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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	2017	2016	Change
RESULTS (HK$'000)			
Revenue	**2,910,942**	2,647,272	10.0%
Profit from the core business *	**155,535**	88,391	75.9%
Profit attributable to owners of the Company	**100,935**	88,391	14.2%
FINANCIAL INFORMATION PER SHARE			
Earnings – basic (HK cents)	**4.68**	4.10	14.1%
Proposed final dividend for the year (HK cent)	**1.00**	0.80	25.0%

* Excluding the one-off reduction of the deferred tax assets arising from the U.S. Tax Cuts and Jobs Act

The board of directors (the "Board") of Far East Global Group Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017, together with the comparative figures for 2016 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 *HK$'000*
Revenue	*3*	**2,910,942**	2,647,272
Costs of sales	*5*	**(2,520,146)**	(2,457,732)
Gross profit		**390,796**	189,540
Other income and other gains, net	*4*	**6,396**	5,165
Administrative, selling and other operating expenses	*5*	**(181,510)**	(160,940)
Finance costs	*6*	**(17,340)**	(15,295)
Profit before tax		**198,342**	18,470
Income tax charge	*7*	**(107,323)**	(57,796)
Profit/(loss) for the year		**91,019**	(39,326)
Profit/(loss) for the year attributable to:			
Owners of the Company		**100,935**	88,391
Non-controlling interests		**(9,916)**	(127,717)
		91,019	(39,326)
Earnings per share (HK cents)	*9*		
Basic and diluted		**4.68**	4.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) for the year	**91,019**	(39,326)
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences arising on translation of foreign operations	**25,955**	(12,315)
Release of investment revaluation reserve to profit and loss upon disposal of available-for-sales investments	**-**	440
Other comprehensive income for the year, net of tax	**25,955**	(11,875)
Total comprehensive income for the year, net of tax	**116,974**	(51,201)
Total comprehensive income for the year attributable to:		
Owners of the Company	**125,954**	74,851
Non-controlling interests	**(8,980)**	(126,052)
	116,974	(51,201)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Non-current Assets			
Property, plant and equipment		**229,000**	143,500
Prepaid lease payments		**34,929**	33,130
Goodwill		**138,149**	138,149
Deferred tax assets		**94,058**	147,013
		496,136	461,792
Current Assets			
Inventories		**9,928**	10,341
Amounts due from customers for contract work		**688,810**	565,763
Trade and other receivables	*10*	**943,563**	793,406
Deposits and prepayments		**54,520**	41,443
Tax recoverable		**1,097**	489
Amounts due from fellow subsidiaries		**34,924**	24,527
Bank and cash balances		**386,949**	386,891
		2,119,791	1,822,860

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2017

	Note	**2017** **HK$'000**	2016 *HK$'000*
Current Liabilities			
Bank borrowings	*11*	**401,693**	322,843
Amounts due to customers for contract work		**60,212**	137,440
Trade payables, other payables and accruals	*12*	**782,822**	572,351
Finance lease payables		**865**	774
Current tax payables		**45,592**	68,269
Amounts due to fellow subsidiaries		**93,514**	29,370
Deposits received and advances from customers		**52,235**	66,947
		1,436,933	1,197,994
Total Assets less Current Liabilities		**1,178,994**	1,086,658
Capital and Reserves			
Share capital	*13*	**21,555**	21,555
Share premium and reserves		**995,663**	907,930
Equity attributable to owners of the Company		**1,017,218**	929,485
Non-controlling interests		**(54,201)**	(45,258)
		963,017	884,227
Non-current Liabilities			
Bank borrowings	*11*	**213,185**	200,000
Finance lease payables		**2,499**	2,138
Deferred tax liabilities		**293**	293
		215,977	202,431
		1,178,994	1,086,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PREPARATION

The consolidated financial statements of Far East Global Group Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

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

(2) APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS

In the current year, 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements 2014-2016 Cycle	Amendments to HKAS 12

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

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [1]
HKFRS 9	Financial Instruments [1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS15, Revenue from Contracts with Customers[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]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]

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 No mandatory effective date yet determined but available for adoption

The Group will adopt the above standards, amendments and improvements to existing standards 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 9 "Financial Instruments"

HKFRS 9, "Financial Instruments" replaces the whole of HKAS 39 "Financial Instruments: Recognition and Measurement". It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

(2) APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS *(continued)*

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) model rather than 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 "Revenue from Contracts with Customers".

