遠東環球集團有限公司
FAR EAST GLOBAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：00830

# EXPANDING NEW FUTURE
# 拓展新未來

# INTERIM REPORT
# 中期報告 2018

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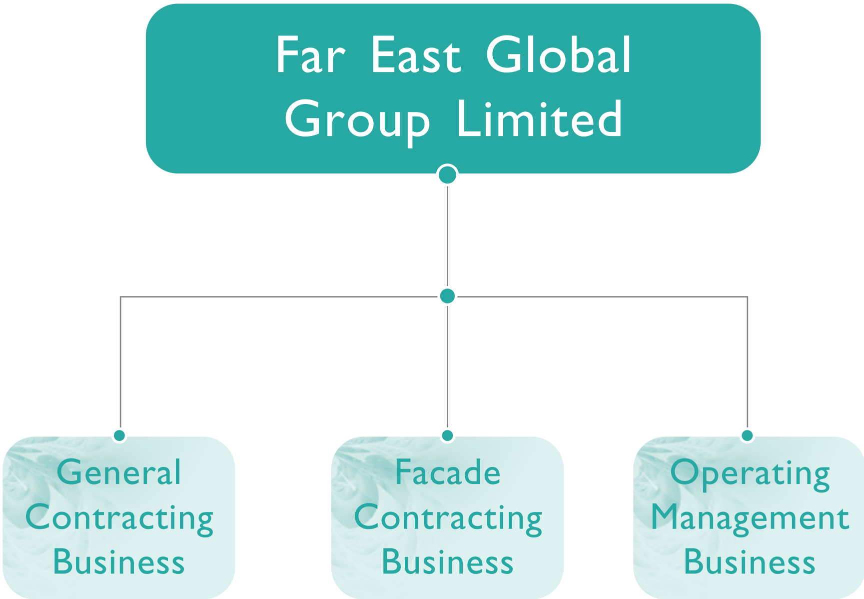
# Corporate Structure



# Board of Directors and Committees

## Board of Directors

### Chairman and Non-executive Director

ZHOU Yong

### Executive Directors

ZHU Yijian *(Vice Chairman and Chief Executive Officer)*
LUO Haichuan
WANG Hai
CHAN Sim Wang

### Non-executive Director

HUANG Jiang

### Independent Non-executive Directors

ZHOU Jinsong
HONG Winn
KWONG Sum Yee Anna

## Committees

### Audit Committee

ZHOU Jinsong, *CPA (Chairman)*
HONG Winn
KWONG Sum Yee Anna

### Remuneration Committee

ZHOU Jinsong *(Chairman)*
ZHOU Yong
ZHU Yijian
HONG Winn
KWONG Sum Yee Anna

### Nomination Committee

ZHOU Yong *(Chairman)*
ZHU Yijian
ZHOU Jinsong
HONG Winn
KWONG Sum Yee Anna

# Corporate Information

## Authorised Representatives

ZHOU Yong
ZHU Yijian

## Company Secretary

LAU Shuk Yin Connie

## Principal Share Registrar and Transfer Office

MaplesFS Limited
P.O. Box 1093
Queensgate House
Grand Cayman
KY1-1102
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## Registered Office

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

## Head Office and Principal Place of Business in Hong Kong

16th Floor, Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

## Auditor

PricewaterhouseCoopers

## Legal Advisor

Mayer Brown JSM

## Principal Bankers

Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
Bank of The West
China Construction Bank Corporation
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Macau) Limited
The Hongkong and Shanghai Banking Corporation Limited

## Stock Code

00830

## Corporate Website

www.fareastglobal.com

## Financial Calendar

### Interim Results Announcement

17 August 2018

### Closure of register of members

6–7 September 2018
(both days inclusive)

### Interim Dividend Payable

5 October 2018

# Chairman's Statement

In the first half of 2018, Far East Global Group Limited and its subsidiaries (collectively the "Group") continued to strengthen the traditional curtain wall business with its precise market acumen by actively optimising its internal management and market deployment to further enhance internal synergy for effective implementation of various operational plans. Under the support of the parent company, the incorporation of the China Overseas Supervision business in Mainland China has facilitated a better development of the Group's business operation. The newly awarded contract value of the curtain wall business, our core business, hit a record high, while the general contracting business made a steady progress.

## Results

During the six months ended 30 June 2018, the total revenue of the Group's principal activities amounted to HK$1,763 million, representing a year-on-year increase of 16.3%; the profit attributable to owners of the Company amounted to HK$90.9 million, representing a year-on-year increase of 5.4%; earnings per share was HK4.22 cents, representing a year-on-year increase of 5.5%.

## Distribution of Dividends

The board of directors declared to distribute an interim dividend of HK1.0 cent per share for the half year ended 30 June 2018.

## Business Review

### Market conditions

In the first half of 2018, the global economy continued to present an overall upward trend but the recovery slowed down with the polarizing trend in economic growth of the United States and other developed and emerging economies. With the Federal Reserve's fast interest rates hike and the impact of the US trade protectionism, emerging economies experienced intensified turbulence in light of the volatility in exchange rates, interest rates and commodity prices, casting a shadow over the outlook for global economic growth. Against the backdrop of the escalated US-China trade dispute coupled with the deleveraging cycle and the deepening of supply-side reform, the pace of economic restructuring and industrial transformation and upgrading in China has further accelerated, and China's economy has shown a stable and decelerating growth trend.

The Group adhered to the operational strategy of "rooting in Hong Kong and Macau, relying on Mainland, exploring overseas markets, joining internal and external forces", persisted with its prudent bidding strategy, drew on internal synergy, and proactively developed premium projects that could enjoy branding effect.

### *I. Curtain Wall Business*

Hong Kong and Macau are the traditional key markets of the Group. Given the overall prosperous curtain wall market in Hong Kong, the Group strived to further strengthen its advantages in order to maintain its leading market position in Hong Kong. In Macau, the high-end curtain wall market still suffered from a downturn, though the economy began to bottom out. The Group is a leading high-end curtain wall total solution provider recognised in the market. As it focused on deepening the strategic cooperative relation with its big clients, it also actively strived to create long-term and stable cooperation opportunities with

# Chairman's Statement (Continued)

new clients, contributing to the continuous business growth in the region. In the first half of 2018, the Group's newly awarded projects in the region included Tuen Mun Kwun Chui Road Project of TMTL 500, The Curtain Wall and Barrage Section Project of Tai Po Town Lot No. 221 at Shan Tong Road, Lai Chi Shan, Tai Po, New Territories, and The Lohas Park Phase IX Project at Tseung Kwan O, etc. The Group has put emphasis on improving the project performance capacity and managing the schedule, quality, safety, cash flow and efficiency of its projects in progress. Synergy is achieved by consolidating the internal design, procurement, production and installation resources of the Group. The Group has also been working on enhancing safety control, and implementing incentive schemes to maximise project teams' motivation.

The construction and curtain wall markets in North America experienced continuous growth. The Group paid special attention to profitable premium projects with controllable risks that were undertaken by private developers. During the first half of the year, in North America, the Group was awarded, among others, the project of 540 West 21st Street in New York, the US; the project of Queen's Marque in Halifax, Canada and the project of Empire Landmark in Vancouver, Canada. Apart from these, more potential projects are being under way. With the Group's effort in strengthening project cost control and contract management as well as enhancing cross-field resources allocation and coordination, the level of management and control over the Group's business in North America was improving continuously. All projects in progress are making good progress.

