



建聯集團有限公司

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Interim Report 2006

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

James Sai-Wing WONG (*Chairman*)
Stephen Sek-Kee YU
Frank Kwok-Kit CHU

Non-executive Director

Herman Man-Hei FUNG

Independent Non-executive Directors

William Gage MCAFEE
David Chung-Shing WU
Vincent Tian-Quan MO

AUDIT COMMITTEE

William Gage MCAFEE (*Chairman*)
David Chung-Shing WU
Vincent Tian-Quan MO
Herman Man-Hei FUNG

REMUNERATION COMMITTEE

William Gage MCAFEE (*Chairman*)
David Chung-Shing WU
Herman Man-Hei FUNG

COMPANY SECRETARY

Yun-Sang LO

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

18th Floor
77 Des Voeux Road Central
Hong Kong

STOCK CODE

SEHK 385

BUSINESS ADDRESSES AND CONTACTS

Chinney Alliance Group Limited

18th Floor
77 Des Voeux Road Central
Hong Kong

Tel : (852) 2877-3307
Fax : (852) 2877-2035
E-mail : general@chinneyhonkwok.com

Chinney Alliance Engineering Limited

Suite 1001, 10th Floor
Asian House
1 Hennessy Road
Wanchai
Hong Kong

Tel : (852) 2880-3888
Fax : (852) 2811-0974
Website: <http://www.chinney-eng.com>
E-mail : focal@chinney-eng.com

Westco Chinney Limited

Block C, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2362-4301
Fax : (852) 2412-1706
Website: <http://www.westcochinney.com>
E-mail : wcl@westcochinney.com

DMT International Hong Kong Limited

Units 601-603, 6th Floor
AXA Centre
151 Gloucester Road
Wanchai
Hong Kong

Tel : (852) 2810-4662
Fax : (852) 2810-6929
E-mail : info@dmthk.com

Jacobson van den Berg (Hong Kong) Limited

Units 601-603, 6th Floor
AXA Centre
151 Gloucester Road
Wanchai
Hong Kong

Tel : (852) 2828-9328
Fax : (852) 2828-9388
E-mail : info@jvdb.com

Shun Cheong Electrical Engineering Company Limited

Block C, 9th Floor
Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
Kowloon
Hong Kong

Tel : (852) 2426-3123
Fax : (852) 2481-3463
E-mail : general@scee.com.hk

REVIEW OF OPERATIONS

RESULTS

The Group's turnover for the six months ended 30 June 2006 was HK\$519 million, slightly down 3% from HK\$534 million in 2005. Overall, the Group incurred loss of HK\$6.5 million compared to profit of HK\$0.3 million for the same period in the previous year.

Consolidated loss of the Group was primarily attributable to the loss of HK\$6.2 million from disposal of our equity investment in Shun Cheong Holdings Limited ("Shun Cheong") and our sharing the loss of HK\$1 million for the loss of Shun Cheong as an associate up to the date of disposal on 31 March 2006. If excluding the losses related to Shun Cheong, the Group would have recorded profit HK\$0.7 million rather than loss of HK\$6.5 million.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

PROPOSED CAPITAL REDUCTION, OPEN OFFER AND WHITEWASH WAIVER

It was announced on 21 August 2006 that the Board proposed a capital reduction involving reduction of the nominal value of the shares of the Company in issue ("Existing Shares") from HK\$0.25 to HK\$0.10 per share ("New Shares") by the cancellation of HK\$0.15 from the paid-up capital in each Existing Shares (the "Capital Reduction"), an open offer of New shares on the basis of three offer shares for every two New Shares held (the "Open Offer") and the application for whitewash waiver by Enhancement Investments Limited, the underwriter of the Open Offer, which is solely owned by Dr. James Sai-Wing Wong (the "Whitewash Waiver"). The Capital Reduction, Open Offer and Whitewash Waiver are subject to shareholders' approval at a special general meeting to be held on 3 October 2006 and further details of which were contained in a circular dated 8 September 2006 dispatched to the shareholders.

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemicals

DMT International Hong Kong Limited ("DMT") and Jacobson van den Berg (Hong Kong) Limited ("Jacobson") recorded aggregate turnover of HK\$385 million, decreasing 17.4% from HK\$466 million for the same period of the previous year. Following the crude oil market, the prices of plastic materials have soared to historical high levels. Our customers are primarily manufacturers of various consumer and industrial products with production facilities in the Pearl Delta. The hike in plastic prices increased their production costs considerably. Some were concerned with their profitability and elected to pursue less business volume. Others were cautious to replenish stock of plastic materials hoping that the plastic prices would be less expensive later on. In addition to the decrease in sales, gross profit margin slipped modestly as the increases in prices could not be fully passed on to the customers in such market condition. Because of the decline in sales volume and profit margin, the profits of the plastics and chemical trading decreased to HK\$12.2 million (2005: HK\$21.7 million).

Trading of industrial products and equipment

Chinney Alliance Engineering Limited and its subsidiaries ("CAEL") recorded turnover of HK\$29 million, decreasing slightly from HK\$31 million for the same period in the previous year. There was deferral of project sales and billing to later months of the year. The operation incurred loss of HK\$1.6 million for the six months ended 30 June 2006.

