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## FAR EAST GLOBAL GROUP LIMITED

### 遠東環球集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 830)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The board of directors (“the Board”) of Far East Global Group Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011, together with the comparative figures for 2010, are as follows:

#### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 HK\$	2010 HK\$
<b>Revenue/Turnover</b>	4	<b>847,622,122</b>	866,664,104
Cost of sales		<b>(650,732,428)</b>	(640,216,038)
<b>Gross profit</b>		<b>196,889,694</b>	226,448,066
Other income	5	<b>17,013,845</b>	20,228,736
Administrative expenses		<b>(112,969,074)</b>	(90,533,546)
Other operating expenses		<b>(4,992,000)</b>	(18,656,750)
<b>Profit from operations</b>		<b>95,942,465</b>	137,486,506
Finance costs	6	<b>(551,590)</b>	–
Share of losses of jointly controlled entities		<b>(6,303,305)</b>	–
<b>Profit before tax</b>		<b>89,087,570</b>	137,486,506
Income tax expense	7	<b>(9,236,335)</b>	(22,076,940)
<b>Profit for the year</b>	8	<b>79,851,235</b>	115,409,566
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>76,634,000</b>	110,113,165
Non-controlling interests		<b>3,217,235</b>	5,296,401
		<b>79,851,235</b>	115,409,566
<b>Earnings per share:</b>			
Basic (HK cents)	10	<b>6.88</b>	10.45
Diluted (HK cents)	10	<b>6.80</b>	10.37

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	<i>Notes</i>	<b>2011</b> <b>HK\$</b>	2010 <b>HK\$</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>114,467,445</b>	33,311,866
Goodwill		<b>159,706,718</b>	–
Intangible assets		<b>45,765,833</b>	–
Available-for-sale investments		<b>54,637,112</b>	47,889,176
Rental and utility deposits		<b>1,443,111</b>	2,077,977
		<b><u>376,020,219</u></b>	<u>83,279,019</u>
<b>Current assets</b>			
Inventories		<b>4,784,916</b>	79,708
Non-current assets held for sale		<b>2,897,383</b>	2,897,383
Gross amount due from customers for contract work		<b>196,497,357</b>	86,183,900
Trade and retention receivables	<i>11</i>	<b>308,137,443</b>	172,192,065
Prepayments, deposits and other receivables		<b>52,566,222</b>	41,518,874
Current tax assets		<b>934,799</b>	68,671
Pledged time deposits		<b>44,380,536</b>	82,683,621
Bank and cash balances		<b>81,563,673</b>	364,218,996
		<b><u>691,762,329</u></b>	<u>749,843,218</u>
<b>Current liabilities</b>			
Bank and other borrowings		<b>61,262,045</b>	–
Gross amount due to customers for contract work		<b>89,552,765</b>	132,883,727
Trade and bills payables	<i>12</i>	<b>87,881,654</b>	52,127,627
Finance lease payables		<b>523,906</b>	–
Current tax liabilities		<b>41,662,743</b>	35,365,370
Warranty provisions		<b>17,355,573</b>	15,189,986
Other payables and accruals		<b>91,566,148</b>	76,240,475
		<b><u>389,804,834</u></b>	<u>311,807,185</u>
<b>Net current assets</b>		<b><u>301,957,495</u></b>	<u>438,036,033</u>
<b>Total assets less current liabilities</b>		<b><u>677,977,714</u></b>	<u>521,315,052</u>
<b>Non-current liabilities</b>			
Bank and other borrowings		<b>27,639,158</b>	–
Finance lease payables		<b>1,184,764</b>	–
Deferred tax liabilities		<b>21,567,118</b>	–
		<b><u>50,391,040</u></b>	<u>–</u>
<b>NET ASSETS</b>		<b><u><u>627,586,674</u></u></b>	<u><u>521,315,052</u></u>

	<i>Notes</i>	<b>2011</b> <b>HK\$</b>	2010 <i>HK\$</i>
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>11,128,775</b>	11,161,080
Reserves		<b><u>563,255,912</u></b>	<u>502,816,796</u>
Equity attributable to owners of the Company		<b>574,384,687</b>	513,977,876
Non-controlling interests		<b><u>53,201,987</u></b>	<u>7,337,176</u>
<b>TOTAL EQUITY</b>		<b><u><u>627,586,674</u></u></b>	<u><u>521,315,052</u></u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is 16/F., Eight Commercial Tower, No. 8 Sun Yip Street, Chai Wan, Hong Kong. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 March 2010.