There has been a structural imbalance between supply and demand in the curtain wall business in Mainland China which intensified disorderly competitions. The Group has been selective in choosing curtain wall projects in Mainland China and has focused on major projects owned by creditworthy landlords. During the first half of 2018, the Group leveraged its branding effect to proactively explore high-end curtain wall projects. Capitalizing on the internal synergy, the Group was awarded a number of projects such as the curtain wall project of Binhai Commercial Centre in Zhongzhou (Stage I), the daylighting roof works for Huawei's training academy in Songshan Lake, the curtain wall subcontracting works for Phase II of the eastern land parcel of International City (North), the project of Nike's flagship store in Shanghai and the project of Apple Store in Sanlitun, Beijing.

In order to fulfil the growing capacity demand of projects in Hong Kong, Macau and overseas, the Group proactively expanded its production and manufacturing base in Mainland China. The construction of the new Zhuhai Factory was progressing smoothly, and its trial production commenced in late June as scheduled. The new Zhuhai Factory is built as an intelligent factory equipped with cutting-edge production equipment and processing technique, which will further sharpen the Group's advantages in terms of production scale in the future.

In addition to the Greater China region and North America, the Group actively kept abreast of premium curtain wall projects in other overseas regions. During the first half of 2018, the Group was awarded the project for the supply of single components for West Side Place Stage I in Melbourne, Australia, further bolstering the Australian market. At the same time, the Group was successfully awarded the project of The Stage in London, the UK during the first half of the year.

# Chairman's Statement (Continued)

### 2. *General Contracting Business*

The development of our general contracting business has been gaining momentum. The Group actively participated in the bidding of medium and small housing projects in Hong Kong, continuously exploring cooperation opportunities with various China-funded property developers in Hong Kong. Our bidding effort has been progressing in a coordinated manner. Our projects in progress are experiencing steady development, with the project in Tsing Lung Tau from MCC Real Estate, the No. 14–18 Mosque Street project in Mid-Levels, Hong Kong and the residential development project in Tuen Mun Town Lot No. 514 from Chuang's being carried out well without any hiccups.

### 3. *Operating Management Business*

In the first half of 2018, with the strong backing of our parent company, the Group accelerated the expansion of our operating management business and completed the acquisition of China Overseas Supervision Limited ("中海監理有限公司"), a company that holds First Class License for Agencies of Project Tender ("工程招標代理機構甲級執照") and Qualified license for Project Commission ("工程監理綜合資質執照"), from China State Construction International Holdings Limited, our controlling shareholder. The acquisition, while enhancing the synergy of our operating management business of the Group, will also generate coupling effects with our curtain wall business. In the first half of 2018, the Group was awarded a number of projects, for examples, the projects of managing Lot No. 0405 of Songshan Lake Lake Shore Garden in Huawei, Dongguan, and Dongtian Estate in Pinghu, Zhejiang. In addition, the Group continued to step up efforts on the investment transformation and operating management business expansion in Mainland China, and actively participated in a number of project tenders. The urban planning and operating management project in progress was carried out smoothly.

## New Projects Awarded

During the six months ended 30 June 2018, the Group undertook projects with an aggregate contract value of approximately HK$2,793 million. Among them, curtain wall projects accounted for HK$2,687 million; while operating management services accounted for HK$103 million.

## Projects in Progress

As at 30 June 2018, the Group's total contract value of projects in progress amounted to HK$10,068 million, among which the contract value attributable to uncompleted projects on hand amounted to HK$6,211 million.

## Corporate Governance

Adhering to the corporate governance philosophy of honesty, integrity, transparency and efficiency, the Group strictly complied with various laws and regulations and abided by the Listing Rules and regulatory requirements. The Group continuously improved its corporate governance structure and measures to gradually establish and optimise a series of policy systems, internal control system and management mechanism and processes to ensure sound corporate governance. The board of directors strives to maintain high standard commercial ethics, healthy corporate culture and excellent corporate governance, so that the Group is able to actively adjust its business strategy in response to changes of market trends, allowing each professional decision-making team to play its role and strengthening the regionalised governance capability of each business unit.

# Chairman's Statement (Continued)

## Risk Management and Control

The Group continued to improve its internal control system to enhance the ability of risk predictions and the effects of risk management and control, and promote the integration of internal control and business processes. In response to changes in business environments and regulatory requirements, the Group strengthened supervision over major areas and key issues to prevent operational risks and eliminate management loopholes. The Group continued to improve its management systems and optimise mechanisms and procedures to ensure healthy operations.

The Group monitored the policies in overseas markets and the trends of exchange rates constantly and focused its resources on key cities in Europe and North America with relatively optimistic economic prospects to avoid political and exchange rate risks.

## Financial Management

In the first half of 2018, the Group continued to enhance its financial management. Under the principle of stringent financial management, the Group improved the efficiency in utilisation of its capital and actively expanded its finance channels. In addition, the Group focused on expediting its collection of payments due from projects, thereby improving working capital turnover pragmatically. As at 30 June 2018, the Group's bank deposits amounted to a total of HK$365 million. Total borrowings amounted to HK$616 million, and the net gearing ratio was 24.6%. The Group had sufficient credit facilities to meet the needs of its future business development due to its sound financial conditions. At the same time, the Group had committed but unutilised credit facilities and other facilities like construction performance bond facility in aggregate of HK$1,305 million.

## Human Resource Management

By persisting in the "people-oriented" managerial philosophy, the Group emphasises the attraction, retention, and cultivation of all levels of talents who recognise its corporate vision. The Group improves employees' satisfaction and work efficiency by creating a variety of systems that cover employees' recruitment, training, performance assessment and remuneration, and has established an open and transparent mechanism for staff selection and employment to provide its employees with a healthy environment for professional competition and development. During the year, the Group furthered its lecture system to enrich training and the exchange of ideas. The Group also continued to improve its KPI assessment for the purpose of establishing a more comprehensive assessment system. The further implementation of the "Site Contracting Responsibility System" (《地盤目標管理責任制》), the "Design Contracting Incentives System" (《設計承包激勵制度》), the "Site-related Integrated Appraisal and Incentives Methods" (《地盤綜合獎勵評選辦法》) and the "Shenzhen Production Line Motivation System" (《深圳生產線激勵制度》) within the Group has greatly improved the enthusiasm and work efficiency of the employees.

The Company has also formulated solutions targeted to the needs of employees for regimes, procedures, benefits and training, and built a smooth communication platform to create a sound communication atmosphere and contribute ideas for the development of the Company.

As at 30 June 2018, the Group had a total of 2,737 employees.

# Chairman's Statement (Continued)

## Social Responsibilities

Having participated in charity events such as "Walks for Millions" and "Kids' Dream" for successive years, the Group has been awarded honorable certificates such as "Green Office Award", "We Unite Better World Company", "Healthy Workplace" and "Caring with Low Carbon", and has been named a "Caring Company" by the HKCSS for five successive years, demonstrating our dedication towards the community and contribution to social harmony and stability.

## Prospects

It is expected that in the second half of 2018, global currency and trade policies will proceed to a further balanced adjustment; emerging economies will experience an increasing capital flight while trade conflicts between major economies will be intensified, which will bring new risks and challenges to the world economy. The construction market of North America will remain prosperous with the introduction of the stimulus policies on infrastructures in U.S.; overseas curtain wall markets such as Australia and UK enjoy a bright prospect. Hong Kong's construction market will face increasing competition due to its stabilized market size, while Macau's economy will revive after significant adjustments. The planning in Guangdong-Hong Kong-Macau Greater Bay Area will also bring new opportunities to the construction industries of Hong Kong and Macau. China's economy will face great downward pressure for a short period of time, but it will maintain the momentum of stable growth generally when benefiting from a series of stable development measures such as the "Belt and Road" and supply-side reform.

