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

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

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of Far East Global Group Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 together with comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30 June **2017** HK$'000	2016 HK$'000
Revenue	3	**1,403,707**	1,152,020
Costs of sales		**(1,217,837)**	(1,023,633)
Gross profit		**185,870**	128,387
Other income and other gains, net	4	**2,634**	1,797
Administrative, selling and other operating expenses		**(84,090)**	(78,672)
Finance costs	5	**(7,944)**	(8,265)
Profit before tax	6	**96,470**	43,247
Income tax charge	7	**(25,382)**	(7,674)
Profit for the period		**71,088**	35,573
Profit/(loss) for the period attributable to:			
Owners of the Company		**73,532**	59,903
Non-controlling interests		**(2,444)**	(24,330)
		71,088	35,573
Earnings per share (HK cents)			
Basic and diluted	9	**3.41**	2.78

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Profit for the period	**71,088**	35,573
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**14,662**	4,453
Release of investment revaluation reserve to income statement upon disposal of available-for-sale investments	**-**	440
Other comprehensive income for the period, net of tax	**14,662**	4,893
Total comprehensive income for the period, net of tax	**85,750**	40,466
Total comprehensive income for the period attributable to:		
Owners of the Company	**87,559**	58,983
Non-controlling interests	**(1,809)**	(18,517)
	85,750	40,466

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2017 HK$'000 (unaudited)**	31 December 2016 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment		**150,718**	143,500
Prepaid lease payments		**33,820**	33,130
Goodwill	10	**138,149**	138,149
Deferred tax assets		**147,948**	147,013
		470,635	461,792
Current Assets			
Inventories		**13,518**	10,341
Amounts due from customers for contract work		**763,274**	565,763
Trade and other receivables	11	**640,019**	793,406
Deposits and prepayments		**35,029**	41,443
Tax recoverable		**-**	489
Amounts due from fellow subsidiaries		**29,013**	24,527
Bank and cash balances		**443,712**	386,891
		1,924,565	1,822,860
		2,395,200	2,284,652

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

	Note	**30 June 2017 HK$'000 (unaudited)**	31 December 2016 HK$'000 (audited)
Current Liabilities			
Bank borrowings	12	**374,545**	322,843
Amounts due to customers for contract work		**110,275**	137,440
Trade payables, other payables and accruals	13	**536,506**	572,351
Finance lease payables		**677**	774
Current tax payables		**91,313**	68,269
Dividend payables		**17,244**	-
Amounts due to fellow subsidiaries		**50,088**	29,370
Deposits received and advances from customers		**59,326**	66,947
		1,239,974	1,197,994
Total Assets less Current Liabilities		**1,155,226**	1,086,658
Capital and Reserves			
Share capital	14	**21,555**	21,555
Share premium and reserves		**978,508**	907,930
Equity attributable to owners of the Company		**1,000,063**	929,485
Non-controlling interests		**(47,030)**	(45,258)
		953,033	884,227
Non-current Liabilities			
Bank borrowings	12	**200,000**	200,000
Finance lease payables		**1,900**	2,138
Deferred tax liabilities		**293**	293
		202,193	202,431
		1,155,226	1,086,658

NOTES:

(1) BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

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

(2) PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 except for the adoption of amendments to HKAS effective for the financial year ending 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to HKAS issued by the HKICPA which are relevant to the Group:

Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income Taxes

The application of the above amendments to HKAS in the current period has had no material impact on the Group's results and financial position.

(2) PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS15[1]
HKFRS 16	Leases[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Annual Improvements Project	Annual Improvements 2014-2016 Cycle[1]

Notes:
1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 The mandatory effective date will be determined

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

HKFRS 15, “Revenue from Contracts with Customers”

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group’s financial statements.

HKFRS 16, “Leases”

HKFRS 16 will affect primarily the accounting for Group’s operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

(3) REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the facade contracting business, general contracting business and urban planning management and consultation business. The Group's revenue represents revenue from construction 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
- Urban Planning Management and Consultation Services

Unaudited segment results for the six months ended 30 June 2017 and 2016 are as follows:

	Revenue		Gross profit		Segment results	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(reclassified)		(reclassified)		(reclassified)
Reportable segments:						
Façade Contracting Works	**1,015,032**	976,069	**172,357**	105,110	**113,126**	54,637
General Contracting Works	**388,675**	175,951	**13,513**	23,277	**12,300**	23,266
Total	**1,403,707**	1,152,020	**185,870**	128,387	**125,426**	77,903
Unallocated corporate expenses					**(21,885)**	(26,619)
Other income and other gains, net					**873**	228
Finance costs					**(7,944)**	(8,265)
Profit before tax					**96,470**	43,247

(4) OTHER INCOME AND OTHER GAINS, NET

	For the six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Bank interest income	**975**	282
Sundry income	**1,659**	1,515
	2,634	1,797

(5) FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**7,848**	8,160
Finance lease charges	**96**	105
	7,944	8,265

(6) PROFIT BEFORE TAX

	For the six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Profit before tax has been arrived at after charging:		
Amortisation of prepaid lease payments	**337**	-
Depreciation included in cost of contracting works performed	**4,513**	3,386
Depreciation included in administrative, selling and other operating expenses	**3,646**	3,953
	8,159	7,339

(7) INCOME TAX CHARGE

	For the six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Current tax – Hong Kong profits tax		
Provision for the period	**14,300**	4,489
Current tax – overseas		
Provision for the period	**11,348**	5,222
Overprovision in prior years	**(266)**	(37)
	11,082	5,185
Deferred tax, net	**-**	(2,000)
Income tax charge for the period	**25,382**	7,674

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.

(8) DIVIDENDS

	For the six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Dividend recognised as distribution during the period:		
2016 final dividend of HK0.8 cent per share paid on 10 July 2017 (six months ended 30 June 2016: 2015 final dividend of HK0.6 cent per share paid)	**17,244**	12,933

The Board has declared the payment of an interim dividend of HK1.0 cent per share (30 June 2016: HK0.8 cent per share), amounting to approximately HK$21,555,000 (30 June 2016: approximately HK$17,244,000) payable on 6 October 2017. This interim dividend has not been recognised as a liability at the end of the reporting period.

(9) EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**73,532**	59,903
	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	**2,155,545**	2,155,545
Basic and diluted earnings per share (HK cents)	**3.41**	2.78

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 2017 (30 June 2016: Nil).

(10) GOODWILL

	HK$'000
Cost, at 30 June 2017 and 31 December 2016	159,707
Accumulated impairment, at 30 June 2017 and 31 December 2016	(21,558)
Carrying values, at 30 June 2017 and 31 December 2016	138,149

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

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 fourteen years with the average growth rate ranging from 3%-15% and the residual period using the growth rate of 3%. These rates do not exceed the average long-term growth rate for the relevant markets. A financial budget of fourteen 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 22.06% to 26.31%. With all other variables held constant, if the revenue growth rates used in the value-in-use calculation had been decreased by 2.55% or the pre-tax discount rate used in the value-in-use calculation had been increased by 3.15% than management estimated as at 30 June 2017, the headroom would drop to Nil.

(11) TRADE AND OTHER RECEIVABLES

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

	30 June 2017 HK$'000	31 December 2016 HK$'000
Trade receivables:		
0 to 30 days	**112,738**	272,228
31 to 60 days	**10,324**	28,008
61 to 90 days	**4,840**	9,589
More than 90 days	**64,041**	54,773
	191,943	364,598
Retention receivables	**414,623**	384,046
	606,566	748,644
Other receivables	**33,453**	44,762
Trade and other receivables	**640,019**	793,406

(12) BANK BORROWINGS

The bank borrowings are repayable as follows:

	30 June 2017 HK$'000	31 December 2016 HK$'000
On demand or within one year	**374,545**	322,843
In the second year	**200,000**	-
In the third to fifth years, inclusive	**-**	200,000
	574,545	522,843
Less: Amount due for settlement within twelve months	**(374,545)**	(322,843)
Amount due for settlement after twelve months	**200,000**	200,000

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 2017	**200,000**	**18,221**	**356,324**	**574,545**
31 December 2016	200,000	56,241	266,602	522,843

The average bank loans interest rates at 30 June 2017 was 2.94% (31 December 2016: 3.24%).

(13) TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	30 June 2017 HK$'000	31 December 2016 HK$'000
Trade payables:		
0 to 30 days	**235,901**	325,118
31 to 60 days	**17,726**	22,682
More than 60 days	**38,238**	26,657
	291,865	374,457
Retention payables	**114,711**	99,081
	406,576	473,538
Other payables and accruals	**129,930**	98,813
Trade payables, other payables and accruals	**536,506**	572,351

As at 30 June 2017, the amount of retention payables expected to be due after more than twelve months was approximately HK$73,298,000 (31 December 2016: approximately HK$57,431,000).

(14) SHARE CAPITAL

	Issued and fully paid	
	Number of shares '000	**Share Capital Amount HK$'000**
Ordinary share of HK$0.01 each		
At 1 January 2016, 31 December 2016 and 30 June 2017	2,155,545	**21,555**

BUSINESS REVIEW

In the first half of 2017, the global economy entered into a primary recovery period in profound adjustments, but the foundation of recovery was not yet firm. The economic recovery of developed economies became faster; the US economy entered into the solid growth period and the Federal Reserve continued to hike interest rates; Brexit was started in practice but the negotiation will be difficult; the recovery progress of emerging economies differed; Hong Kong economy climbed up under the influence of the prosperity in the real estate and construction market; China's economic transition entered the climbing period and as the key national strategy of the "Belt and Road" is implemented, the supply-side structural reform also achieved the initial success. China's economy is growing slowly towards stability and the trend of stabilized growth began to appear.

Hong Kong and Macao are the traditional key markets of the Group. The property market and construction market in Hong Kong remained prosperous and the curtain wall business also developed well in general. In Macao, 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 new clients, contributing to the continuous business growth in the region. In the first half of 2017, the Group's newly awarded contract value in the region amounted to HK$1,399 million, including the residential project of Lohas Park Phase V in Tseung Kwan O, Hong Kong Science Park Phase I extension project, TMTL 541, Area 56, So Kwun Wat Tuen Mun project, the commercial project of No. 123 Kwun Tong Hoi Bun Road, Kowloon and the residential project of Rua do Comandante João Belo C, Fai Chi Kei, Macao. 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, optimising project management and division of labour, and implementing incentive schemes to maximise project teams' motivation.

The curtain wall industry in Mainland China developed slowly and disorder adjustments became increasingly greater. The Group has been selective in choosing curtain wall projects in Mainland China. In 2017, in addition to the curtain wall projects for stores of high-end products in which we have been enjoying advantages, the Group also explored similar boutique projects leveraging its branding effect. Currently the new clients are at an intention discussion stage and the bidding is in progress.

The continuous recovery of the construction market in North America led to the fast growth in the curtain wall market and brought new market opportunity to the Group. In the first half of 2017, the Group was awarded the York Region project, Toronto, Canada and the Symphony Tower project, Edmonton, Canada in North America. Meanwhile, more potential projects are under way. As the management and control level is growing in North America, all projects in progress developed well. In order to cope with the business development demands in North America, the Group continued to enhance the resource management in North America. In addition to starting the resource sharing in terms of bidding, design, procurement, commercial and engineering management in the Hong Kong headquarters, Mainland China and North America, the Group also sent more engineering and commercial experts to North America.

In addition to the Greater China region and North America, the Group actively kept track of premium curtain wall projects in other overseas regions, the design and supply model in particular. The Group was awarded the project to supply of unitized panels for Lot 9&10 Elizabeth Quay in Perth, Australia in the first half of 2017.

In respect of construction contracting business, the residential development project in Tsing Lung Tau from MCC Real Estate in progress was carried out smoothly and the Emperor Hotel project will be completed in 2017. Meanwhile, the Group actively participated in the bidding of medium and small housing and boutique housing projects in Hong Kong, achieved new progress in the cooperation with property developers with Chinese capital background in Hong Kong and won the No. 14–18 Mosque Street project in Mid-Levels, Hong Kong.

To extend the production capacity in Mainland China, the construction work of the new Zhuhai Factory was commenced in the second quarter. The construction progressed smoothly and the factory will effectively fulfil the growing capacity demand of projects in Hong Kong and Macao upon completion and after putting into operation.

In the first half of 2017, following heated national policies of the “Belt and Road” and “Characteristic Small Towns”, the Group actively explored the model of integration of industry and finance and promoted the strategic transformation of business in Mainland China. The Group started to implement the new business of urban planning and operation and formally conduct the project of Urban Planning Management and Consultation Service in the first half of 2017.

OVERALL PERFORMANCE

For the six months ended 30 June 2017, the Group recorded aggregate revenue of HK$1,404 million (30 June 2016: HK$1,152 million), an increase of 21.9% as compared with the corresponding period of last year. The profit attributable to owners of the Company was HK$74 million (30 June 2016: HK$60 million), an increase of 23.3% as compared with the corresponding period of last year. The net cash inflow from operating activities was HK$15 million (30 June 2016: HK$124 million) during the period. The basic earnings per share was HK3.41 cents (30 June 2016: HK2.78 cents), representing the growth of 22.7% as compared with the same period last year.

Segment analysis

Facade Contracting Business
Benefiting from the buoyant construction industry in Hong Kong and Australia in recent years, the segment’s revenue recorded an increase to HK$1,015 million for the six months ended 30 June 2017 (30 June 2016: HK$976 million). The operating profit increased by HK$58 million from HK$55 million for the six months ended 30 June 2016 to HK$113 million for the six months ended 30 June 2017.

General Contracting and Other Business
The segment recorded a steady growth in the revenue during the period due to the sustainable development of the construction industry in Hong Kong. The segment delivered a satisfactory growth of revenue to HK$389 million for the six months ended 30 June 2017 (30 June 2016: HK$176 million). The segment profit decreased to HK$12 million for the six months ended 30 June 2017 (30 June 2016: HK$23 million). It is due to the fact that the certain project substantially completed in 2016 has made less contribution and the newly awarded projects of 2017 still at the preliminary stage of construction have not yet recognized profit in the first half of the year.

Urban Planning Management and Consultation Business

By grasping the government's infrastructure project opportunities in China, the Group succeeded entering into an urban planning and consultancy project in China during the period with a contractual value of HK$69 million.

Administrative, selling and other operating expenses

The Group have continuously implemented cost control measures and enhanced operation efficiency to cope with upcoming challenges in the construction industry. Administrative expenses increased by 6.3% to HK$84 million for the six months ended 30 June 2017 (30 June 2016: HK$79 million) because of the expansion of the existing operations and the new business.

Finance costs

For the six months ended 30 June 2017, the Group's finance costs remained stable at HK$8 million (30 June 2016: HK$8 million).

New contracts awarded

The Group recorded a new contract value of HK$1,875 million for the six months ended 30 June 2017, representing a growth of 1.2% as compared with the same period last year. Major new contracts include the following:-

Facade Project

- Hong Kong Science Park Extension Stage 1, Pak Shek Kok, Tai Po, Hong Kong
- KTIL 713, No. 123 Hoi Bun Road, Kwun Tong, Hong Kong
- Lot No.541, So Kwun Wat Road, Area 56, Tuen Mun, Hong Kong
- Lohas Park Package 5 at TKOTL No.70, Area 86G, Tseung Kwan O, Hong Kong
- Tung Chung Town Lot No.2 and Lot No.11, Hong Kong
- Rua do Comandante João Belo C, Fai Chi Kei, Macau
- Elizabeth Quays, Perth, Australia
- Symphony Tower, Edmonton, Canada
- True North Square, Tower 2, Winnipeg, Canada
- York Region, Toronto, Canada

General Contracting Project

- No. 14-18 Mosque Street, Mid-Levels, Hong Kong

Urban Planning Management and Consultation Project

- 長沙望城

As of 30 June 2017, the on-hand contract value amounted to HK$8,702 million, among which the backlog was HK$4,712 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 2017, the Group had bank balances and cash of HK$444 million (31 December 2016: HK$387 million), total borrowings of the Group were HK$575 million (31 December 2016: HK$523 million). The Group's net gearing ratio (net debt to total net assets) as at 30 June 2017 was approximately 14.0% (31 December 2016: 15.7%). Furthermore, the Group had unutilised banking facilities (including performance guarantee facilities, working capital facilities and loan facilities) of approximately HK$1,028 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 2017 and 31 December 2016 are set out as follows:

	30 June 2017 HK$'000	31 December 2016 HK$'000
On demand or within one year	374,545	322,843
More than one year but not exceeding two years	200,000	-
More than two years but not more than five years	-	200,000
Total borrowings	574,545	522,843