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply the new rules from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

Step 1: Identify the contract(s) with customer;
Step 2: Identify separate performance obligations in a contract;
Step 3: Determine the transaction price;
Step 4: Allocate transaction price to performance obligations; and
Step 5: Recognise revenue when performance obligations is satisfied.

The core principle is that a company should recognise revenue when control of a good or service transfers to a customer. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

The adoption of HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt HKFRS 15 using the modified retrospective approach which the cumulative impact of the adoption, if any, will be recognised in retained profits as of 1 January 2018 and comparatives will not be restated.

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) 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.

As a result of reporting structure reorganisation, the Group has reclassified the reportable segments into three operating 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

The executive directors of the Company are the Group's chief operating decision-maker ("CODM"). The CODM assess the performance of the operating segments based on a measure of adjusted profit or loss before interest and tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, if any, such as restructuring costs, legal expenses and impairment of goodwill. The measurement also excludes the effects of share-based payments and unrealised gains/losses on financial instruments. Interest income and expenses resulting from the central treasury function are not allocated to segments.

Segment results for the years ended 31 December 2017 and 2016 are as follows:

	Revenue		**Gross profit**		**Segment result**	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segments:						
Façade Contracting Works	**2,209,728**	2,190,069	**324,592**	139,679	**201,125**	37,210
General Contracting Works	**660,276**	457,203	**43,634**	49,861	**40,073**	49,756
Operating Management	**40,938**	-	**22,570**	-	**22,387**	-
Total	**2,910,942**	2,647,272	**390,796**	189,540	**263,585**	86,966
Unallocated corporate expenses					**(49,498)**	(54,262)
Other income and other gains, net					**1,595**	1,061
Finance costs					**(17,340)**	(15,295)
Profit before tax					**198,342**	18,470

Segment revenue of Facade Contracting Works comprises revenue from Greater China, Asia and other region amounting HK$1,669,006,000 (2016: HK$1,570,081,000) and revenue from North America region amounting HK$540,722,000 (2016: HK$619,988,000). Segment revenue of General Contracting Works and Operating Management represent revenue from Greater China region.

Amounts included in the measure of segment result:

	Depreciation of property, plant and equipment		**(Gain)/loss on disposal of property, plant and equipment**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Façade Contracting Works	**6,820**	7,442	**(164)**	74
General Contracting Works	**78**	-	**-**	-
	6,898	7,442	**(164)**	74

(3) REVENUE AND SEGMENT INFORMATION *(continued)*

An analysis of the Group's financial position by business is as follows:

	Non-current assets*		**Addition to property, plant and equipment**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North America	**202,536**	214,217	**2,665**	6,271
Greater China, Asia and Others	**199,542**	100,562	**104,621**	13,106
	402,078	314,779	**107,286**	19,377

* *Other than deferred tax assets.*

Major customer information

Revenue from two (2016: two) customers, one in both Façade Contracting Works and General Contracting Works and one in General Contracting Works (2016: one in Façade Contracting Works and one in General Contracting Works), amounted to approximately HK$469,919,000 and approximately HK$438,301,000 respectively (2016: approximately HK$694,838,000 and approximately HK$309,315,000 respectively), which each represents more than 10 per cent (2016: 10 per cent) of the Group's total revenue.

(4) OTHER INCOME AND OTHER GAINS, NET

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**1,817**	916
Exchange gain	**-**	2,855
Insurance claim received	**1,460**	210
Rental income	**586**	237
Service income	**1,189**	1,397
Sundry income	**1,622**	949
Provision of trade and other receivables, net	**(442)**	(1,325)
Gain/(loss) on disposal of property, plant and equipment	**164**	(74)
	6,396	5,165

(5) EXPENSES BY NATURE

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Cost of sales		
Cost of contracting works performed	**2,502,765**	2,442,811
Warranty provisions, net	**17,381**	14,921
	2,520,146	2,457,732
Administrative, selling and other operating expenses		
Staff costs, including directors' emoluments:		
Salaries, bonuses and allowances	**488,606**	512,576
Retirement benefits scheme contributions	**12,266**	12,292
Less: amounts included in cost of contracting works performed	**(405,175)**	(430,885)
	95,697	93,983
Depreciation	**16,320**	14,059
Less: amounts included in cost of contracting works performed	**(9,422)**	(6,617)
	6,898	7,442
Operating lease charges — land and buildings	**43,480**	35,492
Less: amounts included in cost of contracting works performed	**(29,530)**	(24,084)
	13,950	11,408
Auditor's remuneration		
- Audit services	**2,563**	2,371
- Non-audit services	**464**	482
	3,027	2,853
Amorisation of prepaid lease payments	**690**	117
Exchange loss, net	**6,890**	-
Others	**54,358**	45,137
	181,510	160,940

(6) FINANCE COSTS

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**17,166**	15,076
Finance lease charges	**174**	219
	17,340	15,295

(7) INCOME TAX CHARGE

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current tax — Hong Kong profits tax		
Provision for the year	**42,396**	40,587
Overprovision in prior years	**(917)**	(46)
	41,479	40,541
Current tax — overseas		
Provision for the year	**11,510**	4,321
(Over)/underprovision in prior years	**(266)**	418
	11,244	4,739
Deferred tax, net	**54,600**	12,516
Income tax charge for the year	**107,323**	57,796

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

The Group's subsidiaries in the Mainland China were approved as a new and high technology enterprise pursuant to which the Mainland China subsidiaries can enjoy a preferential income tax rate of 15% effective from 2015 to 2017.

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.

Pursuant to the Tax Cuts and Jobs Act enacted by the government of the United States ("US") on 22 December, 2017, the US corporate tax rate is reduced for tax years beginning after 31 December, 2017. This rate change leads to a reduction of the deferred tax assets of approximately HK$54,600,000 as of 31 December, 2017.

(8) DIVIDENDS

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Interim dividend paid of HK1.0 cent (2016: HK0.8 cent) per ordinary share	**21,555**	17,244
Final proposed dividend of HK1.0 cent (2016: HK0.8 cent) per ordinary share	**21,555**	17,244
	43,110	34,488

The final dividend proposed after 31 December 2017 was not recognised as a liability at 31 December 2017 and is subject to approval by shareholders in the forthcoming annual general meeting. The final dividend for 2016 was recognised and paid during the year.

(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:

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**100,935**	88,391
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,155,545**	2,155,545
Basic earnings per share (HK cents)	**4.68**	4.10

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2017 (2016: Nil).

(10) TRADE AND OTHER RECEIVABLES

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

	At 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trade receivables:		
0 to 30 days	**338,639**	272,228
31 to 60 days	**64,744**	28,008
61 to 90 days	**3,641**	9,589
More than 90 days	**63,213**	54,773
	470,237	364,598
Retention receivables	**437,513**	384,046
	907,750	748,644
Other receivables	**35,813**	44,762
Trade and other receivables	**943,563**	793,406

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 (2016: 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.

(11) BANK BORROWINGS

	At 31 December	
	2017	2016
	HK$'000	*HK$'000*
Bank loans, secured	**13,638**	13,153
Bank loans, unsecured	**601,240**	509,690
	614,878	522,843
The borrowings are repayable as follows:		
On demand or within one year	**401,693**	322,843
In the second year	**200,472**	-
In the third to fifth years, inclusive	**1,542**	200,000
More than five years	**11,171**	-
	614,878	522,843
Less: amounts due for settlement within twelve months	**(401,693)**	(322,843)
Amounts due for settlement after twelve months	**213,185**	200,000

At 31 December 2017, a bank loan of HK$13,638,000 (2016: HK$13,153,000) is secured by the Group's land and buildings of HK$19,103,000 (2016: HK$18,383,000).

(12) TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	At 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**436,771**	325,118
31 to 60 days	**41,656**	22,682
More than 60 days	**47,031**	26,657
	525,458	374,457
Retention payables	**131,994**	99,081
	657,452	473,538
Other payables and accruals	**125,370**	98,813
Trade payables, other payables and accruals	**782,822**	572,351

(13) SHARE CAPITAL

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

BUSINESS REVIEW

In 2017, Far East Global Group Limited and its subsidiaries (collectively the "Group") adapted to the changes in the international and domestic market environments, drew on internal synergy, actively implemented various business strategic plans, adhered to the implementation of its strategy of "driven by both traditional and operating management businesses", and continuously enhanced its competitive strengths in the industry. The curtain wall business, the main business of the Group, grew progressively, while the general contracting business and operating management businesses in Mainland China developed steadily and gradually.