## Business and Development Strategies

The curtain wall business is the foundation of the Group's development. The Group will continue to adopt the operational strategy of "big markets, big clients, big projects", adhere to the business philosophy of "closely focusing on high-end markets and providing high-quality services", integrate advantageous resources, improve its operational and management and control models by taking into consideration the features of various markets, optimise the business deployment in the three major markets, namely Hong Kong and Macau, North America and Mainland China. The Group will further explore other overseas markets such as Australia, the United Kingdom and Asia-Pacific region by leveraging and integrating the existing resources and capacities. The Group will continue to focus on the work schedule, quality, safety, capital and cost management of projects while improving the synergies created during design, production and installation processes. The Group will sharpen its integrated competitive edges in its curtain wall business. Efforts will be made to further improve branding and market development, strengthen management over projects on hand, consolidate the Group's core competitiveness in design, procurement, production and construction, and exercise rigorous control over the project risks while maintaining desired profitability.

The Group highly values the building of its design teams, and will strengthen its design teams in Hong Kong and North America while expanding its design teams in Mainland China, by continuously recruiting additional experts to meet the demand for professionals at project peak seasons. Meanwhile, the Group will provide stronger support to its personnel serving overseas, which includes establishing the basic policies for overseas core management team setup and the remuneration and benefits of personnel serving overseas, thereby maintaining the stability of overseas teams and enhancing the Group's cohesiveness and competitive strengths.

# Chairman's Statement (Continued)

The Group will strengthen its system, make a plan in advance and facilitate communication for project design and construction plan evaluation. In addition, the Group will dovetail the design and production processes of projects to elevate the contract business management levels. Efforts will be increased to improve planning for the procurement of materials and for better process-oriented management to ensure successful completion of all projects.

In respect of its general contracting business, given the growing demand for housing in Hong Kong as well as developers' optimism about the prospects of the housing market, the Group will be actively engaged in the development of premium, medium and small building construction projects in Hong Kong amidst the accelerating renewal of old districts.

In respect of the operating management business field, while closely monitoring the development of national policies, the Group will improve the operation model of its operating management business to further explore opportunities of investment transformation in Mainland China. By giving full play to the synergy from China Overseas Supervision and the Group's operating management business, the Group will strive to realise the scale operation of its operating management business as soon as possible, in order to promote the contribution of operating management businesses to the general results and achieve its strategic objective of being driven by both traditional and operating management businesses.

The board of directors is able to discern and face various problems that may arise in the course of development and wishes to, through constant exploration and efforts, establish and maintain a healthy system integrating the mutual interests of shareholders, the board of directors, management and employees as well as customers and suppliers to promote the sustainable growth of the Group's revenue and profitability.

## Appreciation

I would like to take this opportunity to express my heartfelt gratitude to all shareholders and customers for their strong support and to all employees for their hard work and commitment.

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

Hong Kong, 17 August 2018

# Management Discussion and Analysis

## Overall Performance

For the six months ended 30 June 2018, the Group recorded aggregate revenue of HK$1,763 million (30 June 2017 (restated): HK$1,516 million), an increase of 16.3% as compared with the corresponding period of last year. The profit attributable to owners of the Company was HK$90.9 million (30 June 2017 (restated): HK$86.2 million), an increase of 5.4% as compared with the corresponding period of last year. The basic earnings per share was HK4.22 cents (30 June 2017 (restated): HK4.0 cents), representing the growth of 5.5% as compared with the same period last year.

During the period, the Group acquired 100% of equity interests in China Overseas Supervision Limited ("COS") from Shenzhen CS Grand Wealth Investment Company Limited, a wholly owned subsidiary of China State Construction International Holdings Limited ("CSCIHL") for a cash consideration of RMB70 million. The acquisition was treated as common control combination and merger accounting was adopted as if COS had been combined from the date when COS first came under the control of the controlling party. The comparative figures of the consolidated financial statements have been restated.

### Segment Analysis

#### *Facade Contracting Business*

Revenue contribution from the segment remained stable, the segment's revenue recorded a slightly increase to HK$1,055 million for the six months ended 30 June 2018 (30 June 2017: HK$1,015 million). The operating profit decreased to HK$61 million for the six months ended 30 June 2018 (30 June 2017: HK$113 million). It is due to the fact that the certain projects substantially completed in 2017 has made less contribution in the first half of the year and the newly awarded projects of 2018 have not yet made a significant contribution in the preliminary stage of construction.

#### *General Contracting Business*

Benefiting from the increase in secured construction projects in Hong Kong, the segment delivered a satisfactory growth of revenue to HK$589 million for the six months ended 30 June 2018 (30 June 2017: HK$389 million). The segment profit increased to HK$51 million for the six months ended 30 June 2018 (30 June 2017: HK$12 million) as a results of the increase of revenue of certain projects reaching the peak of construction.

#### *Operating Management Business*

Riding on the contribution from the acquisition of COS and the progress of an urban planning and consultancy project, the segment's revenue recorded a slightly increase to HK$118 million for the six months ended 30 June 2018 (30 June 2017 (restated): HK$112 million). The operating profit increased to HK$36 million for the six months ended 30 June 2018 (30 June 2017 (restated): HK$17 million).

#### *Administrative expenses*

With the continuous expansion of three core business and the acquisition of COS, administrative expenses increased by 14.5% to HK$110 million (30 June 2017 (restated): HK$96 million).

#### *Finance costs*

For the six months ended 30 June 2018, the Group's finance costs increased to HK$11 million (30 June 2017: HK$8 million) as a results of the rise of interest rate.

# Management Discussion and Analysis (Continued)

### *New contracts awarded*

The Group recorded a new contract value of HK$2,793 million for the six months ended 30 June 2018, representing a growth of 49.0% as compared with the same period last year. Major new contracts include the following:

*Facade Project*

— Lohas Park Package 9, Town Lot No. 70RP (Site J), Tseung Kwan O, Hong Kong
— Tai Po Town Lot No. 221, Shan Tong Road, Lai Chi Shan, Tai Po, Hong Kong
— TMTL 500 Kwun Chui Road, Tuen Mun, Hong Kong
— 深圳中洲濱海商業中心，Shenzhen, Mainland China
— West Side Place Stage 1, 250 Spencer Street, Melbourne, Australia
— The Stage, Plough Yard, Shoreditch, EC2A 3LP, London, United Kingdom
— Landmark On Robson, 1400 Robson Street, Vancouver, Canada
— Queen's Marque, Halifax, Canada
— 540 West 21st Street, New York, USA

As of 30 June 2018, the on-hand contract value amounted to HK$10,068 million, among which the backlog was HK$6,211 million which meets the Group's expected future works.

