billion. Currently, order placement on commercial buildings and public facilities related to curtain wall business are active, creating a good opportunity for the Group.

With respect to Hong Kong and Macau, in the next 5 to 10 years, the development plan of Hong Kong and the establishment of the Hong Kong-Zhuhai-Macao Bridge will provide a more dynamic economy and construction industry in Hong Kong. Meanwhile, the resort hotels and gaming industry in Macau frequently rolls out different new projects, which facilitates the Group's sustainable business growth in Macau.

Regarding Mainland China, the number of newly constructed skyscrapers is still on the rise, which would act as the catalyst for the healthy development of the glass curtain wall industry in the region. Based on our differentiated business model, the Group will be proactive in exploring new markets.

The Group acquired the entire equity interests of Treasure Construction Engineering Limited ("Treasure Construction") from its parent company China State Construction International on 11 March 2014. Treasure Construction is a construction company holding "Hong Kong General Building Contractor Certificate of Registration". It has undertaken numerous building construction projects with good construction records. The Group has already begun a market research and started the deployment of human resources with an aim to commence its general contracting business in Hong Kong.

Operating Strategies

The Group shall continue its strategy of balanced distribution in North America and Asia-Pacific (including Mainland China), remaining competitive and profit oriented in high-end curtain wall markets continue to be the Group's overarching guideline. In North America, the Group will focus on tendering projects from private developers to secure favorable margins on future projects in the region. Ongoing anti-dumping investigations against all China-based curtain wall companies demonstrate effectiveness of Group's localization strategy as compared to other competitors.

The Group will continue to focus on recent trend of new casino construction project in Macau, working together with its parent company to secure certain potential projects. Differentiated business model with high quality delivery should be the target approach for opportunities in Mainland China. The Group has enjoyed a smooth working relationship with its parent company and expects further synergies to be released with increasing cooperation on projects in various markets. The Group will continue to explore investment opportunities. It is exploring investment opportunities of different regions, aiming at searching for stable and highly sustainable operation assets projects.

Excellent human resources management and project management model are vital to the Group's performance. The Group will work to fine-tune management of design, procurement, fabrication, logistics, installation and safety monitoring. The Group will also work on hiring and retaining talents as well as utilize talent pools from different geographies to work cross-border to increase efficiency. The Group will actively participate in community care activities to maintain its healthy corporate citizenship image.

INTERIM DIVIDEND

The Board declares the payment of an interim dividend of HK0.5 cent per share (30 June 2013: HK0.5 cent per share), payable on Monday, 22 September 2014 to shareholders whose names appear on the register of members of the Company on Friday, 12 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 11 September 2014 to Friday, 12 September 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 10 September 2014.

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

During the six months ended 30 June 2014, 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 2014 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 2014.

REVIEW OF ACCOUNTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2014 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors.

APPRECIATION

I would like to take this opportunity to express my sincere appreciation to our board of directors and senior management for their great leadership, our shareholders and customers for their invaluable support, and our staff for their tenacious efforts.

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

Hong Kong, 13 August 2014

As at the date of this announcement, the Board comprises Mr. Zhou Yong as Chairman and Non-executive Director; Mr. Zhang Yifeng (Vice Chairman and Chief Executive Officer), Mr. Zhu Yijian (Vice Chairman), Mr. Wang Hai (Associate Chief Executive Officer), Mr. Chan Sim Wang and Mr. Qin Jidong as Executive Directors; and Mr. Zhou Jinsong, Mr. Hong Winn and Ms. Kwong Sum Yee Anna as Independent Non-executive Directors.