



建聯集團有限公司  
**Chinney Alliance Group Limited**

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Interim Report 2007

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

James Sai-Wing WONG (*Chairman*)

Sek-Kee YU

Frank Kwok-Kit CHU

Yuen-Keung CHAN

Wai-Hong LING

#### *Non-executive Director*

Herman Man-Hei FUNG

#### *Independent Non-executive Directors*

William Gage MCAFEE

David Chung-Shing WU

Sou-Tung CHAN

### AUDIT COMMITTEE

William Gage MCAFEE (*Chairman*)

David Chung-Shing WU

Sou-Tung CHAN

Herman Man-Hei FUNG

### REMUNERATION COMMITTEE

William Gage MCAFEE (*Chairman*)

David Chung-Shing WU

Sou-Tung CHAN

Herman Man-Hei FUNG

### COMPANY SECRETARY

Yun-Sang LO

### PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited

DBS Bank (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking

Corporation Limited

### AUDITORS

Ernst & Young

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited

6 Front Street

Hamilton HM 11

Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor 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

23rd Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

### STOCK CODE

SEHK 385

## BUSINESS ADDRESSES AND CONTACTS

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### DMT International Hong Kong Limited

Units 601-603, 6th Floor  
AXA Centre  
151 Gloucester Road  
Wanchai  
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Fax : (852) 2810-6929  
E-mail : [info@dmthk.com](mailto: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  
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E-mail : [info@jvdb.com](mailto:info@jvdb.com)

### Shun Cheong Electrical Engineering Company Limited

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## REVIEW OF OPERATIONS

### RESULTS

Chinney Alliance Group Limited (the "Company", together with subsidiaries, the "Group") recorded turnover of HK\$762 million for the six months ended 30 June 2007 (2006: HK\$519 million), an increase of 46.8% over last year. The increase was mainly attributable to the contribution of Shun Cheong Investments Limited ("SCIL") acquired on 31 March 2006. The profit for the period was HK\$16.4 million, compared to the loss of HK\$6.6 million for the same period of last year.

The Group's profit of the current period included the fair value gains on equity investments at fair value through profit or loss of HK\$11.9 million, while last year's results included the loss on disposal of Shun Cheong Holdings Limited ("Shun Cheong"), a former associate of the Group, of HK\$6.2 million and the share of losses of Shun Cheong as an associate up to the date of disposal of HK\$1 million. The Group would have a profit of HK\$4.5 million for the period under review compared to the profit of HK\$0.6 million of last year if such fair value gains as well as the loss attributable to Shun Cheong were excluded in both periods.

### INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

### 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\$373 million for the period under review (2006: HK\$385 million), a decrease of 3.1% from last year. The operating profit decreased from HK\$13.1 million to HK\$10.9 million. The oil price remained high which resulted in persistently high plastic resin prices. However, the increase in prices could not be fully passed on to the customers, thus gross profit margin slipped. DMT and Jacobson continue to build on quality customers and supplier bases with close monitoring on trade receivable, inventories and overhead to ensure profitability.

#### *Trading of industrial products and equipment*

Chinney Alliance Engineering Limited ("CAEL") and its subsidiaries recorded turnover of HK\$16 million for the six months ended 30 June 2007 (2006: HK\$28 million). The decrease was mainly due to deferral of certain awarded contracts to the second half of the year. The loss for the period amounted to HK\$1.9 million (2006: HK\$1.6 million) with the effort in control of overhead despite the decrease in gross profit as a result of the decrease in turnover. The result, however, is expected to improve when the deferred contracts materialise and sales increase later on in 2007.

#### *Building related contracting services*

The building service businesses included Westco Chinney Limited, SCIL (acquired on 31 March 2006) and Apex Curtain Wall and Windows Company Limited ("Apex", acquired on 1 June 2007). The operation contributed turnover of HK\$373 million for the period (2006: HK\$106 million). Operating profit for the period was HK\$5.4 million (2006: loss of HK\$0.6 million). Such increase was partly due to the consolidation of six months results of SCIL compared to only three months results of 2006 since acquisition and partly resulted from increasing contribution from the projects in Macau.

#### *Associate*

The share of losses of an associate for the period represented the share of the results of Jiangxi Kaitong New Materials Company Limited. The results of the same period of last year included share of losses of Shun Cheong of HK\$1 million, which ceased to be an associate of the Group in March 2006.

## **FINANCIAL REVIEW**

### ***Liquidity and financial resources***

Total interest-bearing debts of the Group amounted to HK\$204 million as at 30 June 2007 (31 December 2006: HK\$257 million), of which HK\$162 million (31 December 2006: HK\$209 million) were trust receipt loans. Such interest-bearing debts was predominately due and repayable within one year. Current ratio of the Group at 30 June 2007, as measured by total current assets over total current liabilities, was 1.41.