## 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 2018, the Group had bank balances and cash of HK$365 million (31 December 2017 (restated): HK$478 million), total borrowings of the Group were HK$616 million (31 December 2017: HK$615 million). The Group's net gearing ratio (net debt to total net assets) as at 30 June 2018 was approximately 24.6% (31 December 2017 (restated): 14.5%). Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK$1,305 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 2018 and 31 December 2017 are set out as follows:

| | 30 June 2018 HK$'000 | 31 December 2017 HK$'000 |
|---|---|---|
| On demand or within one year | 404,045 | 401,693 |
| More than one year but not exceeding two years | 463 | 200,472 |
| More than two years but not more than five years | 201,512 | 1,542 |
| More than five years | 10,461 | 11,171 |
| Total borrowings | 616,481 | 614,878 |

# Management Discussion and Analysis (Continued)

The portfolio of the currencies of bank deposits of the Group as at 30 June 2018 and 31 December 2017 is set out as follows:

| | 30 June 2018 % | 31 December 2017 % (restated) |
|---|---|---|
| Hong Kong Dollars | 25 | 27 |
| United States Dollars | 17 | 4 |
| Renminbi | 41 | 46 |
| Macau Pataca | 8 | 9 |
| Others | 9 | 14 |

As at 30 June 2018, the Group's equity attributable to owners of the Company amounted to HK$1,091 million (31 December 2017 (restated): HK$1,019 million), comprising issued capital of HK$22 million (31 December 2017: HK$22 million) and reserves of HK$1,069 million (31 December 2017 (restated): HK$997 million).

## Treasury Policy

The Group adopts a 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 2018, the Group employed a total of 2,737 (31 December 2017: 1,758) 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, 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.

# Unaudited Condensed Consolidated Income Statement

| | Note | For the six months ended 30 June 2018 HK$'000 | 2017 HK$'000 (restated) |
|---|---|---|---|
| Revenue | 5 | 1,763,034 | 1,515,646 |
| Cost of sales | | (1,532,368) | (1,300,584) |
| Gross profit | | 230,666 | 215,062 |
| Other income and other gains, net | 6 | 2,242 | 3,011 |
| Administrative, selling and other operating expenses | | (110,128) | (96,144) |
| Finance costs | 7 | (11,115) | (7,944) |
| Profit before tax | 8 | 111,665 | 113,985 |
| Income tax charge | 9 | (23,615) | (30,204) |
| Profit for the period | | 88,050 | 83,781 |
| Profit/(loss) for the period attributable to: | | | |
| Owners of the Company | | 90,888 | 86,225 |
| Non-controlling interests | | (2,838) | (2,444) |
| | | 88,050 | 83,781 |
| Earnings per share (HK cents) | | | (restated) |
| Basic and diluted | 11 | 4.22 | 4.00 |

# Unaudited Condensed Consolidated Statement of Comprehensive Income

| | For the six months ended 30 June 2018 HK$'000 | 2017 HK$'000 (restated) |
|---|---|---|
| Profit for the period | 88,050 | 83,781 |
| Other comprehensive income | | |
| *Items that may be reclassified to profit or loss* | | |
| Exchange differences on translation of foreign operations | 2,087 | 21,296 |
| Other comprehensive income for the period, net of tax | 2,087 | 21,296 |
| Total comprehensive income for the period, net of tax | 90,137 | 105,077 |
| Total comprehensive income for the period attributable to: | | |
| Owners of the Company | 93,349 | 106,886 |
| Non-controlling interests | (3,212) | (1,809) |
| | 90,137 | 105,077 |

# Unaudited Condensed Consolidated Statement of Financial Position

| | Note | 30 June 2018 HK$'000 | 31 December 2017 HK$'000 (restated) |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | 12 | 296,419 | 231,420 |
| Prepaid lease payments | | 34,160 | 34,929 |
| Goodwill | 13 | 138,149 | 138,149 |
| Deferred tax assets | | 93,429 | 94,058 |
| | | 562,157 | 498,556 |
| **Current Assets** | | | |
| Inventories | | 13,218 | 9,928 |
| Contract assets | | 988,396 | 688,810 |
| Trade and other receivables | 14 | 1,186,276 | 1,181,690 |
| Deposits and prepayments | | 58,242 | 56,627 |
| Tax recoverable | | 541 | 1,097 |
| Amounts due from fellow subsidiaries | | 20,443 | 46,474 |
| Bank and cash balances | | 365,176 | 478,137 |
| | | 2,632,292 | 2,462,763 |
| | | 3,194,449 | 2,961,319 |

# Unaudited Condensed Consolidated Statement of Financial Position (Continued)

| | Note | 30 June 2018 HK$'000 | 31 December 2017 HK$'000 (restated) |
|---|---|---|---|
| **Current Liabilities** | | | |
| Bank borrowings | 15 | 404,045 | 401,693 |
| Contract liabilities | | 129,288 | 112,447 |
| Trade payables, other payables and accruals | 16 | 996,978 | 831,145 |
| Finance lease payables | | 820 | 865 |
| Current tax payables | | 88,938 | 88,424 |
| Dividend payables | | 21,555 | — |
| Amounts due to fellow subsidiaries | | 304,325 | 346,076 |
| | | 1,945,949 | 1,780,650 |
| **Total Assets less Current Liabilities** | | 1,248,500 | 1,180,669 |
| **Capital and Reserves** | | | |
| Share capital | 17 | 21,555 | 21,555 |
| Share premium and reserves | | 1,069,459 | 997,338 |
| Equity attributable to owners of the Company | | 1,091,014 | 1,018,893 |
| Non-controlling interests | | (57,413) | (54,201) |
| | | 1,033,601 | 964,692 |
| **Non-current liabilities** | | | |
| Bank borrowings | 15 | 212,436 | 213,185 |
| Finance lease payables | | 2,170 | 2,499 |
| Deferred tax liabilities | | 293 | 293 |
| | | 214,899 | 215,977 |
| | | 1,248,500 | 1,180,669 |

# Unaudited Condensed Consolidated Statement of Changes in Equity

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Special Reserves (Note a) HK$'000 | Share-based payments reserve HK$'000 | Foreign currency translation reserve HK$'000 | Statutory reserves HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 January 2017 | | | | | | | | | | |
| As previously stated | 21,555 | 898,654 | (312,821) | 4,636 | (48,049) | 12 | 365,498 | 929,485 | (45,258) | 884,227 |
| Effect of combination under common control (Note b) | — | — | (27,339) | — | (5,511) | 47,391 | 108,303 | 122,844 | — | 122,844 |
| As restated | 21,555 | 898,654 | (340,160) | 4,636 | (53,560) | 47,403 | 473,801 | 1,052,329 | (45,258) | 1,007,071 |
| Profit/(loss) for the period (restated) | — | — | — | — | — | — | 86,225 | 86,225 | (2,444) | 83,781 |
| Exchange differences arising on translation of foreign operations | — | — | — | — | 20,661 | — | — | 20,661 | 635 | 21,296 |
| Total comprehensive income for the period | — | — | — | — | 20,661 | — | 86,225 | 106,886 | (1,809) | 105,077 |
| Capital contribution relating to share-based payment borne by an intermediate holding company | — | — | 300 | — | — | — | — | 300 | — | 300 |
| Acquisition of additional interests in subsidiaries interest in a subsidiary | — | — | (37) | — | — | — | — | (37) | 37 | — |
| 2016 Final dividend payable | — | — | — | — | — | — | (17,244) | (17,244) | — | (17,244) |
| At 30 June 2017 (restated) | 21,555 | 898,654 | (339,897) | 4,636 | (32,899) | 47,403 | 542,782 | 1,142,234 | (47,030) | 1,095,204 |
| At 1 January 2018 | | | | | | | | | | |
| As previously stated | 21,555 | 898,654 | (312,243) | 4,636 | (23,030) | 12 | 427,634 | 1,017,218 | (54,201) | 963,017 |
| Effect of combination under common control (Note b) | — | — | (182,141) | — | 5,367 | 14,379 | 164,070 | 1,675 | — | 1,675 |
| As restated | 21,555 | 898,654 | (494,384) | 4,636 | (17,663) | 14,391 | 591,704 | 1,018,893 | (54,201) | 964,692 |
| Profit/(loss) for the period | — | — | — | — | — | — | 90,888 | 90,888 | (2,838) | 88,050 |
| Exchange differences arising on translation of foreign operations | — | — | — | — | 2,461 | — | — | 2,461 | (374) | 2,087 |
| Total comprehensive income for the period | — | — | — | — | 2,461 | — | 90,888 | 93,349 | (3,212) | 90,137 |
| Capital contribution relating to share-based payment borne by an intermediate company | — | — | 327 | — | — | — | — | 327 | — | 327 |
| 2017 Final dividend payable | — | — | — | — | — | — | (21,555) | (21,555) | — | (21,555) |
| At 30 June 2018 | 21,555 | 898,654 | (494,057) | 4,636 | (15,202) | 14,391 | 661,037 | 1,091,014 | (57,413) | 1,033,601 |