During the year, the Group was involved in the facade contracting business, including the design, engineering, manufacture and installation of curtain wall systems made primarily of fabricated aluminium cladding, stainless steel and glass.

In the opinion of the directors of the Company, as at 31 December 2011, Showmost Group Limited ("Showmost"), a company incorporated in the British Virgin Islands, is the immediate parent; Lotus China Fund II, L.P., a private equity fund incorporated in the Cayman Islands, is the ultimate parent and controlling party of the Company.

### **2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rule") and by the Hong Kong Companies Ordinance.

### **3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

#### **4. REVENUE/TURNOVER AND SEGMENT INFORMATION**

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

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

- North America includes projects in United States of America and Canada.
- Greater China includes projects in the People's Republic of China (the "PRC"), Hong Kong and Macau.
- Asia includes projects in Japan, Korea, Singapore and United Arabs Emirates.
- Others include maintenance projects in all segments and projects in countries not included in the above reportable segments.

The accounting policies of the operating segments are the same as the accounting policies of the Group.

Segment profits and losses do not include the following items:

- Other income (including interest income)
- Administrative expenses
- Other operating expenses
- Share of losses of jointly controlled entities
- Finance costs

Segment assets do not include the following items:

- Goodwill
- Intangible assets
- Property, plant and equipment
- Available-for-sale investments
- Inventories
- Non-current assets held for sale
- Gross amount due from customers for contract work
- Prepayments, deposits and other receivables (including non-current rental and utility deposits)
- Current tax assets
- Bank and cash balances and pledged time deposits

Information about reportable segment profit or loss and assets:

	North America HK\$	Greater China HK\$	Asia HK\$	Others HK\$	Total HK\$
<b>For the year ended 31 December 2011</b>					
Revenue from external customers	<u>442,698,530</u>	<u>255,282,787</u>	<u>77,240,137</u>	<u>72,400,668</u>	<u>847,622,122</u>
Reportable segment profits	<u>103,541,222</u>	<u>60,240,928</u>	<u>27,736,202</u>	<u>5,371,342</u>	196,889,694
Unallocated amounts:					
Other income					17,013,845
Administrative expenses					(112,969,074)
Other operating expenses					(4,992,000)
Finance costs					(551,590)
Share of losses of jointly controlled entities					<u>(6,303,305)</u>
Profit before tax					<u>89,087,570</u>
Other material items:					
Amortisation	1,971,453	-	-	-	1,971,453
Depreciation	4,499,463	4,394,595	413,847	222,166	9,530,071
Amount capitalised	(2,591,917)	(1,339,606)	(252,143)	(215,105)	(4,398,771)
	1,907,546	3,054,989	161,704	7,061	5,131,300
Provision for impairment of trade and retention receivables written back	(390,000)	(2,144,436)	-	-	(2,534,436)
Provision for impairment of trade and retention receivables	<u>-</u>	<u>-</u>	<u>4,121,250</u>	<u>-</u>	<u>4,121,250</u>
<b>As at 31 December 2011</b>					
Segment assets	<u>213,343,714</u>	<u>64,717,569</u>	<u>18,430,720</u>	<u>11,645,440</u>	308,137,443
Property, plant and equipment					114,467,445
Goodwill					159,706,718
Intangible assets					45,765,833
Available-for-sale investments					54,637,112
Inventories					4,784,916
Gross amount due from customers for contract work					196,497,357
Non-current assets held for sale					2,897,383
Prepayments, deposits and other receivables					54,009,333
Current tax assets					934,799
Bank and cash balances and pledged time deposits					<u>125,944,209</u>
Total assets					<u>1,067,782,548</u>