Building related contracting services

The building service businesses (the "Contracting Operation") were acquired by the Group from Shun Cheong on 31 March 2006. In order to enhance operational efficiency, the existing air-conditioning businesses carried out by Westco Chinney Limited were merged with the Contracting Operation. The entire scope of the Contracting Operation encompasses design and installation of power supply facilities, air-conditioning systems, water pump and fire service equipment, etc for the public and private sectors in Hong Kong and Macau. During the period, the Contracting Operation contributed turnover of HK\$106 million but posted operating loss of HK\$0.9 million. The loss was primarily attributable to delay in commencements of works for two major installation contracts for the Hong Kong Government, thus delay in billing. As the progress in these contracts resumes normal, the contracting operation is expected to show improvement in performance for the second half of 2006.

Disposal of an associate

As announced on 13 April 2006, the Company sold 32,000,000 shares, representing approximately 27.60% interests, in Shun Cheong, a then 29.93% owned associate of the Company, to Upsky Enterprises Limited ("Upsky", a company owned by Mr. Vincent Tian-Quan Mo, an independent non-executive director of the Company) for a cash consideration of HK\$9.6 million on 12 April 2006. The consideration was arrived at by the Board after arm's length negotiation with Upsky after considering the loss making track record of Shun Cheong and the historical share price performance of Shun Cheong. Full details of this shares disposal are set out in the circular to shareholders of the Company dated 8 May 2006. Subsequently in July 2006, the Company accepted the voluntary cash offer made by Upsky to acquire all the Shun Cheong shares in issue at an offer price of HK\$0.30 per share and sold all remaining 2,697,500 shares in Shun Cheong to Upsky at a cash consideration of HK\$0.8 million. The loss arising from the disposal of all the shares in Shun Cheong was HK\$6.2 million.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK\$219 million as at 30 June 2006 (31 December 2005: HK\$185 million), of which HK\$155 million (31 December 2005: HK\$156 million) related to trust receipt loans. The increase in interest-bearing debts was mainly attributable to the Contracting Group acquired in March 2006, which had an outstanding balance of HK\$30 million as at 30 June 2006. The substantial portion of the debts were due and repayable within one year. Current ratio of the Group at 30 June 2006, as measured by total current assets over total current liabilities, was 1.3.

Total cash at bank and on hand as at 30 June 2006 was HK\$106 million, which included HK\$27 million time deposits pledged to a bank to secure overdraft facilities granted to the Group. The Group had a total of HK\$222 million committed but undrawn banking facilities at period-end available for its working capital purpose.

The gearing ratio of the Group, as measured by the net interest-bearing debts of HK\$113 million over the shareholders' funds of HK\$151 million, was 74% as at 30 June 2006.

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. Forward contracts of non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group.

Pledge of assets

Certain properties and time deposits, having an aggregate book value of HK\$19 million and HK\$27 million respectively as at 30 June 2006, were pledged to secure the borrowings of the Group.

Employees and remuneration policies

The Group employed approximately 230 staff in Hong Kong and other parts of the People's Republic of China as at 30 June 2006. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

OUTLOOK

We are optimistic for improvement in results in the second half of the year. The trading of plastics and chemicals is expected to do better partly because of seasonality factor and partly in anticipation of more stable market condition for the plastic materials. Furthermore, we have continued to develop new products with higher profit margins, some of which would soon start bearing fruit. With regard to the distribution of industrial equipment, some delayed projects are expected to catch up in later months and contribute additional revenue to the operation. For the newly acquired Contracting Operation, we have been awarded new contracts for hotel casino projects in Macau and expect more in the pipeline. In view of recent encouraging business development, the result of the Contracting Operation is also expected to turn around soon in the forthcoming year.

Lastly, I would like to express my appreciation to my fellow directors and all staff for their dedication and hard work during this period.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 19 September 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
TURNOVER	3	518,684	534,525
Cost of sales/services		(476,945)	(484,760)
Gross profit		41,739	49,765
Other revenue and gains	3	3,169	2,727
Selling and distribution costs		(7,959)	(9,626)
Administrative expenses		(31,855)	(31,270)
Other operating income/(expenses), net		2,752	3,586
Loss on disposal of an associate		(6,180)	–
Finance costs	4	(5,825)	(4,489)
Share of losses of associates		(1,242)	(6,608)
Profit/(loss) before tax	5	(5,401)	4,085
Tax	6	(1,049)	(2,792)
Profit/(loss) from continuing operations		(6,450)	1,293
DISCONTINUED OPERATION	7		
Loss for the period		–	(968)
PROFIT/(LOSS) FOR THE PERIOD		(6,450)	325
ATTRIBUTABLE TO:			
Equity holders of the parent		(6,427)	526
Minority interests		(23)	(201)
		(6,450)	325
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic			
From continuing and discontinued operations		(4.05 cents)	0.33 cent
From continuing operations		(4.05 cents)	0.94 cent