Notes:

(a) The balance of special reserve as at 1 January 2017 resulted from under common control in 2014, the difference between the fair value of consideration paid for the acquisition and the net asset value of Treasure Construction Engineering Limited ("Treasure Construction") at the acquisition date and transfer of net liability value of its subsidiary, Gamma North America, Inc. from non-controlling interest, resulted from an increase in equity interests in Gamma North America, Inc. through capitalization of shareholder's loans in 2016.

(b) Special reserve arose in the period represented the combinations of China Overseas Supervision Limited ("COS") under common control. The amount represented the excess of consideration paid over the share capital of the acquired company.

# Unaudited Condensed Consolidated Statement of Cash Flows

| | For the six months ended 30 June | |
|---|---|---|
| | 2018 HK$'000 | 2017 HK$'000 (restated) |
| Net cash (used in)/from operating activities | (30,159) | 8,287 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (77,136) | (14,777) |
| Payment of prepaid lease | — | (337) |
| Proceeds from disposals of property, plant and equipment | 75 | 1 |
| Interest received | 851 | 1,331 |
| Net cash used in investing activities | (76,210) | (13,782) |
| **Cash flows from financing activities** | | |
| Finance costs paid | (11,016) | (7,944) |
| Drawdown/(repayment) of bank loans, net | 2,752 | 49,389 |
| Repayment of finance lease payables | (472) | (336) |
| Net cash (used in)/from financing activities | (8,736) | 41,109 |
| Net (decrease)/increase in cash and cash equivalents | (115,105) | 35,614 |
| Effect of foreign exchange rate changes | 2,144 | 22,009 |
| Cash and cash equivalents at beginning of period | 478,137 | 454,512 |
| Cash and cash equivalents at end of period | 365,176 | 512,135 |
| **Analysis of cash and cash equivalents** | | |
| Bank and cash balances | 365,176 | 512,135 |

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 1 Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

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

On 26 June 2018, the Group completed the acquisition of 100% of equity interests in China Overseas Supervision Limited ("COS") from Shenzhen CS Grand Wealth Investment Company 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 RMB70,000,000.

The transfer of the equity interests in COS (the "Acquired Company") was regarded as common control combination. Accordingly, the consolidated financial statements of the Group for the period ended 30 June 2018 had been 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.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 1 Basis of preparation (continued)

The effect of the combination of the Acquired Company on the result of the Group for the six months ended 30 June 2017 and the financial position of the Group as at 31 December 2017 are summarised below:

| | For the six months ended 30 June 2017 HK$'000 (previously stated) | Combination of the Acquired Company HK$'000 | Combination Adjustment HK$'000 | For the six months ended 30 June 2017 HK$'000 (restated) |
|---|---|---|---|---|
| Revenue | 1,403,707 | 111,939 | — | 1,515,646 |
| Cost of sales | (1,217,837) | (82,747) | — | (1,300,584) |
| Gross profit | 185,870 | 29,192 | — | 215,062 |
| Other income and other gains, net | 2,634 | 377 | — | 3,011 |
| Administrative, selling and other expenses | (84,090) | (12,054) | — | (96,144) |
| Finance costs | (7,944) | — | — | (7,944) |
| Profit before tax | 96,470 | 17,515 | — | 113,985 |
| Income tax charge | (25,382) | (4,822) | — | (30,204) |
| Profit for the period | 71,088 | 12,693 | — | 83,781 |
| Profit/(loss) for the period attributable to: | | | | |
| Owners of the Company | 73,532 | 12,693 | — | 86,225 |
| Non-controlling interests | (2,444) | — | — | (2,444) |
| | 71,088 | 12,693 | — | 83,781 |

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 1 Basis of preparation (continued)

| | 31 December 2017 HK$'000 (previously stated) | Combination of the Acquired Company HK$'000 | Combination Adjustment (Note i) HK$'000 | 31 December 2017 HK$'000 (restated) |
|---|---|---|---|---|
| **Non-current Assets** | | | | |
| Property, plant and equipment | 229,000 | 2,420 | — | 231,420 |
| Prepaid lease payments | 34,929 | — | — | 34,929 |
| Goodwill | 138,149 | — | — | 138,149 |
| Deferred tax assets | 94,058 | — | — | 94,058 |
| | 496,136 | 2,420 | — | 498,556 |
| **Current Assets** | | | | |
| Inventories | 9,928 | — | — | 9,928 |
| Contract assets | 688,810 | — | — | 688,810 |
| Trade and other receivables | 943,563 | 238,127 | — | 1,181,690 |
| Deposits and prepayments | 54,520 | 2,107 | — | 56,627 |
| Tax recoverable | 1,097 | — | — | 1,097 |
| Amounts due from fellow subsidiaries | 34,924 | 11,550 | — | 46,474 |
| Bank and cash balances | 386,949 | 91,188 | — | 478,137 |
| | 2,119,791 | 342,972 | — | 2,462,763 |

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 1 Basis of preparation (continued)

| | 31 December 2017 HK$'000 (previously stated) | Combination of the Acquired Company HK$'000 | Combination Adjustment (Note i) HK$'000 | 31 December 2017 HK$'000 (restated) |
|---|---|---|---|---|
| **Current Liabilities** | | | | |
| Bank borrowings | 401,693 | — | — | 401,693 |
| Contract liabilities | 112,447 | — | — | 112,447 |
| Trade payables, other payables and accruals | 782,822 | 48,323 | — | 831,145 |
| Finance lease payables | 865 | — | — | 865 |
| Current tax payables | 45,592 | 42,832 | — | 88,424 |
| Amounts due to fellow subsidiaries (note ii) | 93,514 | 169,229 | 83,333 | 346,076 |
| | 1,436,933 | 260,384 | 83,333 | 1,780,650 |
| **Total Assets less Current Liabilities** | 1,178,994 | 85,008 | (83,333) | 1,180,669 |
| Capital and reserve | 1,017,218 | 85,008 | (83,333) | 1,018,893 |
| Non-controlling interests | (54,201) | — | — | (54,201) |
| Non-current liabilities | 215,977 | — | — | 215,977 |
| | 1,178,994 | 85,008 | (83,333) | 1,180,669 |

Notes:

(i) The combination adjustment represents the consideration payable to acquire the Acquired Company.

(ii) The balance mainly represents a distribution payable to a former shareholder of the Acquired Company, which is also a fellow subsidiary of the Group after the combination of the Acquired Company.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 2 Principal Accounting Policies

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 2017 except for the adoption of amendments to HKAS effective for the financial year ending 31 December 2018.