Market Conditions

In 2017, the global economy underwent a cyclical recovery. The developed economies demonstrated an accelerated pace of economic recovery; the US economy posted solid growth, and the Federal Reserve continued to hike interest rates and launched the process of balance sheet reduction, amidst the passage of tax reform initiatives; developed economies such as Europe, the UK and Japan demonstrated a stable recovery trend; the emerging economies also entered into a recovery phase; China's economic transition witnessed profound development as the national "Belt and Road" strategy and the supply-side structural reform achieved success, with the China economy showing a trend of stabilised growth and pickup.

The Group adhered to the operational strategy of "rooting in Hong Kong and Macau, relying on Mainland China, 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.

1. **Facade Contracting Business**

   The Group further consolidated its advantages in Hong Kong and Macau, the traditional key markets of the Group. The curtain wall business in Hong Kong maintained its stable size, benefitting from the continuous prosperity of the local construction market. The curtain wall market in Hong Kong was prosperous in general with the successive launch of major property development projects. In Macau, the economy began to bottom out and the high-end curtain wall market presented opportunities by virtue of the development planning in Hengqin. The Group is a leading high-end curtain wall total solution provider in the region. Its brand is highly recognised by its key and major clients and promising new clients, contributing to the continuous business growth in the region. In 2017, the new projects in the region that were awarded to the Group include the residential project of Lohas Park Phase V in Tseung Kwan O, Hong Kong Science Park Phase I extension project, the residential project of Tai Po Town Lot No. 214 at Fo Yin Road, Pak Shek Kok, the project of No. 123 Kwun Tong Hoi Bun Road, Kowloon, the KTIL 713 commercial project, the commercial project of Tung Chung Town Lot No. 2 and Lot No. 11, the No. 14-18 Mosque Street project in Mid-Levels, and the residential project of Rua do Comandante João Belo C, Fai Chi Kei, Macau. The Group has put emphasis on 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 deploy and maximise project teams' motivation.

The construction and curtain wall markets in North America entered an upbeat growth cycle. The Group paid special attention to profitable premium projects with controllable risks that were undertaken by private developers. During the year, in North America, the Group was awarded the projects of York Region, Toronto, Canada; Symphony Tower, Edmonton, Canada; True North Square, Tower 2, Winnipeg, Canada; Mackenzie Vaughan Hospital, Toronto, Canada; and UAE Building, New York, the US. With strengthened project cost control and contract management as well as enhanced cross-field resources allocation and coordination, the level of management and control over the Group's business in North America was improving continuously, with more potential projects being under way.

In 2017, the curtain wall industry in Mainland China saw higher fragmentation and disorder adjustments became increasingly greater. The Group has been selective in choosing curtain wall projects in Mainland China and has focused on major projects owned by landlords with good reputation. In 2017, in addition to the curtain wall projects for Apple stores in which we had been enjoying advantages, the Group also explored similar high-end store projects leveraging its branding effect, and was awarded a number of projects such as the project of Changsha Apple store, the project of Huawei's R&D Centre in Suzhou, the door, window and curtain wall project of B massif of China Construction Industrial Base in Baohe District, Hefei, and the curtain wall subcontracting project for the development of Lot No. A03 of Hengqin Shun Tak Control Point Service Zone in Zhuhai.

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 work of the new Zhuhai Factory was progressing smoothly, and it was anticipated that the factory would, upon completion and going into operation, further enhance the Group's advantages in terms of magnitude of capacity.

In addition to the Greater China region and North America, the Group actively kept track of premium curtain wall projects in other overseas regions, and further bolstered the Australia market with a design and supply model. In 2017, the Group was awarded the project for the supply of unitized panels for Lot 9 & 10 Elizabeth Quay in Perth, Australia, and the project for the supply of unitized panels for Victoria Police Headquarters in Melbourne, Australia.

2. General Contracting Business

The Group actively participated in the bidding of medium and small housing projects in Hong Kong, demonstrating a positive development trend regarding its general contracting business. In 2017, the Group's newly awarded contract value for its general contracting business amounted to HK$1,206 million, representing a year-on-year increase of 126.2%. During the year, the Group was awarded 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. Meanwhile, the Emperor Hotel project had been completed during the year, and the residential development project in Tsing Lung Tau from MCC Real Estate in progress was carried out smoothly.

3. Operating Management Business

In 2017, the Group continued to push ahead investment transformation and operating management business expansion in Mainland China. Following heated national policies, the Group actively explored the model of integration of industry and finance. With the current year being the year for developing the operating management business, apart from its active participation in the bidding of various projects, during the year, the Group formally launched urban planning and operation projects that had been awarded in the previous year and, in particular, the Hunan project was progressing smoothly.

Overall Results
During the year ended 31 December 2017, the Group delivered solid results with both revenue and profit improvement guided by its three core business strategy. The consolidated revenue of the Group amounted to HK$2,911 million for the year ended 31 December 2017 (2016: HK$2,647 million), representing an increase of 10% as compared to last year. Excluding the impact of the one-off reduction of the deferred tax assets amounting HK$55 million as a results of the recently enacted US tax reform legislation, the Tax Cuts and Jobs Act, the profit from the core business was HK$156 million (2016:HK$88 million), increased by 75.9%. Profit attributable to owners of the Company increased by 14.8% to HK$101 million for the year ended 31 December 2017. (2016: HK$88 million). The basic earnings per share was HK4.68 cents (2016: HK4.10 cents), representing the growth of 14.1% over last year. The Board of Directors recommends the payment of a final dividend of HK1.0 cent per share and together with the interim dividend of HK1.0 cent per share paid in the year, the total dividends for the year amounted to HK2.0 cents per share, representing 42.7% payout of the distributable profit for the 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$2,210 million for the year ended 31 December 2017 (2016: HK$2,190 million). The segment profit increased by HK$164 million from HK$37 million for the year ended 31 December 2016 to HK$201 million for the year ended 31 December 2017. It resulted from the strong performance of the Hong Kong and Macau region and North America region achieved an improvement of operating results during the year.

General Contracting and Other Business
The segment recorded a steady growth in the revenue during the year due to the sustainable development of the construction industry in Hong Kong. The segment delivered a satisfactory growth of revenue to HK$660 million for the year ended 31 December 2017 (2016: HK$457 million). The segment profit decreased to HK$40 million for the year ended 31 December 2017 (2016: HK$50 million). It is due to the fact that the certain project substantially completed in 2016 has made less contribution and a newly awarded project of 2017 still at the preliminary stage of construction has not yet recognized profit during the year.

Operating Management Business
During the year, the Group succeeded entering into an urban planning and consultancy project in the Mainland China with revenue contribution of HK$41 million and segment profit of HK$22 million.

Administrative, selling and other operating expenses
With the expansion of three core business, administrative expenses increased by 13% to HK$182 million (2016: HK$161 million).

Finance costs
For the year ended 31 December 2017, the Group's finance costs increased to HK$17 million (2016: HK$15 million) as a result of the increase in bank borrowings.

New Projects Awarded
The Group recorded a new contract value of HK$4,179 million for the year ended 31 December 2017, representing a growth of 33.1% as compared to last year. Major new contracts include the following:

Facade Project
- CUHK Medical Centre, Hong Kong
- 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
- Tai Po Town Lot No.214 at Fo Yin Road, Pak Shek Kok, Hong Kong
- Tung Chung Town Lot No.2 and Lot No.11, Hong Kong
- Rua do Comandante João Belo C, Fai Chi Kei, Macau
- 華為蘇州企業項目, Mainland China
- 信德橫琴口岸服務A03地塊開發項目, Mainland China
- Elizabeth Quays, Perth, Australia
- Victoria Police Centre, Melbourne, Australia
- Mackenzie Vaughan Hospital, Vaughan, Canada
- 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
- Residential & Commercial Development at Tuen Mun Town Lot No 514, Hong Kong

Operating Management Project
- 長沙望城

As of 31 December 2017, the on-hand contract value amounted to HK$9,829 million, among which the backlog was HK$5,479 million which meets the Group's expected future works.

Financial Management
During 2017, the Group continued to enhance its financial management. Under the principle of stringent financial management, the Group improved the 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 cash flow and liquidity.

The Group generally finances its operation with internally generated cash flow and credit facilities provided by its principal bankers. At 31 December 2017, the Group had bank balances and cash of HK$387 million (31 December 2016: HK$387 million), total borrowings of the Group were HK$615 million (31 December 2016: HK$523 million). The Group's net gearing ratio (net debt to total net assets) as at 31 December 2017 was approximately 24.0% (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$931 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 31 December 2017 and 31 December 2016 are set out as follows:

	31 December 2017 *HK$'000*	31 December 2016 *HK$'000*
On demand or within one year	**401,693**	322,843
More than one year but not exceeding two years	**200,472**	-
More than two years but not more than five years	**1,542**	200,000
More than five years	**11,171**	-
	614,878	522,843

As at 31 December 2017, the Group's equity attributable to owners of the Company amounted to HK$1,017 million (31 December 2016: HK$929 million), comprising issued capital of HK$22 million (31 December 2016: HK$22 million) and reserves of HK$995 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 Renminbi. 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.

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.

Risk Management and Control

The Group continued to improve its internal control system to enhance risk predictions and the effects of risk management and control, and promoted 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 improving its management systems and mechanisms to ensure healthy operations.

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

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 platform 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 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, procedure, benefits and training, and built a smooth communication platform to create a sound communication atmosphere and contribute ideas for the development of the Company.

At 31 December 2017, the Group employed a total of 1,758 (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.

Social Responsibilities

The Group has been a participant in charity events such as "Walks for Millions" and "Kids' Dream" for many years. The Group is also named a "Caring Company" by virtue of its active participation in and promotion of the "Earth Hour" event, demonstrating its dedication towards the community and contribution to social harmony and stability.

PROSPECTS

In 2018, the recovery trend of the global economy will persist, with positively stable macroeconomic prospects in general. The conditions in developed economies continue to pick up, especially given the positive economic impact from the tax reforms and stimulus policy for infrastructure in the US. As the global currency and trade policies enter a new balanced adjustment period, trade protectionism as well as the fluctuations in exchange and interest rates and bulk commodity prices will subject the emerging economies to certain risks and challenges. China's economic transition will remain on course and, continuing to benefit from a series of measures intended for growth stabilisation such as the "Belt and Road" and supply-side reform, the economy in Mainland China will progress in a stable manner.

The construction market in North America is expected to recover continuously with the launch of stimulus policy for infrastructure in the US and drive the curtain wall market to grow rapidly. Overseas curtain wall markets such as Australia and the United Kingdom show promising prospects. Hong Kong economy will remain stagnant with a stable market size overall despite stiffer competition. The economy in Macau will recover after recession and the Guangdong-Hong Kong-Macau Bay Area will also bring new opportunities to the construction industry. The imbalance between demand and supply in the curtain wall market in Mainland China manifests itself, resulting in more disordered competition.

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 layout 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 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.

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 the old districts.

In respect of the operating management business field, while closely monitoring the development of national policies, the Group will improve and optimise the operation model of its operating management business. On the basis of the results attained in 2017, the Group will further explore opportunities of investment and transformation in Mainland China and 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.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK1.0 cent per share (2016: HK0.8 cent) to shareholders whose names appear on the register of members of the Company on Friday, 15 June 2018. Together with the interim dividend of HK1.0 cent per share, dividends for the year will amount to a total of HK2.0 cents per share. The proposed final dividend is subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend will be paid on Friday, 6 July 2018.

ANNUAL GENERAL MEETING

The 2018 annual general meeting of the Company ("AGM") will be held on Tuesday, 29 May 2018. The notice of the AGM, which constitutes part of the circular to the shareholders of the Company, will be sent together with the 2017 Annual Report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018 (both days inclusive). 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 23 May 2018.

(b) For the purpose of determining shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Thursday, 14 June 2018 and Friday, 15 June 2018 (both days inclusive). In order to qualify for the proposed final 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, 13 June 2018.

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

During the year ended 31 December 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 year ended 31 December 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 (the "Listing Rules").

MODEL CODE FOR DIRECTOR'S SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. All Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended 31 December 2017.

REVIEW OF ACCOUNTS

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017 have been reviewed by the Audit Committee which comprises three Independent Non-executive Directors.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The financial figures on page 2 to page 14 of this announcement have been agreed by the Company's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

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, 14 March 2018

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.