Total cash at bank and on hand as at 30 June 2007 was HK\$145 million, which included HK\$33 million pledged time deposits. Within which HK\$27 million time deposits were pledged to a bank to secure the overdrafts facilities extended to certain subsidiaries of the Company and HK\$6 million were pledged to certain banks to secure the issue of performance bonds for certain contracting works of the Group. The Group had a total of HK\$375 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\$66 million over the shareholders' funds of HK\$244 million, was 27% as at 30 June 2007.

### ***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 having an aggregate book value of HK\$23 million as at 30 June 2007 and time deposits of HK\$33 million were pledged to secure the borrowings of the Group and the issue of performance bonds for certain contracting works of the Group.

### ***Contingent liability***

Details of the contingent liability of the Group are set out in note 14 to the interim financial statements.

### ***Employees and remuneration policies***

The Group employed approximately 240 staff in Hong Kong and other parts of the People's Republic of China as at 30 June 2007. 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.

### ***Capital commitment***

Details of the capital commitment of the Group are set out in note 16 to the interim financial statements.

## CONNECTED TRANSACTION

As announced on 23 May 2007, SCIL (a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor), Chinney Construction Company, Limited ("Chinney Construction", an 86.05% owned subsidiary of Chinney Investments, Limited ("CIL"), as vendor) and Chinney Contractors Company Limited ("Chinney Contractors", an 86.05% owned subsidiary of CIL, as vendor's guarantor) entered into a sale and purchase agreement on 22 May 2007 for the acquisition of the entire issued share capital of Apex for a cash consideration of approximately HK\$298,000. Dr. James Sai-Wing Wong is a director of and has beneficial interest in CIL and the transaction constituted a discloseable and connected transaction for the Company, which was subject to the announcement and reporting requirements and was exempt from the approval by the independent shareholders of the Company pursuant to Rule 14A.32 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The transaction was completed on 1 June 2007. Details of the transaction have been included in a circular dated 15 June 2007 to the shareholders of the Company.

## OUTLOOK

The economy of Hong Kong continues to improve. In the second quarter of 2007, the GDP increased by 6.9% in real terms over a year earlier, compared with the 5.7% growth in the first quarter. The unemployment rate declined to 4.2% in the second quarter of 2007, which is the lowest level since 1998. Although the prolonged correction of the housing market and the turmoil arising from the sub-prime mortgages in the US will remain a concern, the continued vibrant growth of the mainland China economy will nevertheless help the strong performance of the local economy. Your directors are optimistic for satisfactory results in the second half of the 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, 20 September 2007

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000 (Restated)
<b>REVENUE</b>	3	<b>761,555</b>	518,684
Cost of sales/services provided		<b>(709,241)</b>	(476,945)
Gross profit		<b>52,314</b>	41,739
Other income	3	<b>4,982</b>	3,169
Selling and distribution costs		<b>(8,154)</b>	(7,959)
Administrative expenses		<b>(38,770)</b>	(31,855)
Other operating income, net		<b>12,310</b>	2,602
Loss on disposal of an associate		–	(6,180)
Finance costs	4	<b>(5,557)</b>	(5,825)
Share of losses of associates		<b>(164)</b>	(1,242)
Profit/(loss) before tax	5	<b>16,961</b>	(5,551)
Tax	6	<b>(867)</b>	(1,049)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>16,094</b>	(6,600)
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent		<b>16,439</b>	(6,577)
Minority interests		<b>(345)</b>	(23)
		<b>16,094</b>	(6,600)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	7		
– Basic		<b>4.15 cents</b>	(4.00 cents)
– Diluted		<b>N/A</b>	N/A



## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		28,051	26,988
Investment properties		19,830	19,830
Interests in an associate		1,265	1,429
Goodwill		8,922	8,922
Deferred tax assets		679	679
Other assets		282	282
Retention monies receivables over one year		20,490	17,548
Total non-current assets		<u>79,519</u>	<u>75,678</u>
<b>CURRENT ASSETS</b>			
Inventories		60,113	66,813
Gross amount due from contract customers		61,027	41,508
Trade and bills receivables	8	289,442	388,523
Retention monies receivables		17,788	13,818
Amounts due from related companies	9	14,436	8,381
Prepayments, deposits and other receivables		40,831	31,223
Equity investments at fair value through profit or loss		23,967	12,030
Tax recoverable		2,897	3,223
Pledged time deposits		33,192	26,800
Cash and cash equivalents		111,800	178,865
Total current assets		<u>655,493</u>	<u>771,184</u>
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		98,920	76,067
Trade and bills payables	10	100,787	115,195
Trust receipt loans		162,460	209,400
Retention monies payables		24,290	24,126
Amounts due to related companies	9	1,951	531
Other payables and accruals		37,562	119,655
Tax payable		2,167	1,418
Interest-bearing bank loans and overdrafts		35,923	39,208
Total current liabilities		<u>464,060</u>	<u>585,600</u>
<b>NET CURRENT ASSETS</b>		<u>191,433</u>	<u>185,584</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>270,952</u>	<u>261,262</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans		6,000	8,000
Loan from a minority shareholder of a subsidiary		6,900	6,900
Provision		944	1,028
Deferred tax liabilities		2,607	2,572
Total non-current liabilities		<u>16,451</u>	<u>18,500</u>
Net assets		<u>254,501</u>	<u>242,762</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	11	39,660	39,660
Reserves		204,382	188,332
Proposed final dividend		–	3,966
		<u>244,042</u>	<u>231,958</u>
<b>Minority interests</b>		<u>10,459</u>	<u>10,804</u>
Total equity		<u>254,501</u>	<u>242,762</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Notes	Issued	Share	Contributed	Asset	Exchange	Retained	Proposed	Total	Minority	Total
		capital	Premium	surplus	revaluation	fluctuation	profits	final			
		(Unaudited)	account	(Unaudited)	reserve	reserve	(Unaudited)	dividend			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
						(Restated)		(Restated)		(Restated)	
At 1 January 2007		39,660	33,005	120,946	537	8	33,836	3,966	231,958	10,804	242,762
Exchange realignment		-	-	-	-	(367)	-	-	(367)	-	(367)
Depreciation on revalued properties		-	-	-	(22)	-	-	-	(22)	-	(22)
Total expense for the period recognized directly in equity		-	-	-	(22)	(367)	-	-	(389)	-	(389)
Profit/(loss) for the period		-	-	-	-	-	16,439	-	16,439	(345)	16,094
Total income and expenses for the period		-	-	-	(22)	(367)	16,439	-	16,050	(345)	15,705
Final dividend for 2006 distributed		-	-	-	-	-	-	(3,966)	(3,966)	-	(3,966)
<b>At 30 June 2007</b>		<b>39,660</b>	<b>33,005*</b>	<b>120,946*</b>	<b>515*</b>	<b>(359)*</b>	<b>50,275*</b>	<b>-</b>	<b>244,042</b>	<b>10,459</b>	<b>254,501</b>
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		-	-	-	-	-	(6,577)	-	(6,577)	(23)	(6,600)
Total expenses for the period		-	-	-	-	(56)	(6,577)	-	(6,633)	(23)	(6,656)
Acquisition of subsidiaries	12	-	-	-	-	-	-	-	-	10,770	10,770
At 30 June 2006		39,660	-	97,151	-	(204)	14,228	-	150,835	10,747	161,582

\* These reserve accounts comprise the consolidated reserves of HK\$204,382,000 in the condensed consolidated balance sheet.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007	2006
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash inflow from operating activities	<b>6,051</b>	17,704
Net cash outflow from investing activities	<b>(12,345)</b>	(11,313)
Net cash (outflow)/inflow from financing activities	<b>(57,119)</b>	5,851
Net (decrease)/increase in cash and cash equivalents	<b>(63,413)</b>	12,242
Cash and cash equivalents at beginning of period	<b>170,457</b>	44,690
Effect of foreign exchange rate changes, net	<b>(367)</b>	(56)
Cash and cash equivalents at end of period	<b>106,677</b>	56,876
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>35,235</b>	31,551
Non-pledged time deposits with original maturity of less than three months when acquired	<b>76,565</b>	48,066
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	<b>26,800</b>	26,800
Bank overdrafts	<b>(31,923)</b>	(49,541)
	<b>106,677</b>	56,876

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### *Basis of preparation*

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2007 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 Listing Rules.

The unaudited condensed interim 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 2006.

#### *Accounting policies*

The accounting policies and methods of computation used in the preparation of this unaudited condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that are adopted for the first time for the current period’s financial information.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements.