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		22,555	23,852
Investment properties		15,950	13,049
Interests in associates		1,342	19,139
Deferred tax assets		704	809
Other assets		282	282
Retention monies receivable over one year		8,381	3,672
Total non-current assets		<u>49,214</u>	<u>60,803</u>
CURRENT ASSETS			
Inventories		60,966	91,071
Gross amount due from contract customers		51,731	5,458
Trade and retention monies receivables	9	282,122	188,771
Amounts due from related companies	10	12,624	2,724
Financial assets at fair value through profit or loss		10,611	9,330
Deposits, prepayments and other receivables		30,914	7,974
Tax recoverable		4,252	2,340
Pledged time deposits		26,800	–
Cash and cash equivalents		79,617	70,102
Total current assets		<u>559,637</u>	<u>377,770</u>
CURRENT LIABILITIES			
Gross amount due to contract customers		56,769	1,412
Trade and bills payables	11	106,463	62,768
Trust receipt loans		155,322	155,903
Amounts due to related companies	10	362	203
Retention monies payable		21,348	–
Other payables and accruals		33,633	28,854
Tax payable		920	920
Interest-bearing bank loans and overdrafts		53,541	29,162
Total current liabilities		<u>428,358</u>	<u>279,222</u>
NET CURRENT ASSETS		<u>131,279</u>	<u>98,548</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>180,493</u>	<u>159,351</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		10,000	–
Loan from a minority shareholder of a subsidiary	14	6,900	–
Provisions		1,071	1,119
Deferred tax liabilities		790	764
Total non-current liabilities		<u>18,761</u>	<u>1,883</u>
Net assets		<u>161,732</u>	<u>157,468</u>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital	12	39,660	39,660
Reserves		111,325	117,808
		<u>150,985</u>	<u>157,468</u>
Minority interests		<u>10,747</u>	<u>–</u>
Total equity		<u>161,732</u>	<u>157,468</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent										
	Issued share capital	Share premium account	Capital reserve	Contributed surplus	Land and buildings revaluation reserve	Exchange fluctuation reserve	Retained profits/ losses)	Total	Minority interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	39,660	-	-	97,151	-	(148)	20,805	157,468	-	157,468
Exchange realignment and expense for the period recognised directly in equity	-	-	-	-	-	(56)	-	(56)	-	(56)
Loss for the period	-	-	-	-	-	-	(6,427)	(6,427)	(23)	(6,450)
Total expenses for the period	-	-	-	-	-	(56)	(6,427)	(6,483)	(23)	(6,506)
Acquisition of subsidiaries	13	-	-	-	-	-	-	-	10,770	10,770
At 30 June 2006	39,660	-	-	97,151	-	(204)	14,378	150,985	10,747	161,732
At 1 January 2005	39,660	568,986	236,500	-	1,827	29	(694,641)	152,361	1,912	154,273
Exchange realignment and expense for the period recognised directly in equity	-	-	-	-	-	(165)	-	(165)	-	(165)
Profit/(loss) for the period	-	-	-	-	-	-	526	526	(201)	325
Total income and expenses for the period	-	-	-	-	-	(165)	526	361	(201)	160
Arising from the Capital Reorganisation	12	-	(568,986)	(236,500)	97,151	-	-	708,335	-	-
Loan repayment to a minority shareholder	-	-	-	-	-	-	-	-	(185)	(185)
At 30 June 2005	39,660	-	-	97,151	1,827	(136)	14,220	152,722	1,526	154,248

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2006	2005
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	17,704	(18,314)
Net cash outflow from investing activities	(11,313)	(32)
Net cash inflow from financing activities	5,851	24,549
Net increase in cash and cash equivalents	12,242	6,203
Cash and cash equivalents at beginning of period	44,690	27,818
Effect of foreign exchange rate changes, net	(56)	16
Cash and cash equivalents at end of period	56,876	34,037
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	79,617	66,624
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	26,800	–
Bank overdrafts	(49,541)	(32,587)
	56,876	34,037

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2006 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2005.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim 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 2005, except in relation to the following amendments to and interpretation of Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of these amendments and interpretation has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited interim condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements. The Group has already commenced an assessment of the potential impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

HKAS 1 Amendment	Capital Disclosures (<i>Note 1</i>)
HKFRS 7	Financial Instruments: Disclosures (<i>Note 1</i>)
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies (<i>Note 2</i>)
HK(IFRIC)-Int 8	Scope of HKFRS 2 (<i>Note 3</i>)
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives (<i>Note 4</i>)

Notes:

1. Effective for annual periods beginning on or after 1 January 2007
2. Effective for annual periods beginning on or after 1 March 2006
3. Effective for annual periods beginning on or after 1 May 2006
4. Effective for annual periods beginning on or after 1 June 2006

2. SEGMENT INFORMATION

The Group is principally engaged in the trading of plastics and chemicals, distribution of building supplies, electrical and mechanical products and building related contracting services. The wholesaling of electrical appliances was discontinued in June 2005. An analysis of the Group's revenue and results by business segments and revenue by geographical segments is as follows:

(a) Business segments

	Continuing operations						Discontinued operation					
	Plastic and chemical products		Building supplies, electrical and mechanical products		Building related contracting services		Total		Wholesaling of electrical appliances		Consolidated	
	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006	Six months ended 30 June 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:												
Sales to external customers	384,508	466,338	28,452	30,225	105,724	37,962	518,684	534,525	-	12,642	518,684	547,167
Other income	840	971	525	322	6	45	1,371	1,338	-	-	1,371	1,338
	385,348	467,309	28,977	30,547	105,730	38,007	520,055	535,863	-	12,642	520,055	548,505
Segment results:	12,351	21,699	(1,611)	(2,906)	(888)	1,911	9,852	20,704	-	(1,034)	9,852	19,670
Interest income and unallocated gains							2,447	1,389	-	270	2,447	1,659
Unallocated expenses							(4,021)	(4,701)	-	-	(4,021)	(4,701)
Unrealised losses on financial assets at fair value through profit or loss							(92)	(2,210)	-	-	(92)	(2,210)
Impairment loss of available-for-sale investments							(340)	-	-	-	(340)	-
Loss on disposal of an associate							(6,180)	-	-	-	(6,180)	-
Finance costs							(5,825)	(4,489)	-	(204)	(5,825)	(4,693)
Share of losses of associates							(1,242)	(6,608)	-	-	(1,242)	(6,608)
Profit/(loss) before tax							(5,401)	4,085	-	(968)	(5,401)	3,117
Tax							(1,049)	(2,792)	-	-	(1,049)	(2,792)
Profit/(loss) for the period							(6,450)	1,293	-	(968)	(6,450)	325
Attributable to:												
Equity holders of the parent							(6,427)	1,494	-	(968)	(6,427)	526
Minority interests							(23)	(201)	-	-	(23)	(201)
							(6,450)	1,293	-	(968)	(6,450)	325

There were no significant sales between the business segments during the period.

2. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

	Continuing operations					Discontinued operation		Consolidated	
	Hong Kong		Elsewhere in the PRC		Total	Hong Kong		Consolidated	
	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:									
Sales to external customers	498,147	506,014	20,537	28,511	518,684	534,525	-	12,642	518,684
Other income	1,115	1,338	256	-	1,371	1,338	-	-	1,371
	499,262	507,352	20,793	28,511	520,055	535,863	-	12,642	520,055

There were no significant sales between the geographical segments during the period.

3. TURNOVER, OTHER REVENUE AND GAINS

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006	Six months ended 30 June 2005	Six months ended 30 June 2006	Six months ended 30 June 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
Sale of goods	429,513	512,270	-	11,445	429,513	523,715
Construction contracts	89,171	22,255	-	1,197	89,171	23,452
	518,684	534,525	-	12,642	518,684	547,167
Other revenue						
Interest income	1,275	418	-	-	1,275	418
Commission income	1,065	1,338	-	-	1,065	1,338
Gross rental income	266	42	-	270	266	312
Others	563	929	-	-	563	929
	3,169	2,727	-	270	3,169	2,997

4. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	5,825	4,489	-	204	5,825	4,693

No interest was capitalised by the Group in both periods.

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting) the following:

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Depreciation	787	869	-	58	787	927
Unrealised losses on financial assets at fair value through profit or loss*	92	2,210	-	-	92	2,210
Impairment loss of available-for-sale investments*	340	-	-	-	340	-
Staff costs (including directors' emoluments)	21,242	20,933	-	1,809	21,242	22,742
Foreign exchange difference, net*	(1,784)	(670)	-	-	(1,784)	(670)
Gain on disposal of available-for-sale investments*	(499)	-	-	-	(499)	-
Negative goodwill recognised*	(150)	-	-	-	(150)	-
Write-back of provision for bad and doubtful debts*	(733)	(4,355)	-	-	(733)	(4,355)

* These items are included in "Other operating income/(expenses), net" on the face of the unaudited consolidated income statement.

6. TAX

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Group:						
Current – Hong Kong	853	1,933	–	–	853	1,933
Current – Elsewhere	91	233	–	–	91	233
Deferred	105	626	–	–	105	626
	1,049	2,792	–	–	1,049	2,792

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes 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, interpretations and practices in respect thereof.

7. DISCONTINUED OPERATION

The Group discontinued the wholesaling of electrical appliances business in June 2005 as such business has not been performing in the past few years. The remaining inventories were sold to the new distributor and all staff were retrenched in June 2005.

The results attributable to the discontinued operation for the period were as follows:

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover	–	12,642
Cost of sales	–	(9,360)
Gross profit	–	3,282
Other revenue and gains	–	270
Selling and distribution costs	–	(1,204)
Administrative expenses	–	(3,112)
Finance costs	–	(204)
Loss before tax	–	(968)
Tax	–	–
Loss for the period	–	(968)

7. DISCONTINUED OPERATION *(continued)*

The net cash flows attributable to the discontinued operation are as follows:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	–	3,041
Net cash outflow from financing activities	–	(2,264)
Net cash inflow	–	777

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

From continuing and discontinued operations

The calculation of the basic earnings/(loss) per share is based on the net loss for the period attributable to equity holders of the parent of HK\$6,427,000 (2005: net profit of HK\$526,000) and on the 158,639,799 (2005: 158,639,799) shares in issue during the period.

Diluted loss per share for the period ended 30 June 2006 has not been disclosed as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

There had been no dilutive effect on the basic earnings per share for the period ended 30 June 2005 as the exercise prices of the outstanding share options were higher than the average market price of the Company's shares during that period.

From continuing operations

The calculation of the basic earnings/(loss) per share is based on the net loss for the period from the continuing operations of HK\$6,427,000 (2005: net profit of HK\$1,494,000). The denominators used are the same as those detailed above for the basic earnings/(loss) per share from continuing and discontinued operations.

From discontinued operation

Basic loss per share for the discontinued operation for the six months ended 30 June 2005 was HK\$0.61 cent per share based on the net loss for that period from the discontinued operation of HK\$968,000. The denominator used was the same as those detailed above for the basic earnings per share from continuing and discontinued operations.