The portfolio of the currencies of bank deposits of the Group as at 30 June 2017 and 31 December 2016 is set out as follows:

	30 June 2017 %	31 December 2016 %
Hong Kong dollar	70	58
United States dollar	11	18
Renminbi	8	14
Macau Pataca	3	5
Others	8	5

As at 30 June 2017, the Group's equity attributable to owners of the Company amounted to HK$1,000 million (31 December 2016: HK$929 million), comprising issued capital of HK$22 million (31 December 2016: HK$22 million) and reserves of HK$978 million (31 December 2016: HK$907 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 2017, the Group employed a total of 1,556 (31 December 2016: 1,585) 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.

PROSPECTS

In the second half of 2017, the global currency and trade policies will enter a new balanced adjustment period and the macro economy prospect will become more complicated and changeable. Affected by the aftermath of Brexit, the rate hike in the US and tightening currency policy, impacts on the emerging market are unpredictable. The economy in Hong Kong and Macao will remain stagnant, but the curtain wall business in Hong Kong will still be prosperous due to the construction of public-operated and property projects. The economy in Macao will also recover after recession and the Guangdong-Hong Kong-Macao Bay Area will also bring new opportunities to the construction industry. Benefiting from stable development measures such as the "Belt and Road" and supply-side structural reform, the economy in Mainland China will continue its trend of stable growth.

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", improve the business layout in the three major markets, namely Hong Kong and Macao, North America and Mainland China, promote the integration of design, procurement, engineering, management, business, etc., develop selective projects with large scale and brand effect in key regions, strictly control market risks and maintain an ideal profitability.

The Group highly values the building of its design teams, for design is the most advanced and crucial link for providing "one-stop" value-chain services. It will integrate the design and management structure, strength the design communication and coordinate management between Hong Kong and Mainland China, urged by projects. The Group will continue to enhance the talent cultivation and recruitment in Mainland China and Hong Kong. Consistent with the project management levels, the Group will establish and improve the design personnel levels to adapt to the development of the company and ensure the smooth progress of projects.

The Group will continue to strengthen the management over projects on hand and consolidate the Group's core competitiveness in design, procurement, production and construction and enhance the level of professionalism. Meanwhile, the Group will also strive to study the innovation of products and continuously improve the design, production and construction plans. It will actively develop multiple procurement models and minimize the area procurement costs and management risks on the premise of ensuring the quality.

The Group will continue to enhance the supervision on cash flow, increase income and reduce expenditure in cooperation with business organizations to ensure the healthy and stable development of the company; continue to focus on the exchange rate tendency of Renminbi and other major foreign currencies to avoid exchange rate risks.

The Group will continue to improve the corporate structure and management team of the Group; improve talent introduction and assignment and strengthen the team building; further improve the employee assessment, encouragement and professional development mechanism to ensure the stability of the team and the growing capacity.

In respect of its general contracting business, the Group will learn from its controlling shareholder — China State Construction International Holdings Limited's rich experience in contracting, supplies procurement, subcontractor management, construction planning and on-site management, and bring into play the synergistic effects to secure premium projects and implement them smoothly.

In respect of new business field, the Group will continue to explore new businesses in Mainland China and North America and opportunities of investment and transformation, including studying the innovative business development model. By doing so, the Group strives to attain a stable scale operation as soon as possible and promote the contribution of new businesses to the general results.

The board of directors can discern and face various problems that may arise in the course of development and wishes to establish and maintain a healthy system integrating the mutual interests of shareholders, the board of directors, management and general employees as well as customers to promote sustainable growth of the Group's business and profitability.

INTERIM DIVIDEND

The Board declares the payment of an interim dividend of HK1.0 cent per share (30 June 2016: HK0.8 cent per share), payable on Friday, 6 October 2017 to shareholders whose names appear on the register of members of the Company on Friday, 8 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 7 September 2017 to Friday, 8 September 2017, 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, 6 September 2017.

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

During the six months ended 30 June 2017, 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 2017 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.

REVIEW OF ACCOUNTS

The unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2017 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors.

APPRECIATION

I would like to take this opportunity to express my 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, 21 August 2017

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