## 2. SEGMENT INFORMATION

The Group is principally engaged in the trading of plastics and chemicals, distribution and installation of building supplies, electrical and mechanical products and building related contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and the provision of maintenance services. An analysis of the Group's revenue and results by business segments and revenue by geographical segments is as follows:

### (a) Business segments

	Plastic and chemical products		Building supplies, electrical and mechanical products		Building related contracting services		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
								(Restated)
<b>Segment revenue:</b>								
Sales to external customers	372,570	384,508	16,333	28,452	372,652	105,724	761,555	518,684
Other revenue	1,058	840	380	525	26	6	1,464	1,371
Total	373,628	385,348	16,713	28,977	372,678	105,730	763,019	520,055
<b>Segment results:</b>	10,930	13,127	(1,951)	(1,598)	5,354	(557)	14,333	10,972
Interest income and unallocated gains							1,748	1,177
Unallocated expenses							(5,336)	(4,021)
Fair value gains/(losses) on equity investments at fair value through profit or loss, net							11,937	(92)
Impairment of available-for-sale investments							-	(340)
Loss on disposal of an associate							-	(6,180)
Finance costs							(5,557)	(5,825)
Share of losses of associates							(164)	(1,242)
Profit/(loss) before tax							16,961	(5,551)
Tax							(867)	(1,049)
Profit/(loss) for the period							16,094	(6,600)
Attributable to:								
Equity holders of the parent							16,439	(6,577)
Minority interests							(345)	(23)
							16,094	(6,600)

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

## 2. SEGMENT INFORMATION *(continued)*

### (b) Geographical segments

	Hong Kong		Macau and Mainland China		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	608,385	498,147	153,170	20,537	761,555	518,684
Other income	1,084	1,115	380	256	1,464	1,371
	<b>609,469</b>	<b>499,262</b>	<b>153,550</b>	<b>20,793</b>	<b>763,019</b>	<b>520,055</b>

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

## 3. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Revenue</b>		
Sale of goods	421,455	429,513
Construction contracts	340,100	89,171
	<b>761,555</b>	<b>518,684</b>
<b>Other income</b>		
Interest income	3,012	1,275
Commission income	784	1,065
Dividend income from listed investments	47	–
Gross rental income	560	266
Others	579	563
	<b>4,982</b>	<b>3,169</b>

## 4. FINANCE COSTS

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	5,557	5,825

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):

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Depreciation	<b>931</b>	787
Impairment of available-for-sale investments*	–	340
Staff costs (including directors' emoluments)	<b>27,666</b>	21,242
Fair value (gains)/losses on equity investments at fair value through profit or loss, net*	<b>(11,937)</b>	92
Foreign exchange difference, net*	<b>(285)</b>	(1,784)
Gain on disposal of available-for-sale investments*	–	(499)
Gain on disposals of items of properties, plant and equipment*	<b>(2)</b>	(19)
Negative goodwill recognised*	<b>(182)</b>	–
Write-back of impairment of accounts receivable*	<b>(77)</b>	(733)

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

## 6. TAX

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Group:		
Current – Hong Kong	<b>758</b>	853
Current – Elsewhere	<b>109</b>	91
Deferred	–	105
Total tax charge for the period	<b>867</b>	1,049

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$16,439,000 (2006: loss of HK\$6,577,000 (restated)) and the weighted average number of 396,599,497 (2006: 164,525,336 (restated)) ordinary shares in issue during the period.

The loss per share and the weighted average number of ordinary shares in issue for the six months ended 30 June 2006 have been adjusted for the effect of the open offer of new shares of the Company on the basis of three offer shares for every two shares held at a subscription price of HK\$0.25 per share effective on 4 October 2006.

Diluted earnings per share for the six months ended 30 June 2007 has not been disclosed as the outstanding share options had an anti-dilutive effect on the basic earnings per share since their exercise prices were higher than the average market price of the Company's ordinary shares during the period.

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

## 8. TRADE AND BILLS RECEIVABLES

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Trade and bills receivables	<u><b>289,442</b></u>	<u>388,523</u>

The Group grants credit periods 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 receivables 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 and bills receivables as at the balance sheet date, based on payment due date, is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Current to 30 days	<b>195,251</b>	253,139
31 to 60 days	<b>35,914</b>	67,628
61 to 90 days	<b>12,573</b>	15,751
Over 90 days	<b>45,704</b>	52,005
	<u><b>289,442</b></u>	<u>388,523</u>

Included in the trade receivable balances as at 30 June 2007 were amounts due from Chinney Construction of approximately HK\$24,585,000 which arose from the provision of various building and maintenance services. Please refer to note 13 for details of related party transactions with Chinney Construction.