9. TRADE AND RETENTION MONIES RECEIVABLES

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Trade receivables	264,802	186,990
Retention monies receivable within one year	17,320	1,781
	282,122	188,771

The Group grants a credit period to its customers ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with good business relationships. In view of the aforementioned and the fact that the Group's trade receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date, is as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Current to 30 days	184,175	132,927
31 to 60 days	18,505	20,118
61 to 90 days	7,530	11,377
Over 90 days	54,592	22,568
	264,802	186,990

Included in the Group's trade receivables balance as at 30 June 2006 as set out above is an amount due from a related company, Chinney Construction Company, Limited ("Chinney Construction") which is a subsidiary of the Company's major shareholder, of approximately HK\$29,682,000 (31 December 2005: Nil), which arose from the provision of various building and maintenance services. The maximum amount outstanding during the period was approximately HK\$30,741,000. The amount due from Chinney Construction is unsecured, interest-free and is repayable within normal credit terms of 60 days.

10. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amounts due from related companies disclosed pursuant to Section 161B of the Companies Ordinance is as follows:

	<i>Notes</i>	Maximum outstanding during the period (Unaudited) HK\$'000	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Hon Kwok Land Investment (Shenzhen) Co., Ltd.	<i>(a)</i>	3,029	3,007	2,541
Shun Cheong Holdings Limited ("Shun Cheong")	<i>(b)</i>	815	550	–
Tinhawk Company Limited	<i>(c)</i>	5,253	4,059	–
Ever Billion Engineering Limited	<i>(c)</i>	4,949	4,949	–
Shun Cheong Real Estates Limited	<i>(c)</i>	59	59	–
Shun Cheong Electrical Engineering Company Limited	<i>(d)</i>	183	–	183
		12,624	12,624	2,724

Notes:

- (a) Hon Kwok Land Investment (Shenzhen) Co., Ltd. is a wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok"), which is a subsidiary of the Company's major shareholder.
- (b) Mr. Stephen Sek-Kee Yu is a common director of the Company and Shun Cheong. Mr. Vincent Tian-Quan Mo, a director of the Company, has beneficial interest in Shun Cheong since April 2006, and has been appointed director of Shun Cheong since May 2006.
- (c) Tinhawk Company Limited, Ever Billion Engineering Limited and Shun Cheong Real Estates Limited are subsidiaries of Shun Cheong. Mr. Stephen Sek-Kee Yu is a common director of the Company and these companies.
- (d) Mr. Stephen Sek-Kee Yu is a common director of the Company and Shun Cheong Electrical Engineering Company Limited, which became a subsidiary of the Company on 31 March 2006.

The balances with the related companies are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of the balances with related companies approximate to their fair values.

11. TRADE AND BILLS PAYABLES

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Trade payables	77,835	45,194
Bills payables	28,628	17,574
	<u>106,463</u>	<u>62,768</u>

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Current to 30 days	51,102	36,120
31 to 60 days	3,952	3,039
61 to 90 days	2,330	1,097
Over 90 days	20,451	4,938
	<u>77,835</u>	<u>45,194</u>

The trade payables are non-interest-bearing and are normally settled within terms of 60 days to 120 days.

12. SHARE CAPITAL

Shares

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.25 each	<u>250,000</u>	<u>250,000</u>
Issued and fully paid:		
158,639,799 ordinary shares of HK\$0.25 each	<u>39,660</u>	<u>39,660</u>

12. SHARE CAPITAL (continued)

Shares (continued)

As announced on 13 April 2005, the Company proposed a capital reorganisation involving cancellation of the capital reserve and share premium accounts as well as consolidation of shares into larger denomination (the "Capital Reorganisation"). The Capital Reorganisation was approved by the shareholders of the Company by way of a special resolution and took effect on 6 June 2005 as follows:

- (a) the entire amount of HK\$236,500,000 standing to the credit of the capital reserve account of the Company as at 31 December 2004 was cancelled and the credit arising therefrom was applied towards the partial elimination of the accumulated losses of the Company as at 31 December 2004 in the amount of HK\$708,335,000;
- (b) the entire amount of HK\$568,986,000 standing to the credit of the share premium account of the Company as at 31 December 2004 was cancelled and the credit arising therefrom was applied to eliminate the balance of HK\$471,835,000 of the accumulated losses of the Company as at 31 December 2004 and the remaining credit of HK\$97,151,000 arising therefrom was transferred to the Company's contributed surplus account; and
- (c) every twenty-five issued and unissued shares of nominal value HK\$0.01 each in the authorised share capital of the Company were consolidated into one new share of nominal value HK\$0.25 each (the "New Share(s)").

As a result of the Capital Reorganisation, the authorised share capital of the Company became HK\$250,000,000 divided into 1,000,000,000 New Shares, of which 158,639,799 New Shares were in issue and fully paid. The New Shares rank pari passu in all respects with each other.

Share options

	Outstanding share options with an adjusted exercise price of HK\$19.50 per share	Outstanding share options with an adjusted exercise price of HK\$1.75 per share	Total
At 1 January 2006	9,000	1,600,000	1,609,000
Lapse of share options *	(9,000)	–	(9,000)
At 30 June 2006	–	1,600,000	1,600,000

* These share options lapsed upon expiring of the 10-year exercise period.