	North America HK\$	Greater China HK\$	Asia HK\$	Others HK\$	Total HK\$
<b>For the year ended 31 December 2010</b>					
Revenue from external customers	<u>385,286,309</u>	<u>346,168,504</u>	<u>54,951,948</u>	<u>80,257,343</u>	<u>866,664,104</u>
Reportable segment profits	<u>129,371,619</u>	<u>71,663,891</u>	<u>8,142,987</u>	<u>17,269,569</u>	226,448,066
Unallocated amounts:					
Other income					20,228,736
Administrative expenses					(90,533,546)
Other operating expenses					<u>(18,656,750)</u>
Profit before tax					<u>137,486,506</u>
Other material items:					
Depreciation	3,054,300	3,647,692	424,069	267,637	7,393,698
Amount capitalised	(2,598,919)	(1,644,824)	(242,274)	(264,941)	(4,750,958)
	455,381	2,002,868	181,795	2,696	2,642,740
Provision for impairment of trade and retention receivables written back	(1,609,917)	(1,721,059)	–	–	(3,330,976)
Provision for impairment of trade and retention receivables	<u>1,634,844</u>	<u>905,000</u>	<u>–</u>	<u>–</u>	<u>2,539,844</u>
<b>As at 31 December 2010</b>					
Segment assets	<u>67,604,083</u>	<u>76,186,464</u>	<u>26,301,916</u>	<u>2,099,602</u>	172,192,065
Property, plant and equipment					33,311,866
Available-for-sale investments					47,889,176
Inventories					79,708
Gross amount due from customers for contract work					86,183,900
Non-current assets held for sale					2,897,383
Prepayments, deposits and other receivables					43,596,851
Current tax assets					68,671
Bank and cash balances and pledged time deposits					<u>446,902,617</u>
Total assets					<u>833,122,237</u>

Geographical information:

	Revenue		Non-current assets	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
United States of America	<b>109,423,453</b>	240,112,547	<b>181,108,813</b>	16,386,102
Canada	<b>333,275,077</b>	145,173,762	<b>71,157,233</b>	851,048
Hong Kong	<b>168,884,292</b>	175,747,727	<b>110,570,499</b>	52,126,931
The PRC (excluding Hong Kong)	<b>86,398,495</b>	170,420,777	<b>12,399,626</b>	12,980,414
United Arab Emirates	<b>14,882,232</b>	11,496,735	<b>647,810</b>	811,593
Japan	<b>46,971,298</b>	–	–	–
Korea	<b>2,573,032</b>	–	–	–
Singapore	<b>12,813,575</b>	43,455,213	<b>108,678</b>	89,609
Chile	<b>69,086,901</b>	76,583,571	<b>27,560</b>	33,322
Others	<b>3,313,767</b>	3,673,772	–	–
Consolidated total	<b><u>847,622,122</u></b>	<u>866,664,104</u>	<b><u>376,020,219</u></b>	<u>83,279,019</u>

Revenue from major customers (which individually contributed 10% or more of the Group's total revenue):

For the year ended 31 December 2011, revenue from two different customers of the Group's North America segment represents HK\$138,430,206 and HK\$100,753,938 of the Group's total revenue respectively.

For the year ended 31 December 2010, revenue from two different customers of the Group's North America segment represents HK\$214,366,667 and HK\$89,564,031 of the Group's total revenue respectively and revenue from two different customers of the Group's Greater China segment represents HK\$128,196,624 and HK\$93,092,603 of the Group's total revenue respectively.



## 5. OTHER INCOME

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Bank interest income	2,305,847	1,888,348
Gain on remeasuring the jointly controlled entities at fair value on business combination	7,769,080	–
Gain on disposal of available-for-sale investments	–	584,963
Gain on disposal of property, plant and equipment	–	9,496,078
Provision for impairment of trade and retention receivables written back	2,534,436	3,330,976
Net foreign exchange gains	1,334,275	4,466,367
Inventories written back	200,277	258,684
Sundry income	2,869,930	203,320
	<u>17,013,845</u>	<u>20,228,736</u>

## 6. FINANCE COSTS

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Interest on bank loans and overdrafts	684,404	–
Finance lease charges	169,766	–
Interest on other loans - wholly repayable within five years	64,970	–
	<u>919,140</u>	<u>–</u>
Amounts capitalised	(367,550)	–
	<u>551,590</u>	<u>–</u>

## 7. INCOME TAX EXPENSE

	<b>2011</b> <b>HK\$</b>	2010 <i>HK\$</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	<b>9,000,000</b>	13,000,000
Over-provision in prior years	<b>(892,138)</b>	–
	<b>8,107,862</b>	13,000,000
Current tax – overseas		
Provision for the year	<b>5,163,770</b>	9,076,940
Over-provision in prior years	<b>(3,382,884)</b>	–
	<b>1,780,886</b>	9,076,940
Deferred tax	<b>(652,413)</b>	–
	<b>9,236,335</b>	<b>22,076,940</b>

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

PRC Enterprise Income Tax has been provided at a rate of 15% (2010: 25%) based on the estimated assessable profit for the year.

During the year ended 31 December 2011, the Group's subsidiary in the PRC was approved as a new and high technology enterprise pursuant to which the PRC subsidiary can enjoy a preferential income tax rate of 15% effective from 2009 to 2011.