## 9. AMOUNTS DUE FROM/TO RELATED COMPANIES

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

		<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
Chinney Construction	<i>(i)</i>	<b>101</b>	171
Hon Kwok Land Investment (Shenzhen) Co., Ltd.	<i>(ii)</i>	<b>40</b>	28
Tinhawk Company Limited ("Tinhawk")	<i>(iii)</i>	<b>7,172</b>	2,057
Ever Billion Engineering Limited ("Ever Billion")	<i>(iii)</i>	<b>7,123</b>	6,125
		<b>14,436</b>	8,381

Notes:

- (i) Chinney Construction is an 86.05% owned subsidiary of CIL, a substantial shareholder of the Company of which Dr. James Sai-Wing Wong, a director of the Company, is a director of and has beneficial interest. Mr. Yuen-Keung Chan, a director of the Company, is a director of and has 13.95% beneficial interest in Chinney Construction. Mr. Sek-Kee Yu, a director of the Company, is also a director of Chinney Construction. The maximum amount due from Chinney Construction during the period was HK\$239,000.
- (ii) 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 CIL of which Dr. James Sai-Wing Wong, a director of the Company, is a director of and has beneficial interest. Mr. Herman Man-Hei Fung and Mr. Yuen-Keung Chan are common directors of the Company and Hon Kwok. The maximum amount due from Hon Kwok Land Investment (Shenzhen) Co., Ltd. during the period was HK\$65,000.
- (iii) Tinhawk and Ever Billion are subsidiaries of Shun Cheong. Mr. Sek-Kee Yu is a common director of the Company, Tinhawk and Ever Billion.

Except for a balance of approximately HK\$1,508,000 due from Tinhawk as at 30 June 2007 which is unsecured, interest-bearing at prevailing market rates and repayable on demand, the balances with the related companies are unsecured, interest-free and repayable on demand.

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

## 10. TRADE AND BILLS PAYABLES

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Trade payables	<b>72,515</b>	72,722
Bills payables	<b>28,272</b>	42,473
	<b>100,787</b>	115,195

## 10. TRADE AND BILLS PAYABLES (continued)

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

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Current to 30 days	<b>63,243</b>	62,510
31 to 60 days	<b>5,404</b>	5,642
61 to 90 days	<b>409</b>	861
Over 90 days	<b>3,459</b>	3,709
	<b>72,515</b>	72,722

## 11. SHARE CAPITAL

### Shares

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Authorised: 2,500,000,000 ordinary shares of HK\$0.10 each	<b>250,000</b>	250,000
Issued and fully paid: 396,599,497 ordinary shares of HK\$0.10 each	<b>39,660</b>	39,660

### Share options

	<b>Outstanding share options with an exercise price of HK\$0.70 per share</b>
At 1 January 2007 and 30 June 2007	<b>4,000,000</b>

There was no movement in the share options of the Company during the period.

The exercise in full of the outstanding share options would result in the issue of 4,000,000 additional ordinary shares for an aggregate amount of approximately HK\$2.8 million.

Details of the options outstanding as at 30 June 2007 are disclosed under the "Share Option Scheme" section.

## 12. BUSINESS COMBINATION

On 1 June 2007 and 31 March 2006, the Group acquired the entire issued share capital of Apex and SCIL for a cash consideration of approximately HK\$298,000 and HK\$35,000,000 respectively. The purchase consideration for the acquisition was in the form of cash and was fully paid on the date of acquisition. The fair values of the identifiable assets and liabilities of Apex and SCIL and its subsidiaries ("SCIL Group") as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Six months ended 30 June 2007		Six months ended 30 June 2006	
	Fair value recognised on acquisition (Unaudited) HK\$'000	Carrying amount (Unaudited) HK\$'000	Fair value recognised on acquisition (Unaudited) HK\$'000	Carrying amount (Unaudited) HK\$'000
Net assets acquired:				
Property, plant and equipment	1,473	1,140	2,660	2,660
Retention monies receivables over one year	5,111	5,111	6,390	6,390
Gross amount due from contract customers	8,466	8,466	42,259	42,259
Trade receivables	3,390	3,390	62,377	71,449
Retention monies receivables	1,401	1,401	13,053	13,053
Amounts due from related companies	-	-	9,353	9,353
Available-for-sale investments	-	-	340	340
Equity investments at fair value through profit or loss	-	-	564	564
Prepayments, deposits and other receivables	146	146	23,433	23,433
Tax recoverable	-	-	2,765	2,765
Pledged time deposits	2,031	2,031	26,800	26,800
Cash and cash equivalents	28	28	7,841	7,841
Gross amount due to contract customers	(2,018)	(2,018)	(43,737)	(43,737)
Trade and bills payables	(1,551)	(1,551)	(40,178)	(40,178)
Trust receipt loans	(3,818)	(3,818)	(3,818)	(3,818)
Amounts due to related companies	(10)	(10)	(705)	(705)
Retention monies payables	(2,181)	(2,181)	(22,147)	(22,147)
Other payables and accruals	(372)	(372)	(21,393)	(21,393)
Bank overdrafts	(11,581)	(11,581)	(21,510)	(21,510)
Loan from a minority shareholder of a subsidiary	-	-	(6,900)	(6,900)
Deferred tax liabilities	(35)	-	(26)	(26)
Minority interests	-	-	(10,770)	(10,770)
	<b>480</b>	<b>182</b>	26,651	35,723
Goodwill/(negative goodwill) arising from acquisition	<b>(182)</b>		8,922	
	<b>298</b>		35,573	
Satisfied by:				
Cash consideration		298		35,000
Relevant costs for the acquisition		-		573
		<b>298</b>		35,573

## 12. BUSINESS COMBINATION *(continued)*

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

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cash consideration paid	<b>(298)</b>	(35,000)
Relevant costs for the acquisition	–	(573)
Cash and cash equivalents acquired	<b>28</b>	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	<b>(11,581)</b>	(21,510)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>(11,851)</b>	(22,442)

Apex contributed HK\$7 million to the Group's turnover and accounted for HK\$188,000 of the consolidated profit since its acquisition for the six months ended 30 June 2007. The SCIL Group had contributed HK\$75 million to the Group's turnover and accounted for HK\$1.7 million of the consolidated loss since its acquisition for the six months ended 30 June 2006.

## 13. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2007</b>	2006
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Management fee to a major shareholder	<i>(i)</i>	<b>1,000</b>	1,000
Share of rental and office expenses with a related company	<i>(ii)</i>	<b>450</b>	168
Rental expenses paid to a related company	<i>(iii)</i>	<b>450</b>	197
Subcontracting fees to related companies	<i>(iv)</i>	<b>37,283</b>	19,736
Subcontracting fees to a minority shareholder of a subsidiary	<i>(v)</i>	<b>635</b>	–
Construction contract income from building maintenance work and building services installation work received from a related company	<i>(vi)</i>	<b>(618)</b>	–
Interest income from a related company	<i>(vii)</i>	<b>(48)</b>	–

### 13. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes:

- (i) The management fee was charged by 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 director of the Company and CIL.
- (ii) The rental and office expenses were charged by Hon Kwok, a subsidiary of CIL, on an actual basis. Dr. James Sai-Wing Wong is a director of and has beneficial interests in Hon Kwok. Mr. Yuen-Keung Chan and Mr. Herman Man-Hei Fung are common directors of the Company and Hon Kwok.
- (iii) A subsidiary of the Company leased certain properties from Jackson Mercantile Trading Company Limited ("Jackson Mercantile"), a subsidiary of CIL, and paid rent at rates agreed by both parties. Dr. James Sai-Wing Wong, a director of the Company, is a director of and has beneficial interest in CIL. Mr. Sek-Kee Yu is a director of the Company and Jackson Mercantile.
- (iv) The subcontracting charges were paid to Tinhawk and Ever Billion for the completion of work orders of certain building maintenance contracts for the Group. Mr. Yuen-Keung Chan and Mr. Sek-Kee Yu are common directors of the Company, Tinhawk and Ever Billion. Both Tinhawk and Ever Billion are subsidiaries of Shun Cheong, a then associate of the Group. Mr. Tian-Quan Mo, who resigned as director of the Company on 4 October 2006, has beneficial interest in Shun Cheong since April 2006, and has been appointed director of Shun Cheong since May 2006. Shun Cheong ceased to be an associate of the Company in April 2006.
- (v) The subcontracting charges were paid to a 49.9% minority shareholder of Shun Wing Construction & Engineering Limited, a subsidiary of the Company, for the completion of work orders of a building maintenance contract.
- (vi) The construction contract income represented the value of work certified during the period from Chinney Construction, a subsidiary of CIL of which Dr. James Sai-Wing Wong, a director of the Company, is a director and has beneficial interest. Mr. Yuen-Keung Chan, a director of the Company, is also a director of and has a 13.95% beneficial interest in Chinney Construction. Mr. Sek-Kee Yu is a director of the Company and Chinney Construction.

As at 30 June 2007, the Group had outstanding trade receivables of HK\$24,585,000 due from Chinney Construction (*note 8*). The maximum amount due from Chinney Construction during the period was HK\$26,627,000.

- (vii) The interest income received from Tinhawk based on the prevailing market rates. Mr. Yuen-Keung Chan and Mr. Sek-Kee Yu are common directors of the Company and Tinhawk.

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

- (i) Details of the Group's outstanding balances with related companies as at the balance sheet date are disclosed in note 9 to the interim financial statements.
- (ii) Details of the Group's trade balances with a related company as at the balance sheet date are disclosed in note 8 to the interim financial statements.
- (iii) As disclosed in the condensed consolidated balance sheet, the Group had an outstanding loan due to a minority shareholder of a subsidiary of HK\$6,900,000 as at the balance sheet date. The balance is unsecured, interest-free and has no fixed terms of repayment.

### 13. RELATED PARTY TRANSACTIONS *(continued)*

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

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	4,436	3,638
Post-employment benefits	247	125

#### (d) *Other transactions with related parties:*

- (i) On 26 January 2006, Chinney Alliance Trading (BVI) Limited ("CATBVI", a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor) and Shun Cheong (as vendor) entered into an agreement (the "Agreement") relating to the sale and purchase of the entire issued share capital of SCIL for a cash consideration of HK\$35 million (*note 12*). The SCIL Group is engaged in building related contracting services for both public and private sectors. 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. The transaction constitutes a major transaction for the Company under the Listing Rules and relevant details have been set out in the newspaper announcement of the Company dated 2 February 2006 and the circular to the shareholders of the Company dated 10 March 2006.
- (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 CATBVI for warranties provided by CATBVI 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 a 27.60% interest in the issued share capital of Shun Cheong, to Upsky Enterprises Limited ("Upsky") which is wholly-owned by Mr. Tian-Quan Mo, a former director of the Company who resigned on 4 October 2006, for an aggregate cash consideration of HK\$9.6 million. The consideration was arrived at by the board of directors of the Company 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 were set out in the Company's newspaper announcement dated 13 April 2006 and the circular to its shareholders dated 8 May 2006.

### 13. RELATED PARTY TRANSACTIONS *(continued)*

#### **(d) Other transactions with related parties:** *(continued)*

- (iv) As announced on 23 May 2007, SCIL (a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor), Chinney Construction (an 86.05% owned subsidiary of CIL, as vendor) and Chinney Contractors (an 86.05% owned subsidiary of CIL, as vendor's guarantor) entered into a sale and purchase agreement on 22 May 2007 for the acquisition of entire issued share capital of Apex for a cash consideration of approximately HK\$298,000. Dr. James Sai-Wing Wong is a director of and has beneficial interest in CIL and the transaction constituted a discloseable and connected transaction of the Company, which was subject to the announcement and reporting requirements and was exempt from the approval by the independent shareholders of the Company pursuant to Rule 14A.32 of the Listing Rules. The transaction was completed on 1 June 2007. Details of the transaction has been included in a circular dated 15 June 2007 to the shareholders of the Company.
- (v) Upon completion of the acquisition of Apex on 1 June 2007 as mentioned above, the Company, SCIL and Apex executed a deed of indemnity (the "Deed of Indemnity") to indemnify unconditionally and irrevocably all liabilities and obligations in respect of certain corporate guarantees provided by certain subsidiaries of CIL, namely Chinney Contractors, Chinney Construction (BVI) Limited, Kin Wing Chinney (BVI) Limited and Kin Wing Machinery & Transportation Limited and cash collateral of HK\$13,600,000 provided by Kin Wing Engineering Company Limited in favour of certain banks for general banking facilities extended to Apex.

### 14. CONTINGENT LIABILITIES

- (i) The Group provided corporate guarantees and indemnities to certain banks and a financial institution for an aggregate amount of approximately HK\$15,019,000 for the issue of performance bonds in its ordinary course of business.
- (ii) The Group agrees to indemnify the liabilities and obligations of certain subsidiaries of CIL under the terms of the Deed of Indemnity in respect of the general banking facilities extended to Apex. As at 30 June 2007, these banking facilities were utilised by Apex to the extent of approximately HK\$18,236,000.
- (iii) 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 CIL, as purchaser) entered into a sale and purchase agreement in relation to the sale and purchase of the entire issued share capital of Jackson Mercantile 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.

Save as disclosed above, the Group has no other material contingent liabilities as at 30 June 2007.

## 15. OPERATING LEASE ARRANGEMENTS

### (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.

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:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within one year	<b>911</b>	–
In the second to fifth years, inclusive	<b>1,442</b>	–
	<b>2,353</b>	–

### (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:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within one year	<b>1,761</b>	3,319
In the second to fifth years, inclusive	<b>701</b>	260
	<b>2,462</b>	3,579



## 16. CAPITAL COMMITMENT

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Property, plant and equipment		
– Contracted but not provided for	<b>4,443</b>	–

## 17. POST BALANCE SHEET DATE EVENT

As announced on 4 September 2007, CATBVI (a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor), Chinney Contractors (as vendor), CIL and Mr. Yuen-Keung Chan (as vendor's guarantors) entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Victory Leap Limited at a consideration of HK\$92.865 million. Chinney Contractors is owned as to 86.05% by CIL, a substantial shareholder of the Company, and 13.95% by Mr. Yuen-Keung Chan, a director of the Company. A refundable deposit of HK\$8 million was paid by the Group upon the signing of the sale and purchase agreement on 4 September 2007. The acquisition constitutes a major and connected transaction for the Company under the Listing Rules and is conditional to, among others, the approval by the independent shareholders of the Company by poll at general meeting to be held. Further details of the acquisition, the recommendations from the independent board committee of the Company and the independent financial advisor in respect of the acquisition and other information required by the Listing Rules will be included in a circular to the shareholders of the Company to be dispatched soon.

## 18. COMPARATIVE AMOUNTS

Certain comparative amounts in relation to goodwill arising from the acquisition of SCIL have been restated to present consistently with the Company's audited financial statements for the year ended 31 December 2006.

## 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 2007.

#### ***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. Sek-Kee Yu is the managing director of CAEL and the building related contracting services business and Mr. Frank Kwok-Kit Chu is the managing director of DMT and Jacobson. DMT, Jacobson, CAEL and the building related contracting services business 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, the beneficial owner of CIL and Enhancement Investments Limited ("EIL"), both are substantial shareholders of the Company, is the Chairman of the Board to represent their interests in the Company and to provide the Group with consistent leadership. 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 in September 2005, which deviates from the CG Code where the duties of the Remuneration Committee are to review (as opposed to determine) and to make recommendation to the Board on the remuneration of the specific remuneration packages of all executive directors (as opposed to the remuneration of directors and senior management).

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 during which the existing remuneration packages of all executive directors have been reviewed individually.

The above deviations from the code provisions were discussed in the corporate governance report included in the Company's 2006 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 2007 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 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 options outstanding as at 30 June 2007 which were granted to directors and employees under the Scheme are as follows:

	Number of shares subject to the outstanding share options as at 30 June 2007	Exercise price per share	Date of grant	Exercisable from	Exercisable until
		<i>HK\$</i>			
<b>Share options to directors</b>					
Sek-Kee Yu	1,200,000	0.70	16 July 1999	16 July 1999	15 July 2009
Frank Kwok-Kit Chu	800,000	0.70	13 July 1999	13 July 1999	12 July 2009
Herman Man-Hei Fung	800,000	0.70	13 July 1999	13 July 1999	12 July 2009
Sub-total	<u>2,800,000</u>				

	Number of shares subject to the outstanding share options as at 30 June 2007	Exercise price per share <i>HK\$</i>	Date of grant	Exercisable from	Exercisable until
<b>Share options to employees</b>					
In aggregate	400,000	0.70	12 July 1999	12 July 1999	11 July 2009
	400,000	0.70	16 July 1999	16 July 1999	15 July 2009
	400,000	0.70	19 July 1999	19 July 1999	18 July 2009
Sub-total	<u>1,200,000</u>				
<b>Total</b>	<b><u>4,000,000</u></b>				

During the period, no options were granted, exercised or lapsed.

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

As at 30 June 2007, 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				Percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Total	
James Sai-Wing Wong	–	–	218,138,283 <i>(Note)</i>	218,138,283	55.00%
Frank Kwok-Kit Chu	48,240	47,840	–	96,080	0.02%

*Note:* Among these shares, 115,395,797 shares are held by Multi-Investment Group Limited and 102,742,486 shares are held by EIL, in both of which Dr. James Sai-Wing Wong is a director and has beneficial interests.

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" section, as at 30 June 2007, none of the directors had registered an interest or short position in the shares, underlying shares and debentures of the Company or 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 of Hong Kong Limited pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section in this report, at no time during the six-month period ended 30 June 2007 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

As at 30 June 2007, 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 ordinary shares held	Percentage of the issued share capital
James Sai-Wing Wong	1, 2	Interest through controlled corporations	218,138,283	55.00%
Madeline May-Lung Wong	1	Interest through a controlled corporation	115,395,797	29.10%
Lucky Year Finance Limited	1	Interest through a controlled corporation	115,395,797	29.10%
Chinney Holdings Limited	1	Interest through a controlled corporation	115,395,797	29.10%
CIL	1	Interest through a controlled corporation	115,395,797	29.10%
Newsworthy Resources Limited	1	Interest through a controlled corporation	115,395,797	29.10%
Multi-Investment Group Limited	1	Beneficial owner	115,395,797	29.10%
EIL	2	Beneficial owner	102,742,486	25.90%

#### Notes:

1. Dr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Lucky Year Finance Limited, Chinney Holdings Limited, CIL, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of 115,395,797 shares by virtue of Section 316 of the SFO.
2. EIL is beneficially owned by Dr. James Sai-Wing Wong solely.

No share options of the Company were held by the above shareholders as at 30 June 2007.

Save as disclosed above, as at 30 June 2007, 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 2007, 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.