The exercise in full of the outstanding share options would result in the issue of 1,600,000 additional ordinary shares for an aggregate amount of approximately HK\$2.8 million.

13. ACQUISITION OF SUBSIDIARIES

On 31 March 2006, the Group acquired the entire issued share capital of Shun Cheong Investments Limited for a cash consideration of HK\$35 million. The purchase consideration for the acquisition was in the form of cash and was paid on the date of acquisition. The carrying amounts of the identifiable assets and liabilities of Shun Cheong Investments Limited and its subsidiaries ("SCIL Group") immediately before the acquisition, which approximate their fair values, were as follows:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Property, plant and equipment	2,660	–
Retention monies receivable over one year	6,390	–
Gross amount due from contract customers	42,259	–
Trade and retention monies receivables	84,502	–
Amounts due from related companies	9,353	–
Available-for-sale investments	340	–
Financial assets at fair value through profit or loss	564	–
Deposits, prepayments and other receivables	23,433	–
Tax recoverable	2,765	–
Pledged time deposits	26,800	–
Cash and cash equivalents	7,841	–
Gross amount due to contract customers	(43,737)	–
Trade and bills payables	(40,178)	–
Trust receipt loans	(3,818)	–
Amounts due to related companies	(705)	–
Retention monies payable	(22,147)	–
Other payables and accruals	(21,393)	–
Bank overdrafts	(21,510)	–
Loan from a minority shareholder of a subsidiary	(6,900)	–
Deferred tax liabilities	(26)	–
Minority interests	(10,770)	–
	35,723	–
Negative goodwill arising from acquisition	(150)	–
	35,573	–
Satisfied by:		
Cash consideration	35,000	–
Relevant costs for the acquisition	573	–
	35,573	–

13. ACQUISITION OF SUBSIDIARIES *(continued)*

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cash consideration paid	(35,000)	–
Relevant costs for the acquisition	(573)	–
Cash and cash equivalents acquired	7,841	–
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities acquired	26,800	–
Bank overdrafts acquired	(21,510)	–
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(22,442)	–

Since its acquisition, the SCIL Group contributed HK\$75 million to the Group's turnover and accounted for HK\$1.7 million of the consolidated loss for the six months ended 30 June 2006.

14. RELATED PARTY TRANSACTIONS

(a) *The Group had the following material transactions with related parties during the period:*

	<i>Notes</i>	Six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Management fee paid to a major shareholder	<i>(i)</i>	1,000	1,000
Rental and office expenses paid to a related company	<i>(ii)</i>	168	193
Rental expenses paid to a related company	<i>(iii)</i>	197	–
Subcontracting charges paid to related companies	<i>(iv)</i>	19,736	–
Sale of goods to an associate	<i>(v)</i>	–	(339)
Service income from an associate	<i>(v)</i>	–	(4,136)

Notes:

- (i) The management fees were charged by Chinney Investments, Limited ("CIL") based on the time involvement of the personnel providing services. Dr. James Sai-Wing Wong, a director of the Company, is also a director of and has beneficial interest in CIL. Mr. Herman Man-Hei Fung is a common director of the Company and CIL.
- (ii) The rental and office expenses were charged by Hon Kwok on actual basis. Dr. James Sai-Wing Wong, a director of the Company, is the director of and has beneficial interests in Hon Kwok. Mr. Herman Man-Hei Fung is a common director of the Company and Hon Kwok.

14. RELATED PARTY TRANSACTIONS *(continued)*

(a) **The Group had the following material transactions with related parties during the period:** *(continued)*

Notes: *(continued)*

- (iii) The rental expenses were charged by Chinney Construction based on an agreed rate. Dr. James Sai-Wing Wong, a director of the Company, is the director of and has beneficial interests in Chinney Construction. Mr. Herman Man-Hei Fung is a common director of the Company and Chinney Construction.
- (iv) The subcontracting charges were paid to subsidiaries of Shun Cheong, a then associate of the Group, on agreed rates. Mr. Vincent Tian-Quan Mo, a director of the Company, has beneficial interest in Shun Cheong since April 2006, and has been appointed director of Shun Cheong since May 2006. Mr. Stephen Sek-Kee Yu is a common director of the Company and Shun Cheong. Shun Cheong ceased to be an associate of the Company in April 2006.
- (v) The sales of goods to and service income from subsidiaries of Shun Cheong, a then associate of the Group, were made according to the published prices and conditions offered to third-party customers. During the six months ended 30 June 2005, Mr. Stephen Sek-Kee Yu was a common director of the Company and Shun Cheong.

(b) **Outstanding balances with related parties:**

- (i) Details of the Group's outstanding balances due from Chinney Construction as at the balance sheet date are disclosed in note 9 to the condensed consolidated financial statements.
- (ii) Details of the Group's outstanding balances with related companies as at the balance sheet date are disclosed in note 10 to the condensed consolidated financial statements.
- (iii) The loan from a minority shareholder of a subsidiary was unsecured, interest-free and had no fixed terms of repayment.