In the current interim period, the Group has applied the following amendments and improvements to existing Hong Kong Accounting Standards ("HKAS(s)"), HKFRS (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA:

| | |
|---|---|
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transaction |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15, Revenue from Contracts with Customers |
| Amendments to HKAS 40 | Transfers of Investment Property |
| HK (IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Annual Improvements 2014–2016 Cycle | Amendments to HKFRS 1 and HKAS 28 |

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current period has had no material impact on the Group's results and financial position, except HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". As a result of adopting the standards, the Group had to change its accounting policies. The impact of adoption is disclosed in Note 3.

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

| | |
|---|---|
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| HKFRS 16 | Leases[1] |
| HKFRS 17 | Insurance Contracts[2] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[1] |
| HK (IFRIC) — Int 23 | Uncertainty over Income Tax Treatments[1] |
| Annual Improvements 2015–2017 Cycle | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1] |

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 2 Principal Accounting Policies (continued)

Notes: [1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2021
[3] The mandatory effective date will be determined

The Group will adopt the above standards, amendments and improvements to existing standards and interpretations as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

### HKFRS 16, "Leases"

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the statements of financial position for lessees. HKFRS 16 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019. The Group currently plans to adopt this new standard from 1 January 2019.

The Group is a lessee of certain premises and properties which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases should be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to consolidated income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

## 3 Changes in Accounting Policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

### (a) HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 3 Changes in Accounting Policies (continued)

### (a) HKFRS 9 "Financial Instruments" (continued)

The new accounting policies applied from 1 January 2018 are as follows:

#### *(i) Classification*

*Debts instruments*

HKFRS 9 has three financial asset classification categories for investments in debt instruments:

- those to be measured at amortised cost;
- those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and
- those to be measured subsequently at fair value through profit or loss ("FVPL").

Classification depends on the entity's business model for managing the debt instruments and the debt instruments' contractual cash flow characteristics.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets as at FVOCI only if both of the following criteria are met:

- the objective of the Group's business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and
- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 3 Changes in Accounting Policies (continued)

### (a) HKFRS 9 "Financial Instruments" (continued)

#### *(i) Classification (continued)*

*Equity instruments*

Investment in equity instruments are always measured at fair value. Equity instruments that are held for trading are measured at FVPL.

For equity instruments which are not held for trading, the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

#### *(ii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

*Financial assets measured at amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

*Equity instruments classified as fair value through other comprehensive income*

The Group subsequently measures all equity instruments at fair value. Since the Group's management has elected to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Equity investments that are elected by the Group's management to be classified as FVOCI are not subject to impairment. Dividends from such instruments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

#### *(iii) Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instrument assets carried at amortised cost and contract assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 3 Changes in Accounting Policies (continued)

### (a) HKFRS 9 "Financial Instruments" (continued)

#### *(iii) Impairment (continued)*

For trade and other receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 January 2018, the Group has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for doubtful debts account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount until the financial asset is derecognised. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses.

The impact of the adoption of HKFRS 9 is shown as follows:

*(i) Classification and measurement of financial assets and liabilities*

At the date of initial application of HKFRS 9 (1 January 2018), the Company's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets and liabilities into the appropriate HKFRS 9 categories.

The application of HKFRS 9 does not have material impact on the classification, recognition and measurement of the other financial assets held by the Group at 30 June 2018.

The application of HKFRS 9 does not affect the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

*(ii) Impairment of financial assets*

The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost and contract assets under HKFRS 15. At 30 June 2018, the Group assessed the impact of loss allowance is immaterial.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 3 Changes in Accounting Policies (continued)

### (b) HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the modified retrospective approach in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15, which replaces both the provisions of HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

The new accounting policies and the impact of the adoption of HKFRS 15 is shown as follows:

#### *Accounting for revenue from construction contracts*

In prior reporting periods, the Group accounted for revenue from construction contracts when the outcome of construction contracts can be estimated reliably by reference to the stage of completion of the contract activities at the end of the reporting periods.

Under HKFRS 15, revenue from construction contracts is recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time. If construction projects have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

#### *Presentation of contract assets and liabilities*

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- contract assets recognised in relation to construction contracts were previously presented as amounts due from customers for contract work
- contract liabilities recognised in relation to construction contracts were previously presented as amounts due to customers for contract work and deposits received and advances from customers

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 3 Changes in Accounting Policies (continued)

### (b) HKFRS 15 "Revenue from Contracts with Customers" (continued)

*Presentation of contract assets and liabilities (continued)*

The following adjustments were made to the amounts recognised in the statement of financial position on 1 January 2018:

| | At 31 December 2017 (as previously presented) HK$'000 | Effects of adoption of HKFRS 15 HK$'000 | At 1 January 2018 (as restated) HK$'000 |
|---|---|---|---|
| **Condensed consolidated statement of financial position (extract)** | | | |
| Amounts due from customers for contract work | 688,810 | (688,810) | — |
| Contract assets | — | 688,810 | 688,810 |
| Amounts due to customers for contract work | 60,212 | (60,212) | — |
| Deposits received and advances from customers | 52,235 | (52,235) | — |
| Contract liabilities | — | 112,447 | 112,447 |

The following adjustments were made to the amounts recognised in the statement of financial position on 30 June 2018:

| | At 30 June 2018 (without the adoption of HKFRS 15) HK$'000 | Effects of adoption of HKFRS 15 HK$'000 | At 30 June 2018 (as reported) HK$'000 |
|---|---|---|---|
| **Condensed consolidated statement of financial position (extract)** | | | |
| Amounts due from customers for contract work | 988,396 | (988,396) | — |
| Contract assets | — | 988,396 | 988,396 |
| Amounts due to customers for contract work | 71,918 | (71,918) | — |
| Deposits received and advances from customers | 57,370 | (57,370) | — |
| Contract liabilities | — | 129,288 | 129,288 |

The adoption of HKFRS 15 has no material impact to the condensed consolidated income statement and has no impact to the net cash flow from operating, investing and financing activities on the condensed consolidated statement of cash flows.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, except the following accounting estimates and judgements, estimates and assumptions:

### Estimates and assumptions judgements in revenue recognition for revenue from construction contracts work

Revenue from construction contracts is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time. The construction projects have generally no alternative use for the Group due to contractual restrictions and the Group has an enforceable right to payment for performance completed to date.

For revenue from construction contracts work that is recognised over time, the Group recognises such revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets. In making the above estimation, the Group conducts periodic review on the budgets and mark reference to past experience and work of internal quantity surveyors.

### Impairment of receivables, contract assets and amounts due from related parties

The Group assesses on a forward looking basis the expected credit losses associated with its receivables and amounts due from related parties carried at amortised cost and contract assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To make that assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. Significant estimates and judgements are required in determining the probability-weighted amount that is not recoverable and the forecast of future economic conditions.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 5 Revenue and segment information

The Group is principally engaged in the facade contracting business, general contracting business and operating management business. The Group's revenue represents revenue from construction and management contracts.

The Group has three reportable segments principally based on reportable business units as well as the reporting organisation hierarchy, and are determined as follows:

— Façade Contracting Works
— General Contracting Works
— Operating Management

For the six months ended 30 June 2018, the Group recognised revenue from façade contracting business, general contracting business and operating management over time of HK$1,763,034,000.

Unaudited segment results for the six months ended 30 June 2018 and 2017 are as follows:

| | Revenue | | Gross profit | | Segment results | |
|---|---|---|---|---|---|---|
| | 2018 HK$'000 | 2017 HK$'000 (restated) | 2018 HK$'000 | 2017 HK$'000 (restated) | 2018 HK$'000 | 2017 HK$'000 (restated) |
| Reportable segments: | | | | | | |
| Façade Contracting Works | 1,055,469 | 1,015,032 | 127,109 | 172,357 | 60,998 | 113,126 |
| General Contracting Works | 589,250 | 388,675 | 53,035 | 13,513 | 51,023 | 12,300 |
| Operating Management | 118,315 | 111,939 | 50,522 | 29,192 | 35,946 | 17,515 |
| Total | 1,763,034 | 1,515,646 | 230,666 | 215,062 | 147,967 | 142,941 |
| Unallocated corporate expenses | | | | | (26,488) | (21,885) |
| Other income and other gains, net | | | | | 1,301 | 873 |
| Finance costs | | | | | (11,115) | (7,944) |
| Profit before tax | | | | | 111,665 | 113,985 |

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 6 Other income and other gains, net

| | For the six months ended 30 June 2018 HK$'000 | 2017 HK$'000 (restated) |
|---|---|---|
| Bank interest income | 851 | 1,331 |
| Sundry income | 1,391 | 1,680 |
| | 2,242 | 3,011 |

## 7 Finance costs

| | For the six months ended 30 June 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Interest on bank loans and overdrafts | 11,016 | 7,848 |
| Finance lease charges | 99 | 96 |
| | 11,115 | 7,944 |

## 8 Profit before tax

| | For the six months ended 30 June 2018 HK$'000 | 2017 HK$'000 (restated) |
|---|---|---|
| Profit before tax has been arrived at after charging: | | |
| Amortisation of prepaid lease payments | 309 | 337 |
| Depreciation included in cost of contracting works performed | 5,827 | 4,774 |
| Depreciation included in administrative, selling and other operating expenses | 3,643 | 3,745 |
| | 9,470 | 8,519 |

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 9 Income tax charge

| | For the six months ended 30 June 2018 HK$'000 | 2017 HK$'000 (restated) |
|---|---|---|
| Current tax — Hong Kong profits tax | | |
| Provision for the period | 17,300 | 14,300 |
| Overprovision in prior years | (12) | — |
| | 17,288 | 14,300 |
| Current tax — overseas | | |
| Provision for the period | 7,005 | 16,170 |
| Overprovision in prior years | (678) | (266) |
| | 6,327 | 15,904 |
| Income tax charge for the period | 23,615 | 30,204 |

Hong Kong profits tax has been provided at 16.5% of the estimated assessable profit for both periods.

The tax charge on estimated assessable profits elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices.

## 10 Dividends

| | For the six months ended 30 June 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Dividend recognized as distribution during the period: | | |
| 2017 final dividend of HK1.0 cent per share paid on 6 July 2018 (six months ended 30 June 2017: 2016 final dividend of HK0.8 cent per share paid) | 21,555 | 17,244 |

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 10 Dividends (continued)

The Board has declared the payment of an interim dividend of HK1.0 cent per share (30 June 2017: HK1.0 cent per share), amounting to approximately HK$21,555,000 (30 June 2017: approximately HK$21,555,000) payable on 5 October 2018. This interim dividend has not been recognised as a liability at the end of reporting period.

## 11 Earnings per share

The calculation of 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 | |
|---|---|---|
| | 2018<br>HK$'000 | 2017<br>HK$'000<br>(restated) |
| **Earnings** | | |
| Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation | 90,888 | 86,225 |

| | 2018<br>'000 | 2017<br>'000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares used in basic and diluted earnings per share calculation | 2,155,545 | 2,155,545 |
| | | (restated) |
| Basic and diluted earnings per share (HK cents) | 4.22 | 4.00 |

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares for the six months ended 30 June 2018 (30 June 2017: Nil).

## 12 Property, plant and equipment

During the period, the Group spent approximately HK$77,137,000 (30 June 2017 (restated): approximately HK$14,801,000) on additions to property, plant and equipment.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 13 Goodwill

| | HK$'000 |
|---|---|
| Cost, at 30 June 2018 and 31 December 2017 | 159,707 |
| Accumulated impairment, at 30 June 2018 and 31 December 2017 | (21,558) |
| Carrying values, at 30 June 2018 and 31 December 2017 | 138,149 |

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

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 ten years with the average growth rate ranging from 4%-15% and the residual period using the growth rate of 4%. These rates do not exceed the average long-term growth rate for the relevant markets. A financial budget of ten years reflects the medium term plan of management in expanding the customer base and market share. The pre-tax rates used to discount the forecast cash flows are ranging from 22.58% to 23.18%. With all other variables held constant, if the revenue growth rates used in the value-in-use calculation had been decreased by 1.43% or the pre-tax discount rate used in the value-in-use calculation had been increased by 0.5% than management estimated as at 30 June 2018, the headroom would drop to Nil.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 14 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 2018 HK$'000 | 31 December 2017 HK$'000 (restated) |
|---|---|---|
| Trade receivables: | | |
| 0 to 30 days | 314,247 | 375,220 |
| 31 to 60 days | 26,443 | 68,409 |
| 61 to 90 days | 18,617 | 3,641 |
| More than 90 days | 278,315 | 230,952 |
| | 637,622 | 678,222 |
| Retention receivables | 500,265 | 456,247 |
| | 1,137,887 | 1,134,469 |
| Other receivables | 48,389 | 47,221 |
| Trade and other receivables | 1,186,276 | 1,181,690 |

Except for the receivable arising from construction contracts which are billed and immediately payable in accordance with the terms of the relevant agreement, the Group generally allows an average credit period not exceeding 90 days (31 December 2017: 90 days) to its customers and the retention receivables are repayable approximately one year after the expiry of the defect liability period of construction projects.

## 15 Bank borrowings

The bank borrowings are repayable as follows:

| | 30 June 2018 HK$'000 | 31 December 2017 HK$'000 |
|---|---|---|
| On demand or within one year | 404,045 | 401,693 |
| In the second year | 463 | 200,472 |
| In the third to fifth years, inclusive | 201,512 | 1,542 |
| Over five years | 10,461 | 11,171 |
| | 616,481 | 614,878 |
| Less: Amount due for settlement within twelve months | (404,045) | (401,693) |
| Amount due for settlement after twelve months | 212,436 | 213,185 |

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 15 Bank borrowings (continued)

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

| | Hong Kong dollar HK$'000 | Canadian dollar HK$'000 | United States dollar HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **30 June 2018** | **200,000** | **17,659** | **398,822** | **616,481** |
| 31 December 2017 | 200,000 | 28,852 | 386,026 | 614,878 |

The average bank loans interest rates at 30 June 2018 was 3.42% (31 December 2017: 3.15%).

## 16 Trade payables, other payables and accruals

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

| | **30 June 2018 HK$'000** | 31 December 2017 HK$'000 (restated) |
|---|---|---|
| Trade payables: | | |
| 0 to 30 days | **629,617** | 436,771 |
| 31 to 60 days | **25,775** | 41,656 |
| More than 60 days | **69,626** | 51,585 |
| | **725,018** | 530,012 |
| Retention payables | **143,640** | 131,994 |
| | **868,658** | 662,006 |
| Other payables and accruals | **128,320** | 169,139 |
| Trade payables, other payables and accruals | **996,978** | 831,145 |

As at 30 June 2018, the amount of retention payables expected to be due after more than twelve months was approximately HK$104,002,000 (31 December 2017: approximately HK$91,673,000).

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

## 17 Share capital

| | Issued and fully paid Number of shares '000 | Share capital Amount HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| At 1 January 2017, 31 December 2017 and 30 June 2018 | 2,155,545 | 21,555 |

## 18 Commitments

As at 30 June 2018, the Group had the following commitments contracted but not provided for in the condensed consolidated financial statements:

| | 30 June 2018 HK$'000 | 31 December 2017 HK$'000 |
|---|---|---|
| Contracted but not provided for | | |
| — Construction in progress for property, plant and equipment | 48,446 | 96,324 |

## 19 Related party transactions

### Transactions with related parties

| | For the six months ended 30 June | |
|---|---|---|
| | 2018 HK$'000 | 2017 HK$'000 |
| Construction fees received from fellow subsidiaries | 358,183 | 708,152 |
| Service income received from fellow subsidiaries | 18,615 | 4,945 |
| Service fees paid to fellow subsidiaries | 18,849 | 14,062 |

# Other Information

## Interim Dividend

The Board has declared the payment of an interim dividend of HK1.0 cent per share (30 June 2017: HK1.0 cent per share), payable on Friday, 5 October 2018 to shareholders whose names appear on the register of members of the Company on Friday, 7 September 2018.

## Closure of Register of Members

The register of members of the Company will be closed from Thursday, 6 September 2018 to Friday, 7 September 2018, 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, 5 September 2018.

## Share Capital

The Company's total issued share capital as at 30 June 2018 was 2,155,545,000 ordinary shares of HK$0.01 each.

## Share Options

The Company adopted a share option scheme (the "Scheme") on 10 March 2010 and unless otherwise cancelled or amended, is valid and effective for 10 years from 30 March 2010.

No share options were granted to or exercised by any Directors or chief executive of the Company or employees of the Group or other participants, nor were cancelled, or lapsed during the six months ended 30 June 2018.

As at 1 January 2018 and 30 June 2018, the Company had no share options outstanding under the Scheme.

## Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept

# Other Information (Continued)

by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company (the "Model Code") were as follows:

## (a) Interests and short positions in the shares, underlying shares and debentures of the Company

### *Long positions in the shares of the Company*

| Name of Director | Capacity | Nature of interests | Number of ordinary shares held | % of shares in issue(Note) |
|---|---|---|---|---|
| Zhu Yijian | Beneficial owner | Personal interest | 1,000,000 | 0.046 |
| Chan Sim Wang | Beneficial owner | Personal interest | 50,000 | 0.002 |
| Huang Jiang | Beneficial owner | Personal interest | 1,000,000 | 0.046 |

Note: The percentage is based on the total number of ordinary shares of the Company in issue as at 30 June 2018 (i.e. 2,155,545,000 ordinary shares).

## (b) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

### *Long positions in the shares of the associated corporations of the Company*

As at 30 June 2018, Mr. Zhou Yong had personal interests in 3,233,027 ordinary shares, representing approximately 0.064% of the then issued shares, in China State Construction International Holdings Limited ("CSCIHL") and 357,000 A-shares, representing approximately 0.001% of the then issued voting shares, in China State Construction Engineering Corporation Limited ("CSCECL"), held in his capacity as beneficial owner; Mr. Zhu Yijian had interests in 2,538,237 ordinary shares, representing approximately 0.050% of the then issued shares, in CSCIHL (comprising personal interests in 1,487,487 ordinary shares held by him as beneficial owner and family interests in 1,050,750 ordinary shares held by his spouse), and personal interests in 294,000 A-shares, representing approximately 0.001% of the then issued voting shares, in CSCECL held in his capacity as beneficial owner; Mr. Luo Haichuan had personal interests in 210,000 A-shares, representing approximately 0.001% of the then issued voting shares, in CSCECL held in his capacity as beneficial owner; Mr. Wang Hai had personal interests in 210,000 A-shares, representing approximately 0.001% of the then issued voting shares, in CSCECL held in his capacity as beneficial owner; Mr. Chan Sim Wang had personal interests in 32,400 ordinary shares, representing approximately 0.001% of the then issued shares, in CSCIHL held in his capacity as beneficial owner; and Mr. Huang Jiang had personal interests in 210,000 A-shares, representing approximately 0.001% of the then issued voting shares, in CSCECL held in his capacity as beneficial owner. The Company was informed that all the interests in A-shares in CSCECL held by Directors were granted to them by CSCECL pursuant to its share award scheme.

# Other Information (Continued)

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save for the disclosed, at no time during the period under review, was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Nor any of the Directors or chief executive of the Company (including their spouses and children under the age of 18), during the six months ended 30 June 2018, held any interests in, or was granted any right to subscribe for, the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

## Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

So far as is known to any Directors or chief executive of the Company, as at 30 June 2018, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

### Long positions in the shares of the Company

| Name of Shareholder | Capacity | Number of ordinary shares held | Total | % of shares in issue(1) |
|---|---|---|---|---|
| Add Treasure Holdings Limited ("Add Treasure") | Beneficial owner | 1,537,983,279 | 1,537,983,279 | 71.35 |
| China State Construction International Holdings Limited ("CSCIHL")(2) | Interests of controlled corporations | 1,596,403,279 | 1,596,403,279 | 74.06 |
| China Overseas Holdings Limited ("COHL")(3) | Interests of controlled corporations | 1,596,403,279 | 1,596,403,279 | 74.06 |
| 中國建築股份有限公司 (China State Construction Engineering Corporation Limited) ("CSCECL")(3) | Interests of controlled corporations | 1,596,403,279 | 1,596,403,279 | 74.06 |
| 中國建築集團有限公司（「中建集團」）(3) | Interests of controlled corporations | 1,596,403,279 | 1,596,403,279 | 74.06 |

Notes:

1. The percentage is based on the total number of ordinary shares of the Company in issue as at 30 June 2018 (i.e. 2,155,545,000 ordinary shares).

2. Add Treasure is a wholly-owned subsidiary of CSCIHL which, by virtue of the SFO, is taken to be interested in the same 1,537,983,279 shares held by Add Treasure and the 58,420,000 shares of the Company held by another wholly-owned subsidiary of CSCIHL.

3. CSCIHL is owned as to approximately 64.60% by COHL, which in turn, is a wholly-owned subsidiary of CSCECL. CSCECL is, in turn, a subsidiary of 中建集團. By virtue of the SFO, each of COHL, CSCECL and 中建集團 is deemed to be interested in the same 1,596,403,279 shares held indirectly by CSCIHL.

# Other Information (Continued)

Save as disclosed above, as at 30 June 2018, no other person (other than the Directors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2018, 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 2018 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"), save for the following deviation:

Code provisions A.6.7 and E.1.2 — code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Zhou Yong, Chairman of the Board and Non-executive Director, was unable to attend the annual general meeting and extraordinary general meeting held on 29 May 2018 due to other business engagement and Mr. Zhu Yijian, Vice Chairman and Chief Executive Officer chaired the meetings in his stead to answer questions at the meetings. The Vice Chairman reported back to the Chairman the views of shareholders after the meetings.

## Director's Securities Transactions

The Company 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 its code of conduct regarding Directors' securities transactions. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the accounting period covered by this interim report.

## Review of Accounts

The unaudited condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2018 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors.

## Change in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors since the date of the 2017 Annual Report are set out below:

* Mr. Zhou Yong has been the Chairman of China Overseas Holdings Limited since March 2018.

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

Stock Code 股份代號 : 00830