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

## 8. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Auditor's remuneration		
– Provision for the year	1,730,000	1,100,000
– Over-provision in prior years	–	(372,600)
	<b>1,730,000</b>	727,400
Acquisitions related costs	5,561,438	–
Amortisation of intangible assets	1,971,453	–
Depreciation	9,530,071	7,393,698
Less: amounts capitalised	(4,398,771)	(4,750,958)
	<b>5,131,300</b>	2,642,740
Gain on disposal of property, plant and equipment	–	(9,496,078)
Loss on disposal of property, plant and equipment	1,750,415	449,714
Operating lease charges – land and buildings	13,823,853	14,540,074
Less: amounts capitalised	(12,158,803)	(12,662,962)
	<b>1,665,050</b>	1,877,112
Impairment on property, plant and equipment	4,992,000	–
Cost of contracting works performed	654,012,016	632,027,092
Warranty provisions	2,901,173	2,950,126
Reversal of unused warranty provision	(2,393,000)	–
Provision for impairment on trade and retention receivables	4,121,250	2,539,844
Provision for impairment on trade and retention receivables written back	(2,534,436)	(3,330,976)
Inventories written back	(200,277)	(258,684)
Other share-based payments	2,765,144	430,416
Staff costs including directors' emoluments:		
Salaries, bonuses and allowances	118,110,286	87,091,385
Share-based payments	3,759,675	5,065,994
Retirement benefits scheme contributions	5,028,153	4,593,513
Less: amount included in cost of contracting works performed	(77,085,737)	(42,470,435)
	<b>49,812,377</b>	<b>54,280,457</b>

## 9. DIVIDENDS

	<b>2011</b> <b>HK\$</b>	2010 <i>HK\$</i>
Interim dividend – HK\$Nil (2010: HK\$0.015) per ordinary share	–	16,741,620
Special dividend declared on 12 March 2010 approved and paid to the then shareholders before the listing of the Company – HK\$198.6 per ordinary share	–	198,600,000
Proposed final dividend – HK\$Nil (2010: HK\$0.015) per ordinary share	–	16,741,620
	<u>–</u>	<u>232,083,240</u>
	<u>–</u>	<u>232,083,240</u>

## 10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	<b>2011</b> <b>HK\$</b>	2010 <i>HK\$</i>
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<b>76,634,000</b>	110,113,165
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic earnings per share calculation	<b>1,114,142,803</b>	1,054,070,137
Effect of dilutive potential ordinary shares arising from share options	<u>12,287,246</u>	<u>7,880,962</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u><b>1,126,430,049</b></u>	<u>1,061,951,099</u>

## 11. TRADE AND RETENTION RECEIVABLE

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Trade receivables	157,309,457	81,201,298
Retention receivables	<u>169,907,763</u>	<u>108,483,730</u>
	327,217,220	189,685,028
Impairment losses	<u>(19,079,777)</u>	<u>(17,492,963)</u>
	<u><b>308,137,443</b></u>	<u><b>172,192,065</b></u>

The Group's trade receivables mainly represent progress billings receivables from facade building contracting works. The Group adopts credit policies which are consistent with the trade practices prevalent in the building industry in countries which the Group has operations. The Group recognises its trade receivables when the value of the subcontract works is certified by the architect. Pursuant to the trade practices, the main contractor from time to time makes applications for payment certificates which include the certified value of the nominated subcontract works.

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum. No aging analysis of retention receivables is presented as the retentions are released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects in question.

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

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Trade receivables:		
0 to 30 days	72,993,445	58,462,780
31 to 60 days	30,232,732	4,888,827
61 to 90 days	22,151,095	4,398,174
More than 90 days	<u>27,429,689</u>	<u>8,543,785</u>
	152,806,961	76,293,566
Retention receivables	<u>155,330,482</u>	<u>95,898,499</u>
	<u><b>308,137,443</b></u>	<u><b>172,192,065</b></u>

## 12. TRADE AND BILLS PAYABLES

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

	<b>2011</b> <i>HK\$</i>	2010 <i>HK\$</i>
0 to 30 days	<b>50,914,657</b>	33,369,626
31 to 60 days	<b>17,137,790</b>	4,657,442
More than 60 days	<b>19,829,207</b>	14,100,559
	<b><u>87,881,654</u></b>	<b><u>52,127,627</u></b>

## 13. SHARE CAPITAL

	<i>Notes</i>	<b>Authorised</b>	<b>Issued and fully paid</b>		
		<i>Number of shares</i>	<i>Amount HK\$</i>	<i>Number of shares</i>	<i>Amount HK\$</i>
Ordinary share of HK\$0.01 each (2010: HK\$0.01)					
At 1 January 2010		39,000,000	390,000	1,000,000	10,000
Increase in authorised share capital	<i>(a)</i>	9,961,000,000	99,610,000	–	–
Capitalisation issue	<i>(a)</i>	–	–	849,000,000	8,490,000
Issue of shares	<i>(b)</i>	–	–	271,750,000	2,717,500
Repurchase of shares	<i>(c)</i>	–	–	<u>(5,642,000)</u>	<u>(56,420)</u>
At 31 December 2010 and at 1 January 2011		10,000,000,000	100,000,000	1,116,108,000	11,161,080
Repurchase of shares	<i>(c)</i>	–	–	(4,348,000)	(43,480)
Issue of shares upon exercise of share options		–	–	<u>1,117,500</u>	<u>11,175</u>
At 31 December 2011		<b><u>10,000,000,000</u></b>	<b><u>100,000,000</u></b>	<b><u>1,112,877,500</u></b>	<b><u>11,128,775</u></b>

*Notes:*

- (a) On 10 March 2010, the authorised share capital of the Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of 9,961,000,000 shares of HK\$0.01 each; and conditional on the share premium account of the Company being credited pursuant to the global offering of the shares of the Company, the directors of the Company were authorised to capitalise the sum of HK\$8,490,000, standing to the credit of the share premium account of the Company by issuing 849,000,000 shares of HK\$0.01 each, credited as fully paid at par.
- (b) On 30 March 2010, the Company issued 271,750,000 ordinary shares of HK\$0.01 each at a price of HK\$1.18 each upon completion of the global offering of the shares of the Company.

- (c) During the year ended 31 December 2011, the Company repurchased and cancelled 4,348,000 (2010: 5,642,000) shares of its own shares through purchases on the Stock Exchange for total consideration of HK\$3,912,960 (2010: HK\$3,646,140).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends or issue new shares.

## **SIGNIFICANT SUBSEQUENT EVENTS AND PUBLIC FLOAT**

- (i) On 2 February 2012, the Company entered into a subscription agreement with Add Treasure Holdings Limited, a wholly-owned subsidiary of China State Construction International Holdings Limited ("CSCIHL"), a company listed on the Main Board of the Stock Exchange, in respect of the subscription of 1,038,550,000 ordinary shares of HK\$0.01 each of the Company by Add Treasure Holdings Limited at a price of HK\$0.62 per ordinary share for a consideration of HK\$643,901,000. The subscription was completed on 28 February 2012.
- (ii) Upon completion of the subscription as mentioned in (i) above, Add Treasure Holdings Limited is required to make mandatory unconditional cash offers for all issued ordinary shares of the Company at a price of HK\$1.18 per ordinary share and for cancellation of each of the 23,600,000 and 61,903,500 outstanding share options with exercise price of HK\$0.52 and HK\$0.65 respectively at a price of HK\$0.66 and HK\$0.53 respectively under rule 26.1 and rule 13.1 of the Hong Kong Code on Takeovers and Mergers (the "Offers"). The Offers were completed on 23 March 2012 and 499,433,279 shares were acquired by Add Treasure Holdings Limited and 23,600,000 and 44,651,000 share options with exercise price of HK\$0.52 and HK\$0.65 respectively were cancelled. According to the share option scheme of the Company, all the share options remained outstanding at the close of the Offers lapsed automatically.
- (iii) Immediately after the completion of the Offers, CSCIHL held directly and indirectly shares of the Company representing approximately 76.2% of the entire shares of the Company then in issue.
- (iv) Upon the close of the Offers, on 23 March 2012, 151,026,221 shares, representing approximately 7% of the issued share capital of the Company are held by the public (i.e., who are independent of the directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates). Accordingly, the Company cannot fulfil the minimum public float requirement under Rule 8.08 of the Listing Rules. An application to the Stock Exchange for a waiver from strict compliance with Rule 8.08 of the Listing Rules has been made by the Company. The Company will take appropriate steps to restore the minimum public float as required under Rule 8.08 of the Listing Rules. The trading in shares of the Company has been suspended from 9:00 a.m. on Monday, 26 March 2012 since the percentage of public float falls below 15%. Announcement will be made by the Company regarding the restoration of public float and resumption of trading in shares of the Company as soon as possible.

## **SCOPE OF WORK OF RSM NELSON WHEELER**

The financial information in this announcement does not constitute the Group's consolidated financial statements for the year, but represents an extract from those consolidated financial statements. A complete set of audited consolidated financial statements will be included in the Company's annual report which will be published in due course.

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto as set out in this announcement have been agreed by the Group's external auditor, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on this announcement.

## **DIVIDENDS**

The Board has resolved not to recommend a final dividend for the year ended 31 December 2011 to the shareholders of the Company.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the "AGM") will be held in Hong Kong on Wednesday, 30 May 2012. Notice of the AGM will be issued and disseminated to the shareholders of the Company in due course.

## **CLOSURE OF TRANSFER BOOKS AND REGISTER OF MEMBERS**

The transfer books and register of members of the Company will be closed from Monday, 28 May 2012 to Wednesday, 30 May 2012, both days inclusive. During such period, no transfer of shares will be registered.

In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 25 May 2012. (Hong Kong time).



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the reporting year, the Group reported turnover of approximately HK\$847.6 million (2010: HK\$866.7 million), a decrease of approximately 2.2% compared to last year. The decrease was primarily attributable to the fact that the major projects in progress like the Kai Tak Cruise Terminal in Hong Kong were in their early preparatory or design stages and the progress of the Costanera Centre in Chile was slower-than-expected and hence could contribute to the revenue in the second half of the year only. Profit attributable to owners of the Company was approximately HK\$76.6 million (2010: HK\$110.1 million), representing a decrease of approximately 30.4% as compared to last year as a result of integration of Red Holdings Group, Inc.'s operating expenses in the second half of the year.

To capture the opportunities arising from the recovery in the construction markets in North America, the Group has positioned itself to participate in the upcoming major projects in the region by acquiring 55% equity interest in Red Holdings Group, Inc., which currently holds the entire equity interests in Gamma USA, Inc., Gamma Installations Inc. and Gamma Windows and Walls International Inc. (collectively referred to as “**Gamma**”). Having successfully integrated Gamma's North American operations into the Group in the first half of the year, the aggregate contract value of the Group's existing project backlog and that of Gamma is approximately HK\$1,930 million, of which approximately 45% are contributed by Gamma as at 31 December 2011. The Group expects increasing contribution from the North American businesses to our overall revenue profile, preserving high overall margins while diversifying our business presence. The Group also captures the potential in the construction markets in Europe and established an office in London, United Kingdom during the year.

As at the date of this announcement, the Group has secured new contracts with an aggregate value of approximately HK\$733.7 million. Major new contracts include the following:–

1. New World International Convention and Exhibition Centre – podium roofing section, Shenyang, China
2. Telus Garden – Office complex, Vancouver, Canada
3. Telus Garden – Residential building, Vancouver, Canada
4. 1565 West 6th Avenue in Vancouver, Canada
5. Marriott, 1041 Canvar, Montreal, Canada
6. Nakano Project, Tokyo, Japan
7. New International Mail Centre, Kowloon Bay, Hong Kong
8. Next Generation Data Centre (NGDC), Tseung Kwan O, Hong Kong.
9. Residential Development at Sai Wan Terrace S.I.L. 761 – Podium, Hong Kong
10. Residential Development at Sai Wan Terrace S.I.L. 761 – Tower, Hong Kong
11. Residential Development at Sai Wan Terrace S.I.L. 761 – Ground Floor Glass Wall, Hong Kong
12. Residential Development at Austin Station Site C K.I.L 11126, Hong Kong
13. Sanitation Garage, 500 Washington Street, New York, United States
14. Elementary Teachers' Federation of Ontario, Toronto, Canada

## **Segment Analysis**

Revenue derived from North America increased by approximately HK\$57.4 million, or approximately 14.9%, from approximately HK\$385.3 million for the year ended 31 December 2010 to approximately HK\$442.7 million for the year ended 31 December 2011. The increase in revenue was primarily because a substantial portion of the work of Shangri-la Toronto project and SAIT Trades & Technology Complex project had been performed in 2011 and Red Holding Group's contribution to revenue from the projects in New York, US and Quebec, Canada since the date of change to be subsidiary. In the absence of profit contribution from the completed US project like Trinity Plaza in San Francisco, the gross margin in North America region decreased to approximately 23.4% for the year ended 31 December 2011 as compared to approximately 33.6% for the year ended 31 December 2010.

Revenue derived from Greater China decreased by approximately HK\$90.9 million, or approximately 26.3%, from approximately HK\$346.2 million for the year ended 31 December 2010 to approximately HK\$255.3 million for the year ended 31 December 2011. The decrease in revenue was primarily due to the fact that our new project in Hong Kong like the Kai Tak Cruise Terminal in Hong Kong was still at their early preparatory stages during the year and had relatively insignificant contribution to revenue. The gross margin in Greater China increased from approximately 20.7% in 2010 to approximately 23.6% in 2011 as a result of margin expansion achieved in the Shanghai IFC Towers.

Revenue derived from Asia increased by approximately HK\$22.2 million, or approximately 40.4%, from approximately HK\$55.0 million for the year ended 31 December 2010 to approximately HK\$77.2 million for the year ended 31 December 2011. The increase in revenue was primarily because a substantial portion of the work of Chiyoda-Ku Yonubanchou Building (Chiyoda-4) and Tokyo Station Yaesu II project both in Japan had been performed in 2011. The gross margin in Asia region increased from approximately 14.8% for the year ended 31 December 2010 to approximately 35.9% for the year ended 31 December 2011 as a result of the effective project management control to reduce the project costs on the completion of certain projects in Singapore and Dubai.

Revenue derived from other regions decreased by approximately HK\$7.9 million, or approximately 9.8%, from approximately HK\$80.3 million for the year ended 31 December 2010 to approximately HK\$72.4 million for the year ended 31 December 2011. The decrease in revenue is primarily due to the fact that the progress of the Costanera Centre in Chile was slower-than-expected and could contribute to the revenue in the second half of the year only. The gross margin in other regions decreased from approximately 21.5% for the year ended 31 December 2010 to approximately 7.4% for the year ended 31 December 2011. It is mainly because of the acceleration cost incurred in the second half of the year for speeding up the progress of the Costanera Centre project.

## **Other operating expenses**

Other operating expenses of approximately HK\$5.0 million (2010: approximately HK\$18.7 million) incurred for the year ended 31 December 2011 represented the recognition of impairment losses in respect of a piece of freehold land owned by us in the U.S. The impairment loss was recognized due to the decrease in market price of the freehold land.

## **Administrative expenses**

During the year ended 31 December 2011, the Group's administrative expenses were approximately HK\$113.0 million (2010: approximately HK\$90.5 million), representing an increase of approximately 24.9% as compared to last year. The increase was mainly due to the acquisition of Red Holdings Group for business expansion during the year.

## **Profit attributable to owners of the Company**

Profit attributable to owners of the Company for the year ended 31 December 2011 amounted to approximately HK\$76.6 million (2010: approximately HK\$110.1 million), representing a decrease of approximately 30.4% over last year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2011, the Group had net working capital amounted to approximately HK\$302.0 million (31 December 2010: approximately HK\$438.0 million). The current ratio (total current assets over total current liabilities) was approximately 1.77 times at 31 December 2011 (31 December 2010: approximately 2.40 times). Total net bank and cash balances, pledged time deposits and bank and other borrowings at 31 December 2011 amounted to approximately HK\$37.0 million (31 December 2010: approximately HK\$446.9 million).

As at 31 December 2011, the Group's equity attributable to owners of the Company amounted to approximately HK\$574.4 million (31 December 2010: approximately HK\$514.0 million), comprising issued capital of approximately HK\$11.1 million (31 December 2010: HK\$11.2 million) and reserves of approximately HK\$563.3 million (31 December 2010: approximately HK\$502.8 million).

The Group had the net cash position of HK\$37.0 million as at 31 December 2011 and was debt-free as at 31 December 2010. The Group's banking facilities are mainly utilized for the issue of documentary credits for purchase of materials, bid bonds for potential projects and performance guarantees for existing projects. As at 31 December 2011, the Group had total banking facilities of approximately HK\$604.8 million with an undrawn balance of approximately HK\$493.9 million. Accordingly, the Group's financing requirements for the remainder of the current financial year will be met by available cash and cash generated from operations as well as banking facilities.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2011, the Group employed a total of 364 (2010: 329) employees. The Group has sound policies of management incentives and competitive remuneration, which aligns 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 like discretionary bonus and participation in share options.

## **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, United Arab Emirates Dirham, Canadian Dollar and Singapore Dollar.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currencies should the need arise.

## **PROSPECTS**

The Group engaged two critical strategic transactions in 2011: completion of acquisition of 55% stake in Gamma companies in North America and CSCIHL's emergence as controlling shareholder of the Group. Although impact of both transactions is not immediate, they have very positive and long-lasting effects on our Group.

For the year ahead, the Group shall increase resources to strengthen our presence in core markets. We also plan to adopt measures to streamline processes and optimize costs on procurement, design, and operational levels, and make necessary adjustments on employees' incentive programs to retain and attract key talent for the Group. We shall explore possibilities of leveraging North American platform for further investments, including but not limited to vertical or horizontal integration of companies in related sectors. We also plan to realize synergies with shareholders in our space through projects in Hong Kong, Macau, and regions overseas.

## **USE OF PROCEEDS FROM GLOBAL OFFERING**

In March 2010, the Company conducted the initial public offering of its shares with net proceeds raised available for the Company amounting to approximately HK\$283.5 million. As stated in the Company's prospectus dated 17 March 2010, the Company intended to use the proceeds for working capital for new projects, potential mergers and acquisitions, establishment of new production facilities, establishment of research and development division and general working capital requirement. By the end of first half of 2011, the Company had utilised approximately HK\$69.1 million and HK\$3.4 million for the working capitals of new projects and for the research and development of new products respectively. During the first half of 2011, the Company acquired 55% equity interest in the Red Holdings Group, Inc. Gamma has significant business presence in the United States and have maintained a large order backlog on hand and stock of potential contracts in negotiation. In view that the acquisition represented a unique growth opportunity, the Company has resolved to apply all of then the unutilized proceeds of approximately 211.0 million to finance this acquisition. Despite the reallocation, the Company expects that the expansion plans as portrayed in the original plan of use of proceeds will not be affected as it is anticipated that they will be sufficiently supported by the financial resources to be generated internally or from new financing available in the future.

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

During the year ended 31 December 2011, the Company repurchased 4,348,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK\$3,912,960. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are as follows,

Month of the repurchases	Total number of the ordinary shares repurchased	Highest price paid per shares <i>HK\$</i>	Lowest price paid per shares <i>HK\$</i>	Aggregate consideration <i>HK\$</i>
May	1,430,000	1.01	0.97	1,421,420
June	<u>2,918,000</u>	0.95	0.78	<u>2,491,540</u>
	<u><u>4,348,000</u></u>			<u><u>3,912,960</u></u>

All the said shares repurchased were cancelled subsequently in June and July 2011.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2011.

## CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions and, where appropriate, adopted some of the recommended best practices as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2011, except that on 4 July 2011 Mr. Huang Brad, the then Chairman of the Company, had temporarily taken up the role as an interim Chief Executive Officers (CEO) of the Company following the resignation of Mr. Kwok Yeung Kwok, the former CEO. Mr. Huang Brad ceased to be the interim CEO of the Company on 30 August 2011 when Mr. Ko Chuk Kin, Herbert, was appointed as the CEO. Details of the Company's corporate governance practices will be set out in the Corporate Governance Report in the annual report of the Company for the year ended 31 December 2011. The current practices will be reviewed and updated regularly to reflect as much as possible the good practices and procedures in corporate governance.

## AUDIT COMMITTEE

During the year ended 31 December 2011, the Audit Committee consisted of all the three Independent Non-executive Directors of the Board. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. All directors of the Company have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code during the year ended 31 December 2011.

## **CHANGE OF COMPOSITION OF BOARD COMMITTEES**

The Board hereby announces that with effect from 31 March 2012, (1) Mr Zhou Yong, the Chairman of the Board, is appointed as a member of the Remuneration Committee and the Nomination Committee and is also appointed as the Chairman of the latter committee; (2) Dr Cheong Chit Sun, the Vice Chairman of the Board and the Chief Executive Officer of the Company, is appointed as a member of Remuneration Committee and the Nomination Committee of the Company; (3) Mr. Huang Brad and Mr. Ko Chuk Kin, Herbert, will cease to be the members of the Nomination Committee and the Remuneration Committee of the Company; (4) Mr. Zhou Jinsong will cease to be the Chairman but remains as a member of the Nomination Committee.

## **PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This results announcement is published on the designated websites of Stock Exchange’s ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.fareastglobal.com](http://www.fareastglobal.com)) respectively. The Company’s annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforesaid websites in due course.

## **APPRECIATION**

I would like to take this opportunity to express my appreciation to my fellow directors and all our staff for their support, hard work and dedication over the past year.

By Order of the Board  
**Zhou Yong**  
*Chairman*

Hong Kong, 30 March 2012

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