(c) **Compensation of key management personnel of the Group:**

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	3,638	4,299
Post-employment benefits	125	250

14. RELATED PARTY TRANSACTIONS *(continued)*

(d) Other transactions with related parties:

- (i) On 26 January 2006, Chinney Alliance Trading (BVI) Limited ("CAT", a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor) and Shun Cheong (a then 29.93% owned associate, as vendor) entered into an agreement for the sale and purchase of the entire issued share capital of Shun Cheong Investments Limited for a cash consideration of HK\$35 million (the "Agreement"). The consideration was arrived at after arm's length negotiations between CAT and Shun Cheong and was determined by reference to the audited consolidated net tangible assets of the SCIL Group as at 30 September 2005. SCIL Group is engaged in the building related contracting services for both public and private sectors in Hong Kong and Macau. The transaction was approved by the shareholders of the Company at a special general meeting held on 27 March 2006 and completed on 31 March 2006. Details of the transaction are set out in the Company's newspaper announcement dated 2 February 2006 and the circular to its shareholders dated 10 March 2006. The identifiable assets and liabilities of the SCIL Group acquired and the negative goodwill arising on the acquisition are set out in note 13 to the condensed financial statements.
- (ii) On 31 March 2006, upon completion of the acquisition of the SCIL Group and pursuant to the terms of the Agreement, the Company executed a deed of indemnity in favour of Shun Cheong to guarantee and indemnify unconditionally and irrevocably all liabilities and all obligations of Shun Cheong under the corporate guarantees provided by Shun Cheong to banks for general banking facilities granted to certain subsidiaries of the SCIL Group, as well as the liabilities of CAT for warranties provided by CAT under the Agreement. Up to 30 June 2006, all the corporate guarantees provided by Shun Cheong were released and replaced by corporate guarantees provided by the Company.
- (iii) On 12 April 2006, the Company sold 32,000,000 shares in Shun Cheong, representing approximately 27.60 % interest in the issued share capital of Shun Cheong, to Upsky which is wholly-owned by Mr. Vincent Tian-Quan Mo, a director of the Company, at an aggregate cash consideration of HK\$9.6 million. The consideration was arrived at by the board of directors after arm's length negotiation with Upsky, after considering the loss making track record of the business of Shun Cheong and the historical share price performance of Shun Cheong. The transaction constitutes a discloseable and exempted connected transaction for the Company and was subject to the reporting and announcement requirements in accordance with Rule 14A.32 of the Listing Rules. Details of the transaction was set out in the Company's newspaper announcement dated 13 April 2006 and the circular to its shareholders dated 8 May 2006.

15. CONTINGENT LIABILITIES

On 26 October 2005, Best Treasure Limited, a wholly-owned subsidiary of the Company as vendor, the Company as vendor's guarantor and Chinney Construction (BVI) Limited, an 86.05% owned subsidiary of Chinney Investments, Limited, as purchaser entered into an agreement in relation to the sale and purchase of the entire issued share capital of Jackson Mercantile Trading Company Limited for a cash consideration of HK\$7,800,000. The Company as the vendor's guarantor and Best Treasure Limited as the vendor have undertaken to indemnify Chinney Construction (BVI) Limited up to a maximum amount of HK\$7,800,000 until 8 November 2007, being two years after the completion date, in case there are valid claims against the Company and/or Best Treasure Limited under the agreement.

In its ordinary course of business, the Group provided corporate guarantees and indemnities to certain banks and a financial institution of an aggregate amount of approximately HK\$13,926,000 for the issue of performance bonds to clients on contracting works.

Save as disclosed above, the Group has no material contingent liabilities as at 30 June 2006.

16. COMMITMENTS

(a) *As lessor*

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of three years. The terms of the leases generally also require the tenants to pay security deposits. Subsequent to 30 June 2006, the leases were terminated by the tenants.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Within one year	–	634
In the second to fifth years, inclusive	–	1,522
	<u>–</u>	<u>2,156</u>

(b) *As lessee*

The Group leases certain of its office properties under operation lease arrangements. Leases for properties are negotiated for terms ranging from one year to three years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
Within one year	3,093	3,697
In the second to fifth years, inclusive	656	2,035
	<u>3,749</u>	<u>5,732</u>

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

OTHER INFORMATION

CORPORATE GOVERNANCE

Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2006.

Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the interim period, except that:

1. Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company has not appointed a chief executive officer since Mr. Stephen Sek-Kee Yu is the managing director of CAEL and the Contracting Operation and Mr. Frank Kwok-Kit Chu is the managing director of DMT and Jacobson. DMT, Jacobson, CAEL and the Contracting Operation already comprise a substantial portion of the Group's business. Dr. James Sai-Wing Wong, Chairman of the Company, is responsible for the management of the Board. In view of the size of the Group, it is considered unnecessary to appoint a chief executive officer of the Company.

2. Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save that the Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

Dr. James Sai-Wing Wong is nominated by Chinney Investments, Limited, a substantial shareholder of the Company, as the Chairman of the Board to safeguard its investment in the Company. As a result, the Board concurred that the Chairman of the Board need not be subject to retirement by rotation. The Company currently has no Managing Director.

3. Code provision B.1.3 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted its terms of reference ("Terms of Reference") for the remuneration committee of the Company (the "Remuneration Committee"). Pursuant to the Terms of Reference, it stipulates that the Remuneration Committee should 'review' as opposed to 'determine' the specific remuneration packages of all executive directors.

The Chairman of the Board receives no remuneration and determines the remuneration of all other executive directors, taking reference to market pay, individual performance and a bonus scheme, which has been in place prior to the establishment of the Remuneration Committee. A Remuneration Committee meeting is held annually to review the existing pay of all executive directors.

The above deviations from the code provisions were discussed in the corporate governance report included in the Company's 2005 annual report.

Audit Committee

Regular meetings have been held by the audit committee of the Company (the "Audit Committee") since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 June 2006 has not been audited, but has been reviewed by the Audit Committee.

SHARE OPTION SCHEME

The Company adopted an Executive Share Option Scheme (the "Scheme") on 24 September 1993, under which options may be granted to selected employees (including any director) of the Group. The Scheme, having a term of ten years, expired on 23 September 2003.

The holders of the outstanding share options have the right to convert the share options into ordinary shares of the Company in whole or in part from the date of grant to the end of the exercisable period, which is ten years from the date of grant, at the pre-determined exercise prices.

Details of the share options outstanding as at 30 June 2006 which were granted to directors and employees under the Scheme together with the movements during the period are as follows:

	Number of shares subject to the outstanding share options as at 1 January 2006	Number of shares subject to the outstanding share options expired during the period	Number of shares subject to the outstanding share options as at 30 June 2006	Exercise price per share	Date of grant	Exercisable from	Exercisable until
<i>HK\$</i>							
Share options to directors							
Stephen Sek-Kee Yu	480,000	–	480,000	1.75	16 July 1999	16 July 1999	15 July 2009
Frank Kwok-Kit Chu	320,000	–	320,000	1.75	13 July 1999	13 July 1999	12 July 2009
Herman Man-Hei Fung	320,000	–	320,000	1.75	13 July 1999	13 July 1999	12 July 2009
Sub-total	1,120,000	–	1,120,000				

	Number of shares subject to the outstanding share options as at 1 January 2006	Number of shares subject to the outstanding share options expired during the period	Number of shares subject to the outstanding share options as at 30 June 2006	Exercise price per share	Date of grant	Exercisable from	Exercisable until
				HK\$			
Share options to employees							
In aggregate	9,000	(9,000)	–	19.50	2 January 1996	2 January 1996	1 January 2006
	160,000	–	160,000	1.75	12 July 1999	12 July 1999	11 July 2009
	160,000	–	160,000	1.75	16 July 1999	16 July 1999	15 July 2009
	160,000	–	160,000	1.75	19 July 1999	19 July 1999	18 July 2009
Sub-total	489,000	(9,000)	480,000				
TOTAL	1,609,000	(9,000)	1,600,000				

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2006, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests			
James Sai-Wing Wong	–	–	46,158,319 (Note)		46,158,319	29.10%
Frank Kwok-Kit Chu	48,240	47,840	–		96,080	0.06%
						29.16%

Note: These shares are held by Multi-Investment Group Limited, a company in which Dr. James Sai-Wing Wong is a director and has a beneficial interest.

The interests of the directors in the share options of the Company are separately disclosed under the share option scheme section.

Save as disclosed above and in the share option scheme disclosure, as at 30 June 2006, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30 June 2006, at no time during the six-month period ended 30 June 2006 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company; or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2006, the interests and short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Notes	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	1	Interest through a controlled corporation	46,158,319	29.10%
Madeline May-Lung Wong	1	Interest through a controlled corporation	46,158,319	29.10%
Lucky Year Finance Limited	1	Interest through a controlled corporation	46,158,319	29.10%
Chinney Holdings Limited	1	Interest through a controlled corporation	46,158,319	29.10%
Chinney Investments, Limited	1	Interest through a controlled corporation	46,158,319	29.10%
Newsworthy Resources Limited	1	Interest through a controlled corporation	46,158,319	29.10%
Multi-Investment Group Limited	1	Beneficial owner	46,158,319	29.10%
Sumitomo Mitsui Banking Corporation	2	Beneficial owner	12,792,000	8.06%
Credit Suisse First Boston International	2	Beneficial owner	12,792,000	8.06%
Dresdner Kleinwort Wasserstein Limited	2	Beneficial owner	12,792,000	8.06%
Krung Thai Bank Public Company Limited	2	Beneficial owner	12,792,000	8.06%
PT. Bank Mandiri (Persero)	2	Beneficial owner	12,792,000	8.06%
PT. NISP Sekuritas	2	Beneficial owner	12,792,000	8.06%

Notes:

1. Dr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Limited, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of 46,158,319 shares by virtue of section 316 of the SFO; and
2. These shares are registered in the name of an agent bank on behalf of six banks that comprise a syndicate of lenders to a shareholder of the Company (the "Syndicate"). The Syndicate's interest in the relevant shares was acquired as a result of security given by the shareholder over such shares in respect of a loan advanced to the shareholder by the Syndicate. Such interest became discloseable upon the Syndicate becoming entitled to exercise the power of sale and voting rights in respect of the interest in the shares as a result of a default by the shareholder. Accordingly, Sumitomo Mitsui Banking Corporation, Credit Suisse First Boston International, Dresdner Kleinwort Wasserstein Limited, Krung Thai Bank Public Company Limited, PT. Bank Mandiri (Persero) and PT. NISP Sekuritas are each deemed to have a security interest in the relevant shares.

No share options of the Company were held by the above shareholders as at 30 June 2006.

Save as disclosed above, as at 30 June 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

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

During the six months ended 30 June 2006, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares.