建聯集團有限公司

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Annual Report 2007

CONTENTS

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 REGISTRARS AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRARS 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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NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Chinney Alliance Group Limited (the "Company") will be held on Tuesday, 3 June 2008 at 3:00 p.m. at Full Moon Shanghai Restaurant, Macau Jockey Club, 4th Floor, East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company and the Group for the year ended 31 December 2007 together with the reports of the directors and the independent auditors thereon.

2. To declare a final dividend for the year ended 31 December 2007.

3. To re-elect directors and to authorise the board of directors to fix the directors' remuneration.

4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.

5. To consider as special business and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:

"**THAT**:

(a) subject to paragraph (c) below, a general mandate be and is hereby unconditionally granted to the directors of the Company to exercise during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers;

(b) the mandate in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the mandate in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted and approved by the shareholders of the Company for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) an issue of shares as scrip dividends or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company; or (iv) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed twenty per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said mandate shall be limited accordingly; and

(d) for the purpose of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or

(iii) the date of the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

"Rights Issue" means an offer of shares in the Company, or an offer of warrants, options or other securities giving rights to subscribe for shares, open for a period fixed by the directors of the Company to the holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company, after making enquiry, may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions under the laws of the relevant place, or the requirements of the relevant regulatory body or any stock exchange in that place)."

By Order of the Board
Yun-Sang Lo
Company Secretary

Hong Kong, 30 April 2008

Notes:

(1) A shareholder entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and vote instead of the shareholder. The proxy need not be a shareholder of the Company.

(2) In order to be valid, a form of proxy in the prescribed form, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or other authority must be completed, signed and deposited with the Company Secretary at the Company's principal place of business in Hong Kong at Room 2308, 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the above meeting or any adjournment thereof.

(3) Where there are joint registered holders of any shares, any one of such joint holders may vote at the above meeting (or at any adjournment thereof), either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(4) Pursuant to Bye-law 66 of the Company's Bye-laws, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

(a) the chairman of such meeting; or

(b) at least three shareholders of the Company (the "Shareholder(s)") present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

(5) With regard to resolution no. 3 in this notice, Messrs. Herman Man-Hei Fung and William Gage McAfee will retire by rotation at the Annual General Meeting in accordance with Bye-law 87 of the Bye-laws of the Company. Mr. Herman Man-Hei Fung, being eligible, will offer himself for re-election while Mr. William Gage McAfee will not seek for re-election.

(6) Biographical details, interests in shares of the Company and remuneration of Mr. Herman Man-Hei Fung who stands for re-election at the Annual General Meeting, are set out under headings "Biographies of Directors" on pages 9 and 10, "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" on page 21 and "Directors' Remuneration" on pages 58 and 59 respectively in the 2007 annual report (the "Annual Report").

(7) Save as disclosed in the Annual Report, Mr. Herman Man-Hei Fung does not have other relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Herman Man-Hei Fung does not have service contract entered into with the Company or any of its subsidiaries. His appointment to the Company as director is subject to the rotational retirement requirements under the Company's Bye-laws.

Save for the information disclosed above, there is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited nor are there other matters that need to be brought to the attention of Shareholders in respect of the director who stands for re-election at the Annual General Meeting.

RESULTS

The turnover and profit of Chinney Alliance Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007 were HK$1,547 million (2006: HK$1,469 million) and HK$65 million (2006: HK$17 million). The increase in turnover was mainly attributable to Victory Leap Limited and its subsidiaries (the "Victory Leap Group") acquired in October 2007, which contributed a turnover of HK$107 million. The increase in profit was mainly due to the non-recurring excess over the cost of business combinations recognised in respect of the acquisition of the Victory Leap Group of HK$39.7 million. The current year's profit included surplus on revaluation of the Group's properties of HK$4.5 million (net of deferred tax) (2006: HK$6.6 million) and the fair value gains on equity investments of HK$6 million (2006: HK$2.1 million).

PROPOSED FINAL DIVIDEND

The directors of the Company (the "Board") recommend the payment of a final dividend of HK1.5 cents (2006: HK1 cent) per share for the year ended 31 December 2007 to the shareholders whose names appear on the Company's register of members on 3 June 2008. Upon the approval by shareholders of the Company in the forthcoming annual general meeting, it is expected that the final dividend cheques will be despatched to the shareholders on or about 23 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 29 May 2008 to 3 June 2008 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 28 May 2008.

REVIEW OF BUSINESS AND OPERATIONS

Business Review

Trading of plastics and chemicals

DMT International Hong Kong Limited ("DMT") and Jacobson van den Berg (Hong Kong) Limited ("JvdB") recorded turnover of HK$735 million (2006: HK$786 million) for the year. Operating profit reduced to HK$20.7 million comparing to last year's HK$28 million. The decrease was mainly due to drop in profit margin to accommodate customers under the persistent high resin prices. While having a large pool of value customers which are leaders in different fields, DMT and JvdB continue to build on their customer and supplier base to develop new products and increase market presence in the Mainland China. Overhead, inventories and trade receivables remain under tight control to ensure profitability of the business.

Trading of industrial products and equipment

Chinney Alliance Engineering Limited and its subsidiaries reported turnover of HK$52 million compared with HK$54 million of last year, with an operating profit of HK$0.5 million (2006: loss of HK$1 million). The improvement was mainly attributable to costs saving achieved from control on headcount and overhead.

Building related contracting services

Shun Cheong Investments Limited and Westco Chinney Limited (collectively, the "Building Services Group") contributed turnover of HK$653 million (2006: HK$629 million) with operating profit of HK$7.1 million (2006: HK$11 million). Although gross margin from contracting works increased, the increase in overhead which was mainly due to full year overhead of Shun Cheong Investments Limited was consolidated in current year comparing with only nine month's overhead in 2006, as well as the overhead of Apex Curtain Wall and Windows Company Limited acquired during the year resulted in reduced profit.

Foundation piling and building construction

The Group acquired Victory Leap Limited during the year from its substantial shareholder, Chinney Investments, Limited ("Chinney Investments"), as approved by independent shareholders of the Company at a special general meeting held on 16 October 2007. The principal subsidiaries of Victory Leap Limited are Kin Wing Engineering Company Limited ("Kin Wing"), which is engaged in foundation piling business, and Chinney Construction Company, Limited ("CCCL"), which is engaged in building construction business. The acquisition was completed at end of October 2007 and the operating results of the Victory Leap Group for the two months ended 31 December 2007 were consolidated into the Group's current year results. Kin Wing and CCCL contributed turnover of HK$82 million and HK$25 million, respectively, with operating profit of HK$5.1 million and operating loss of HK$0.3 million, respectively. The loss of CCCL was mainly due to the fact that projects awarded in the second half of the year just commenced and works done were not yet certified for the recognition of profit in accordance with the Group's accounting policies. The Group recognised the excess over the cost of business combinations on the acquisition of Victory Leap Limited of HK$39.7 million, which represented the excess of fair value of the identifiable assets and liabilities of the Victory Leap Group acquired over the value of consideration paid.

Associate

The share of losses of associates for the year represented the share of the results of Jiangxi Kaitong New Materials Company Limited. Last year, the Group shared losses of Shun Cheong Holdings Limited of HK$1 million, which ceased to be an associate of the Group in March 2006.

OUTLOOK

The local economy continues to benefit from the development of the Mainland China. Although the external economic environment was beset with the US sub-prime mortgage problem and credit crunch, the local GDP of 2007 still grew at 6.3% and unemployment rate dropped to 3.4%. The sustained rapid economic growth of the Mainland and its intensified economic integration with Hong Kong will benefit local economic development, especially the construction sector. The Group's plastic trading business is developing higher margin engineering plastics products and at the same time maximising the business potential of its existing core customers of commodity plastics. On the other hand, the Group continues to explore business opportunities in Macau and Hong Kong for its building services business and the newly acquired foundation piling and building construction businesses and expects more projects with improved profit margin. Despite the global economic uncertainties, the Board remains optimistic about the results in the coming year.

APPRECIATION

I would like to thank my fellow directors for their advice and support and all staff for their dedication and contribution during the past year.

James Sai-Wing Wong
Chairman

Hong Kong, 18 April 2008

EXECUTIVE DIRECTORS

James Sai-Wing Wong

Aged 69, was appointed an executive director and the chairman of the Company in 1998. He is the chairman of Chinney Investments, a director of Lucky Year Finance Limited, Chinney Holdings Limited, Newsworthy Resources Limited, Multi-Investment Group Limited and Enhancement Investments Limited ("EIL"), all being substantial shareholders of the Company, and a director of Chinney Capital Limited which is a shareholder of the Company. He is also the chairman of Hon Kwok Land Investment Company, Limited ("Hon Kwok"). Chinney Investments and Hon Kwok are both listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed a Justice of the Peace for Hong Kong in 1987.

Sek-Kee Yu

Aged 56, was appointed an executive director of the Company in 1996 and additionally the chief financial officer of the Company in 2006. He is the managing director of Shun Cheong Investments Limited, Chinney Alliance Engineering Limited, Chinney Alliance (China) Limited, CCCL and Kin Wing, all being major subsidiaries of the Company. He has worked with three North American banks for over seventeen years during which he held various posts including the chief executive of a Canadian bank in Hong Kong, prior to joining the Group in 1994. He holds a Bachelor's degree in Computer Science from the University of Western Ontario, Canada and a Master's degree in Finance from the University of British Columbia, Canada.

Frank Kwok-Kit Chu

Aged 62, was appointed an executive director of the Company in 1993. He is also the managing director of DMT and JvdB. He has worked with a major Singaporean bank for sixteen years before he joined the Group in 1989. He has over thirty years of experience in business, banking and finance in the region. He holds a Bachelor of Arts degree from Stanford University, USA and a Master's degree in Business Administration from Cranfield Institute of Management, United Kingdom.

Yuen-Keung Chan

Aged 53, has been appointed an executive director of the Company in January 2007. He has thirty-four years of experience in the construction industry. He is a member of the Chartered Institute of Building and the Hong Kong Society of Builders. Mr. Chan is the director of Shun Cheong Investments Limited, CCCL and Kin Wing, all being major subsidiaries of the Company. He is also a director of Hon Kwok which is listed on the Stock Exchange.

Wai-Hong Ling

Aged 44, has been appointed an executive director of the Company in January 2007. He joined the Company in 2001 as Director of Investment. Mr. Ling holds a Bachelor's degree of Science from The University of Hong Kong and a Master's degree in Business Administration from The Chinese University of Hong Kong.

NON-EXECUTIVE DIRECTOR

Herman Man-Hei Fung

Aged 70, was appointed a director of the Company in 1998. He is the managing director of Chinney Investments and a director of Lucky Year Finance Limited, Chinney Holdings Limited, Newsworthy Resources Limited and Multi-Investment Group Limited, all being substantial shareholders of the Company, and a director of Chinney Capital Limited which is a shareholder of the Company. He is also the vice chairman of Hon Kwok. Chinney Investments and Hon Kwok are both listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

William Gage McAfee

Aged 65, was appointed an independent non-executive director of the Company in 2000. He is the managing director of Asia Pacific Capital, The GE Asia Pacific Capital Technology Fund and Asia Pacific Capital Fund II. He also holds directorship in a number of Asian-based companies.

Mr. McAfee has lived and worked in Hong Kong and Southeast Asia since the late 1960s. He served with the U.S. State Department in Vietnam from 1969 to 1971 and was also an adjunct professor at the Saigon Law School. For more than twenty years, he was with the American law firm Coudert Brothers where he was a founder of their East Asia group in Singapore and later the senior partner in Hong Kong. In 1992, he co-founded Asia Pacific Capital Limited, a direct investment company.

A former president of the American Chamber of Commerce in Hong Kong, Mr. McAfee has acted as an adviser to the Asian Development Bank, served on the General Committee of the Hong Kong General Chamber of Commerce, the Law Reform Commission and was the Deputy Chairman of the Hong Kong Community Chest. He is the Deputy Chairman of the Main Board Listing Committee and the GEM Listing Committee of the Stock Exchange, a member of the Council on Foreign Relations, the International Institute for Strategic Studies, the Asia Center Committee of Harvard University, the Development Board of Philips Academy Andover, Board of Governors of the Chinese International School and served as an adviser to the Hong Kong Basic Law Consultative Committee. He received an A.B. in Government from Harvard University and a J.D. from Columbia University School of Law.

David Chung-Shing Wu

Aged 72, was appointed an independent non-executive director of the Company in 2003. Mr. Wu had been a member of the Hong Kong Inland Revenue Board of Review for thirty-six years. He has substantial experience in the textile industry and securities investment. Prior to his retirement, he was the vice president of a US international investment bank. He holds a Bachelor's degree in Economics from Harvard University, USA.

Sou-Tung Chan

Aged 75, was appointed an independent non-executive director of the Company in January 2007. He has over fifty years of experience in building services. He founded his building services consulting engineers firm named Richard Chan & Associates Limited in 1976, which has completed numbers of projects in design of building services system and project management and energy management including over 300 projects in Hong Kong, Macau, China and South East Asia. Mr. Chan graduated from Northeastern Industrial College in 1955, major in building services of industrial/civil building development of the Building Development Faculty and was awarded a Master's degree in Business Administration from The University of East Asia (now known as "Asia International Open University (Macau)") in 1988.

Mr. Chan is a Registered Professional Engineer of the Government of Hong Kong Special Administrative Region, a Chartered Engineer in the United Kingdom and a Professional Engineer in New Zealand. He is also the member of Chartered Institution of Building Services Engineer of the United Kingdom, Hong Kong Institution of Engineers, Association of Consulting Engineers of Hong Kong, Association of Heating Refrigerating and Air Conditioning Engineers of the United States of America and Association of Energy Engineers of the United States of America. Mr. Chan was invited as a professor of The Northeastern University of the People's Republic of China in 1990 and has been appointed a permanent member of the board of directors of the university since 1999, he also was appointed as partime professor of Northeastern University in 2007. He has been an honorary citizen of Shenyang, the People's Republic of China since 1990 and had also been a member of the 6th, 7th, 8th and 9th Committee of Liaoning Province of the Chinese People's of Political Consultative Conference for twenty years.

Mr. Chan was appointed as a Committee Member of Air Pollution Control Appeal Board Panel of the Government of the Hong Kong Special Administrative Region in 2007 (2007-2010).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving the standards of corporate conduct and to place importance on its corporate governance systems so as to ensure greater transparency, accountability and protection of shareholders' interests.

This report describes the Company's corporate governance practices and structures that were in place during the financial year, with specific reference to the principles and guidelines of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange. In developing and reviewing its corporate governance policies and practices, the Company has sought to adopt a balanced approach.

The Company has complied with the code provisions laid down in the CG Code throughout the year ended 31 December 2007, except for code provisions A.1.1, A.2.1, A.4.1, A.4.2 and B.1.3, details of which are discussed in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive directors. The biographical details of the directors are set out in the section "Biographies of Directors" in pages 9 to 10.

The number of board meetings held in the year as well as the attendance of each Board member at those meetings are set out as follows:

Name of director	Number of meetings attended/eligible to attend
Executive Directors	
Dr. James Sai-Wing Wong	3/3
Mr. Sek-Kee Yu	3/3
Mr. Frank Kwok-Kit Chu	3/3
Mr. Yuen-Keung Chan	3/3
Mr. Wai-Hong Ling	3/3
Non-Executive Director	
Mr. Herman Man-Hei Fung	3/3
Independent Non-Executive Directors	
Mr. William Gage McAfee	3/3
Mr. David Chung-Shing Wu	3/3
Mr. Sou-Tung Chan	3/3

Board meetings of the Company were held three times during the year, in which two meetings were held on regular basis which deviated from code provision A.1.1 which stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals.

In view of the simplicity of the Group's businesses, regular board meetings have not been held quarterly during the year. The interim and annual results together with all corporate transactions happened during the year have been reviewed and discussed amongst the directors at the full board meetings held in the year.

Draft minutes of board meetings are circulated to directors for comments and the signed minutes are kept by the Company Secretary.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has not appointed a chief executive officer while Mr. Frank Kwok-Kit Chu is the managing director of DMT and JvdB. Mr. Sek-Kee Yu is the managing director of Kin Wing, CCCL and the Building Services Group. DMT, JvdB, Kin Wing, CCCL and the Building Services Group 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. Such practices of the Company deviate from code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

RE-ELECTION OF DIRECTORS

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and 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 Chinney Investments, EIL and Chinney Capital Limited, which collectively holds approximately 58.3% interest in the Company, is the Chairman of the Board to safeguard their investments 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.

REMUNERATION COMMITTEE

The Remuneration Committee comprises four directors, of which three are independent non-executive directors. The role of the Committee is to review and recommend to the Board on the remuneration packages of all executive directors.

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 the terms of reference of the Remuneration Committee on 20 September 2005, which was subsequently amended in the way 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. Details of remuneration packages of the executive directors during the year are set out under heading "Directors' Remuneration" on pages 58 and 59 in this annual report. A Remuneration Committee meeting was held once during the year, during which the remuneration packages of all executive directors for the year have been reviewed individually. The attendance of each member is shown as below.

Name of member	Number of meetings attended/eligible to attend
Non-Executive Director	
Mr. Herman Man-Hei Fung	1/1
Independent Non-Executive Directors	
Mr. William Gage McAfee *(Chairman)*	1/1
Mr. David Chung-Shing Wu	1/1
Mr. Sou-Tung Chan *(became a Remuneration Committee member effective from 17 April 2007)*	N/A

NOMINATION OF DIRECTORS

On 4 January 2007, Messrs. Yuen-Keung Chan and Wai-Hong Ling were appointed as executive directors and Mr. Sou-Tung Chan was appointed as an independent non-executive director of the Company. Such nomination has been taken into consideration of the nominees' qualifications, abilities and potential contributions to the Company by the Board.

AUDITORS' REMUNERATION

For the year ended 31 December 2007, services provided to the Group by its auditors and the respective fees paid were:

Services rendered	fees paid/payable *HK$'000*
Audit services	3,034
Non-audit services (review and other services)	890

AUDIT COMMITTEE

The Audit Committee comprises four directors, of which three are independent non-executive directors.

The terms of reference for the Audit Committee has been adopted in line with the CG Code. Regular meetings have been held by 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 Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management and the external auditors the financial reporting matters, both the half year results for the six months ended 30 June 2007 and the annual results for the year ended 31 December 2007.

The Audit Committee met two times during the year and the attendance of each member is shown as below.

Name of member	Number of meetings attended/eligible to attend
Non-Executive Director	
Mr. Herman Man-Hei Fung	2/2
Independent Non-Executive Directors	
Mr. William Gage McAfee *(Chairman)*	2/2
Mr. David Chung-Shing Wu	2/2
Mr. Sou-Tung Chan *(became an Audit Committee member effective from 17 April 2007)*	2/2

Draft minutes of the Audit Committee meetings are circulated to members of Audit Committee for comments and the signed minutes are kept by the Company Secretary.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance to minimize risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

During the year, the Audit Committee has reviewed the Group's internal control system and considered the internal control report with the Group's executive directors and financial controller. The review covers all material controls, including financial, operational and compliance controls and risk management of the Group and such systems have been considered reasonably effective and adequate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the independent auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditors' Report on pages 25 and 26.

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries comprise the trading of plastic and chemical products, the distribution and installation of building supplies, electrical and mechanical products, provision of engineering contracting services in the air-conditioning industry and the provision of maintenance services, building related contracting services and investment holding. During the year, the Group acquired the entire equity interest in Victory Leap Group which is engaged in superstructure construction works and sub-structure and foundation piling works for both public and private sectors in Hong Kong and Macau. Details of the principal subsidiaries and their activities are set out in note 16 to the financial statements. There were no other significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 106.

The directors recommend the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2007 (2006: HK1 cent) to the shareholders whose names appear on the Company's register of members on 3 June 2008. Upon the shareholders' approval at the forthcoming annual general meeting of the Company, it is expected that the final dividend cheques will be dispatched to the shareholders on or about 23 June 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

A detailed review of the Group's business operations and outlook is included in the Chairman's Statement.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK$310 million as at 31 December 2007 (2006: HK$257 million), of which HK$131 million (2006: HK$209 million) were trust receipt loans. The increase in interest-bearing debts was mainly attributable to the bank borrowings of HK$84 million and obligations under hire purchase contracts of HK$18 million of the Victory Leap Group acquired during the year, and the issue of a promissory note with carrying value of HK$39 million for the acquisition of the Victory Leap Group. Approximately 80% of the debts were due and repayable within one year. Current ratio of the Group as at 31 December 2007, measured by total current assets over total current liabilities, was 1.18 (2006: 1.31).

Total unpledged cash and bank balances as at 31 December 2007 was HK$84 million (2006: HK$179 million). The decrease in unpledged cash and bank balances was mainly due to payment of the consideration for the acquisition of the Victory Leap Group and repayment of bank loans and trust receipt loans.

The Group had a total of HK$598 million committed but undrawn banking facilities at year-end available for its working capital purpose. The gearing ratio of the Group, as measured by the net interest-bearing debts of HK$225 million over the equity attributable to the holders of the Company of HK$299 million, was 75% as at 31 December 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 and plant and machinery having aggregate book value of HK$81.8 million and HK$77.9 million respectively as at 31 December 2007 were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK$26.4 million were pledged to banks to secure the performance bonds issued in favour of the Group's clients on contracting works.

Contingent liability

The Group provides corporate guarantees and indemnities to certain banks and financial institution for an aggregate amount of HK$68 million for the performance bonds issued in favour of the Group's clients on contracting works.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2007.

Employees and remuneration policies

The Group employed approximately 610 staff in Hong Kong, Macau and other parts of the People's Republic of China as at 31 December 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.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE	**1,546,750**	1,468,521	1,015,001	1,044,491	828,261
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**64,720**	17,031	5,412	12,879	(25,889)
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	–	(1,960)	61	(1,511)
PROFIT/(LOSS) FOR THE YEAR	**64,720**	17,031	3,452	12,940	(27,400)
Profit/(loss) attributable to:					
– Equity holders of the Company	**66,452**	16,997	3,411	12,720	(27,818)
– Minority interests	**(1,732)**	34	41	220	418

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,038,671**	846,862	438,573	519,166	428,201
TOTAL LIABILITIES	**(738,455)**	(604,100)	(281,105)	(364,893)	(301,575)
MINORITY INTERESTS	**(789)**	(10,804)	–	(1,912)	(1,692)
	299,427	231,958	157,468	152,361	124,934

The information set out above does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year are set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to HK$136,977,000 as at 31 December 2007, of which HK$5,949,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$33,005,000, may be distributed to shareholders of the Company in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the purchases from the Group's five largest suppliers accounted for 32% of the total purchases for the year and the largest supplier included therein amounted to 11%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

James Sai-Wing Wong *(Chairman)*	
Sek-Kee Yu	
Frank Kwok-Kit Chu	
Yuen-Keung Chan	(appointed on 4 January 2007)
Wai-Hong Ling	(appointed on 4 January 2007)

Non-executive director:

Herman Man-Hei Fung

Independent non-executive directors:

William Gage McAfee	
David Chung-Shing Wu	
Sou-Tung Chan	(appointed on 4 January 2007)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Herman Man-Hei Fung and Mr. William Gage McAfee will retire by rotation at the forthcoming annual general meeting. Mr. Herman Man-Hei Fung, being eligible, will offer himself for re-election at the forthcoming annual general meeting and Mr. William Gage McAfee will not seek for re-election.

The Company has received from each of its independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and still considers them as independent.

BIOGRAPHIES OF DIRECTORS

Biographical details of the directors of the Company are set out on pages 9 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director has a service contract with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 39 to the financial statements and the section headed "Connected Transactions" below, none of the directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 December 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 pursuant to the Model Code in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
Name of director	**Personal interest**	**Family interest**	**Corporate interest**	**Total**	
James Sai-Wing Wong	–	–	218,138,283 *(Note)*	218,138,283	55.00%
Frank Kwok-Kit Chu	48,240	47,840	–	96,080	0.02%
	48,240	47,840	218,138,283	218,234,363	55.02%

Note: Amongst 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 have beneficial interests.

Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Sek-Kee Yu	1,200,000
Frank Kwok-Kit Chu	800,000
Herman Man-Hei Fung	800,000
	2,800,000

The Company has no outstanding debentures.

Save as disclosed above, as at 31 December 2007, 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

Save as disclosed in the share option scheme disclosures in note 36 to the financial statements, at no time during the year 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.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme as disclosed pursuant to the requirements of Rule 17.07 of the Listing Rules are set out in note 36 to the financial statements.

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

As at 31 December 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%
Chinney Investments	*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, Chinney Investments, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of the 115,395,797 shares by virtue of Section 316 of the SFO; and

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 31 December 2007.

Save as disclosed above, as at 31 December 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.

CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules are as follows:

Connected transactions

1. On 22 May 2007, Shun Cheong Investments Limited ("SCIL", a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor), CCCL (as vendor) and Chinney Contractors Company Limited ("Chinney Contractors", as vendor's guarantor) entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Apex Curtain Wall and Windows Company Limited ("Apex") at a cash consideration of approximately HK$298,000. CCCL was an 86.05% subsidiary of Chinney Investments which held 29.10% interest in the issued share capital of the Company. Also, Mr. Yuen-Keung Chan, a director of the Company, had a 13.95% deemed interest in CCCL through his holding of 13.95% direct interest in Chinney Contractors. Accordingly, CCCL was a connected person of the Company within the meaning of the Listing Rules and the transaction constituted a discloseable and connected transaction of the Company. Since the applicable percentage ratios exceeded 2.5% but less than 25% and the total consideration was less than HK$10,000,000, the transaction 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 have been included in an announcement dated 23 May 2007 and a circular dated 15 June 2007 to the shareholders of the Company.

2. On 4 September 2007, Chinney Alliance Trading (BVI) Limited (a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor), Chinney Contractors (as vendor), Chinney Investments 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 was owned as to 86.05% by Chinney Investments, which held 29.1% interest in the issued capital of the Company, and 13.95% by Mr. Yuen-Keung Chan, a director of the Company. The acquisition constituted a major and connected transaction for the Company under the Listing Rules. Full details of the transaction were set out in an announcement dated 4 September 2007 and a circular to the shareholders of the Company dated 25 September 2007. The transaction was approved by independent shareholders of the Company by poll on 16 October 2007 and completed on 26 October 2007.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Sek-Kee Yu
Director

Hong Kong, 18 April 2008

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the shareholders of Chinney Alliance Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Chinney Alliance Group Limited set out on pages 27 to 106, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
18 April 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**1,546,750**	1,468,521
Cost of sales/services provided		**(1,414,937)**	(1,363,055)
Gross profit		**131,813**	105,466
Other income	5	**10,428**	7,589
Selling and distribution costs		**(14,918)**	(11,707)
Administrative expenses		**(100,365)**	(74,567)
Other operating income, net		**7,117**	6,711
Surplus arising from revaluation of land and buildings	14	**1,369**	4,477
Changes in fair value of investment properties	15	**5,595**	3,880
Excess over the cost of business combinations	38	**39,684**	–
Loss on disposal of an associate		**–**	(6,180)
Finance costs	6	**(13,367)**	(12,981)
Share of losses of associates		**(477)**	(1,619)
PROFIT BEFORE TAX	7	**66,879**	21,069
Tax	10	**(2,159)**	(4,038)
PROFIT FOR THE YEAR		**64,720**	17,031
Attributable to:			
Equity holders of the Company	11	**66,452**	16,997
Minority interests		**(1,732)**	34
		64,720	17,031
DIVIDEND – proposed final	12	**5,949**	3,966
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**16.76 cents**	8.18 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**241,090**	26,988
Investment properties	15	**25,425**	19,830
Interest in an associate	17	**1,488**	1,429
Interest in a jointly-controlled entity	18	**–**	–
Goodwill	19	**8,018**	8,922
Deferred tax assets	34	**635**	679
Other assets	20	**282**	282
Retention monies receivables over one year	22	**3,654**	17,548
Total non-current assets		**280,592**	75,678
CURRENT ASSETS			
Inventories	21	**60,591**	66,813
Gross amount due from contract customers	22	**121,714**	41,508
Trade and bills receivables	23	**295,243**	388,523
Retention monies receivables	22	**79,289**	13,818
Amounts due from related companies	24	**15,570**	8,381
Amount due from a jointly-controlled entity	18	**249**	–
Prepayments, deposits and other receivables	25	**55,240**	31,223
Equity investments at fair value through profit or loss	26	**16,834**	12,030
Tax recoverable		**2,609**	3,223
Pledged time deposits	27	**26,425**	26,800
Cash and cash equivalents	27	**84,315**	178,865
Total current assets		**758,079**	771,184
CURRENT LIABILITIES			
Gross amount due to contract customers	22	**105,025**	76,067
Trade and bills payables	28	**183,930**	115,195
Trust receipt loans	29	**130,950**	209,400
Retention monies payables	22	**34,766**	24,126
Amounts due to related companies	24	**11,548**	531
Loan from a minority shareholder of a subsidiary	39(c)	**5,980**	–
Other payables and accruals	30	**56,011**	120,683
Tax payable		**1,555**	1,418
Obligations under finance leases	32	**6,082**	–
Interest-bearing bank borrowings	31	**108,181**	39,208
Total current liabilities		**644,028**	586,628
NET CURRENT ASSETS		**114,051**	184,556
TOTAL ASSETS LESS CURRENT LIABILITIES		**394,643**	260,234

	Notes	**2007** **HK$'000**	2006 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases	*32*	**11,525**	–
Interest-bearing bank borrowings	*31*	**14,000**	8,000
Promissory note	*33*	**38,789**	–
Loan from a minority shareholder of a subsidiary	*39(c)*	**–**	6,900
Deferred tax liabilities	*34*	**30,113**	2,572
Total non-current liabilities		**94,427**	17,472
Net assets		**300,216**	242,762
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*35*	**39,660**	39,660
Reserves	*37(a)*	**253,818**	188,332
Proposed final dividend	*12*	**5,949**	3,966
		299,427	231,958
Minority interests		**789**	10,804
Total equity		**300,216**	242,762

On behalf of the Board
James Sai-Wing Wong
Director

On behalf of the Board
Sek-Kee Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

		Attributable to equity holders of the Company									
		Issued capital	Share premium account	Contributed surplus	Asset revaluation reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	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		–	–	–	–	156	–	–	156	–	156
Revaluation surplus on land and buildings	*14*	–	–	–	636	–	–	–	636	–	636
Deferred tax on revaluation surplus on land and buildings	*34*	–	–	–	(99)	–	–	–	(99)	–	(99)
Total income and expense for the year recognised directly in equity		–	–	–	537	156	–	–	693	–	693
Profit for the year		–	–	–	–	–	16,997	–	16,997	34	17,031
Total income and expense for the year		–	–	–	537	156	16,997	–	17,690	34	17,724
Proposed 2006 final dividend	*12*	–	–	–	–	–	(3,966)	3,966	–	–	–
Arising from Capital Reduction	*35*	(23,795)	–	23,795	–	–	–	–	–	–	–
Arising from Open Offer	*35*	23,795	35,694	–	–	–	–	–	59,489	–	59,489
Share issue expenses in relation to Open Offer	*35*	–	(2,689)	–	–	–	–	–	(2,689)	–	(2,689)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	10,770	10,770
At 31 December 2006 and 1 January 2007		39,660	33,005*	120,946*	537*	8*	33,836*	3,966	231,958	10,804	242,762
Exchange realignment		–	–	–	–	28	–	–	28	–	28
Release of revaluation reserve on land and buildings to retained profits		–	–	–	(49)	–	49	–	–	–	–
Revaluation surplus on land and buildings	*14*	–	–	–	5,350	–	–	–	5,350	–	5,350
Deferred tax on revaluation surplus on land and buildings	*34*	–	–	–	(395)	–	–	–	(395)	–	(395)
Total income and expense for the year recognised directly in equity		–	–	–	4,906	28	49	–	4,983	–	4,983
Profit for the year		–	–	–	–	–	66,452	–	66,452	(1,732)	64,720
Total income and expense for the year		–	–	–	4,906	28	66,501	–	71,435	(1,732)	69,703
Dividend paid to a minority shareholder of a subsidiary		–	–	–	–	–	–	–	–	(8,283)	(8,283)
Final 2006 dividend declared		–	–	–	–	–	–	(3,966)	(3,966)	–	(3,966)
Proposed 2007 final dividend	*12*	–	–	–	–	–	(5,949)	5,949	–	–	–
At 31 December 2007		39,660	33,005*	120,946*	5,443*	36*	94,388*	5,949	299,427	789	300,216

* *These reserve accounts comprise the consolidated reserves of HK$253,818,000 (2006: HK$188,332,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**66,879**	21,069
Adjustments for:			
Finance costs	6	**13,367**	12,981
Share of losses of associates		**477**	1,619
Loss on disposal of an associate		**–**	6,180
Surplus arising from revaluation of land and buildings	14	**(1,369)**	(4,477)
Changes in fair value of investment properties	15	**(5,595)**	(3,880)
Excess over the cost of business combinations	38	**(39,684)**	–
Depreciation	7	**5,855**	1,908
Impairment of trade receivables	7	**253**	428
Write-back of impairment of trade receivables	7	**(542)**	(1,533)
Write-back of inventories to net realisable value	7	**(2,761)**	(579)
Fair value gains on equity investments at fair value through profit or loss, net	7	**(6,038)**	(2,136)
Loss on disposal of items of properties, plant and equipment	7	**177**	163
Gain on disposal of available-for-sale investments	7	**–**	(499)
Gain on disposal of equity investments at fair value through profit or loss	7	**(715)**	–
Impairment of available-for-sale investments	7	**–**	340
Reversal of goodwill	7	**904**	–
Interest income	5	**(5,436)**	(3,403)
Dividend income from a listed investment	5	**(171)**	–
		25,601	28,181
Decrease/(increase) in retention monies receivables		**3,587**	(6,470)
Decrease in inventories		**8,983**	24,837
Decrease/(increase) in gross amount due from contract customers		**(32,072)**	6,209
Decrease/(increase) in trade and bills receivables		**155,183**	(138,051)
Movement in balances with related companies, net		**(10,494)**	3,319
Movement in balances with a jointly-controlled entity, net		**(327)**	–
Decrease/(increase) in prepayments, deposits and other receivables		**(7,797)**	184
Increase/(decrease) in gross amount due to contract customers		**(30,318)**	30,918
Increase in trade and bills payables		**13,700**	12,249
Increase/(decrease) in retention monies payables		**(4,209)**	1,979
Increase/(decrease) in other payables and accruals		**(76,612)**	69,317
Cash generated from operations		**45,225**	32,672
Interest received		**5,436**	3,403
Interest paid		**(13,193)**	(12,981)
Interest element of finance lease rental payments		**(174)**	–
Dividend paid		**(3,966)**	–
Hong Kong profits tax refunded, net		**1,226**	405
Overseas taxes paid		**(229)**	(250)
Net cash inflow from operating activities		**34,325**	23,249

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from a listed investment		**171**	–
Purchases of items of property, plant and equipment	14	**(6,903)**	(473)
Proceeds from disposal of items of property, plant and equipment		**1**	139
Proceeds from disposal of equity investments at fair value through profit or loss		**1,949**	809
Proceeds from disposal of available-for-sale investments		**–**	499
Proceeds from disposal of an associate		**–**	9,566
Acquisition of subsidiaries	38	**(83,522)**	(22,442)
Net cash outflow from investing activities		**(88,304)**	(11,902)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares	35	**–**	59,489
Share issue expenses	37(b)	**–**	(2,689)
Increase/(decrease) in trust receipt loans		**(82,268)**	49,679
New bank loans		**–**	15,000
Repayment of bank loans		**(6,500)**	(6,750)
Decrease in pledged time deposits		**6,162**	–
Loan repayment to a minority shareholder of a subsidiary		**(920)**	–
Dividend paid to a minority shareholder of a subsidiary		**(8,283)**	–
Capital element of finance lease rental payments	32	**(972)**	–
Net cash inflow/(outflow) from financing activities		**(92,781)**	114,729
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(146,760)**	126,076
Cash and cash equivalents at beginning of year		**170,457**	44,690
Effect of foreign exchange rate changes, net		**(563)**	(309)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**23,134**	170,457
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**72,050**	84,886
Non-pledged time deposits with original maturity of less than three months when acquired	27	**12,265**	93,979
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	27	**–**	26,800
Bank overdrafts	31	**(61,181)**	(35,208)
		23,134	170,457

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**184**	11
Interests in subsidiaries	16	**173,658**	132,473
Other assets	20	**282**	282
Total non-current assets		**174,124**	132,766
CURRENT ASSETS			
Amount due from subsidiaries	16	**22,604**	14,496
Prepayments, deposits and other receivables	25	**295**	1,248
Equity investments at fair value through profit or loss	26	**13,871**	10,455
Cash and cash equivalents	27	**10,032**	59,228
Total current assets		**46,802**	85,427
CURRENT LIABILITIES			
Other payables and accruals	30	**3,284**	3,745
Interest-bearing bank borrowings	31	**4,000**	4,000
Total current liabilities		**7,284**	7,745
NET CURRENT ASSETS		**39,518**	77,682
TOTAL ASSETS LESS CURRENT LIABILITIES		**213,642**	210,448
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	**4,000**	8,000
Net assets		**209,642**	202,448
EQUITY			
Issued capital	35	**39,660**	39,660
Reserves	37(b)	**164,033**	158,822
Proposed final dividend	12, 37(b)	**5,949**	3,966
Total equity		**209,642**	202,448

On behalf of the Board
James Sai-Wing Wong
Director

On behalf of the Board
Sek-Kee Yu
Director

1. CORPORATE INFORMATION

Chinney Alliance Group Limited is a limited liability company incorporated in Bermuda with its shares listed in The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda, and the Company's head office and principal place of business is located at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

During the year, the Group was engaged in the following principal activities:

- trading of plastic and chemical products
- distribution and installation of building supplies, electrical and mechanical products
- provision of 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
- superstructure construction works and sub-structure and foundation piling works for both public and private sectors
- investment holding

During the year, the Group acquired the entire equity interest in Victory Leap Limited and its subsidiaries (the "Victory Leap Group") which are engaged in superstructure construction works and sub-structure and foundation piling works for both public and private sectors in Hong Kong and Macau.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, land and buildings and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
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 principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements – Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 44 to the financial statements.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for identified services provided in accordance with the Group's share option scheme, the interpretation has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no material impact on the financial position or results of operations of the Group.

(e) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [5]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 Amendment	Consolidated and Separate Financial Statements [5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions [2]
HK(IFRIC)-Int 12	Service Concession Arrangements [4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2009

The amendments to HKFRS 2 restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The revised HKFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised HKAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised HKFRS 3 and the revised HKAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

The revised HKAS 1 separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture; or

(b) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively.

Associates

An associate is an entity, not being a subsidiary, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost, and is subsequently measured at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, goodwill and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (c);

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties (continued)

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% – 3%
Leasehold improvements	Over the lease terms or 20% – $33\frac{1}{3}$%
Plant and machinery	10% – 20%
Furniture, fixtures and equipment	10% – $33\frac{1}{3}$%
Motor vehicles	15% – 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing bank loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and, an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, depends on the nature of the contract works, measured either by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts. When the outcome of the contracts cannot be estimated reliably, revenue is recognised only to the extent of certified work performed that is probable to be recoverable.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, measured by reference to the recoverable costs incurred during the year plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, and subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis as further explained in the accounting policy for "Construction contracts" above;

(c) from the rendering of services, on the completion of the transactions;

(d) rental income, on a time proportion basis over the lease terms; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a valuation model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

Other employee benefits

Pension schemes

The Group operates two defined contribution retirement benefits schemes, including a Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance and an Occupational Retirement Schemes Ordinance retirement benefits scheme (the "ORSO Scheme"), for all of its employees who are eligible to participate in the MPF Scheme or ORSO Scheme.

Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The ORSO Scheme is managed by an independent trustee. The Group makes monthly contributions to the scheme at 5% to 15% of the employees' basic salaries while the employees are not required to make any contributions. The employees are entitled to receive 100% of the contributions made by the Group together with the accrued earnings thereon upon retirement or leaving the Group after completing 10 years of service or at a reduced scale of 30% to 90% after completing three to nine years of service. Forfeited contributions and related earnings are used to reduce the contributions payable by the Group.

Prior to the MPF Scheme becoming effective, certain member companies of the Group operated defined contribution provident fund schemes (the "Provident Funds") under the Occupational Retirement Schemes Ordinance for those employees who were eligible to participate. The Provident Funds operated in a similar way to the MPF Scheme, except that when an employee left the Provident Funds prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. Upon implementation of the MPF Scheme, the Provident Funds have been frozen and no further contributions have been made by the Group or the eligible employees after that date. The eligible employees are entitled to receive their funds in accordance with the rules of the Provident Funds when they leave the Group.

The assets of both types of scheme are held separately from those of the Group in independently administered funds.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and an associate are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3.2 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

The preparation of the Group's financial statements requires the use of estimates and assumptions about future events and conditions. In this connection, the directors consider that the significant areas where management's judgement is necessary are those in relation to (i) the valuation of the Group's equity investments at fair value through profit or loss; (ii) the provision for foreseeable losses on the amounts due from contract customers; and (iii) the recognition of losses on the Group's trade and other receivables and retention monies receivables.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable. It should be noted that actual results could differ from those estimates.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$8,018,000 (2006: HK$8,922,000). More details are given in note 19.

The Group tests annually whether property, plant and equipment have suffered any impairment, in accordance with the accounting policy stated in note 3.1. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates such as future revenue and discount rates.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- the plastic and chemical products segment consists of importing, marketing and distributing plastic and chemical products;
- the building supplies, electrical and mechanical products segment consists of importing, marketing, distributing and installing building supplies, electrical and mechanical products;
- the building related contracting services segment consists of the provision of contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and the provision of maintenance services;
- the foundation piling segment consists of the provision of contracting services of foundation piling works and sub-structure construction works for both public and private sectors, which were acquired during the year; and
- the building construction segment consists of superstructure works for both public and private sectors, which were acquired during the year.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

	Plastic and chemical products		Building supplies, electrical and mechanical products		Building related contracting services		Foundation piling		Building construction		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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	**735,022**	785,879	**51,928**	54,047	**653,105**	628,595	**81,745**	–	**24,950**	–	**1,546,750**	1,468,521
Other revenue	**2,718**	2,414	**869**	395	**34**	13	**–**	–	**–**	–	**3,621**	2,822
Total	**737,740**	788,293	**52,797**	54,442	**653,139**	628,608	**81,745**	–	**24,950**	–	**1,550,371**	1,471,343
Segment results:												
Operating profit/(loss)	**20,682**	28,055	**529**	(1,033)	**7,067**	11,014	**5,144**	–	**(269)**	–	**33,153**	38,036
Surplus arising from revaluation of land and buildings	**1,369**	4,477	**–**	–	**–**	–	**–**	–	**–**	–	**1,369**	4,477
Changes in fair value of investment properties	**4,235**	2,420	**1,360**	1,460	**–**	–	**–**	–	**–**	–	**5,595**	3,880
	26,286	34,952	**1,889**	427	**7,067**	11,014	**5,144**	–	**(269)**	–	**40,117**	46,393
Interest income and unallocated gains											**2,944**	2,065
Unallocated expenses											**(8,775)**	(8,405)
Fair value gains on equity investments at fair value through profit or loss, net											**6,038**	2,136
Gain on disposal of equity investments at fair value through profit or loss											**715**	–
Excess over the cost of business combinations											**39,684**	–
Impairment of available-for-sale investments											**–**	(340)
Loss on disposal of an associate											**–**	(6,180)
Finance costs											**(13,367)**	(12,981)
Share of losses of associates											**(477)**	(1,619)
Profit before tax											**66,879**	21,069
Tax											**(2,159)**	(4,038)
Profit for the year											**64,720**	17,031
Attributable to:												
Equity holders of the Company											**66,452**	16,997
Minority interests											**(1,732)**	34
											64,720	17,031

4. SEGMENT INFORMATION *(continued)*

(a) ***Business segments*** *(continued)*

	Plastic and chemical products		Building supplies, electrical and mechanical products		Building related contracting services		Foundation piling		Building construction		Eliminations		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities														
Segment assets	**287,685**	348,119	**37,553**	16,352	**230,908**	392,675	**363,051**	–	**115,493**	–	**(74,837)**	(6,597)	**959,853**	750,549
Interest in an associate													**1,488**	1,429
Corporate and other unallocated assets													**16,149**	59,676
Bank overdrafts included in segment assets	**–**	–	**14,497**	27,418	**15,358**	7,790	**13,094**	–	**18,232**	–	**–**	–	**61,181**	35,208
Total assets													**1,038,671**	846,862
Segment liabilities	**52,723**	55,523	**108,734**	84,810	**178,969**	269,523	**138,052**	–	**106,787**	–	**(74,837)**	(6,597)	**510,428**	403,259
Corporate and other unallocated liabilities													**166,846**	165,633
Bank overdrafts included in segment assets	**–**	–	**14,497**	27,418	**15,358**	7,790	**13,094**	–	**18,232**	–	**–**	–	**61,181**	35,208
Total liabilities													**738,455**	604,100
Other segment information:														
Capital expenditure	**5,488**	–	**136**	351	**2,049**	2,782	**151,584**	–	**54,263**	–	**–**	–	**213,520**	3,133
Depreciation	**778**	551	**205**	673	**1,080**	684	**3,407**	–	**385**	–	**–**	–	**5,855**	1,908
Other non-cash expenses:														
Surplus arising from revaluation of land and buildings	**(1,369)**	(4,477)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1,369)**	(4,477)
Changes in fair value of investment properties	**(4,235)**	(2,420)	**(1,360)**	(1,460)	**–**	–	**–**	–	**–**	–	**–**	–	**(5,595)**	(3,880)

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Group

	Hong Kong		Macau and Mainland China		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**1,247,683**	1,292,119	**299,067**	176,402	**1,546,750**	1,468,521
Other revenue	**2,753**	2,427	**868**	395	**3,621**	2,822
Total	**1,250,436**	1,294,546	**299,935**	176,797	**1,550,371**	1,471,343
Other segment information:						
Segment assets	**858,950**	698,302	**118,540**	113,352	**977,490**	811,654
Bank overdrafts included in segment assets	**59,963**	35,208	**1,218**	–	**61,181**	35,208
Total assets					**1,038,671**	846,862
Capital expenditure	**212,234**	2,771	**1,286**	362	**213,520**	3,133

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, and an appropriate proportion of revenue from construction contracts during the year.

An analysis of the Group's revenue and other income is as follows:

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**810,129**	878,402
Construction contracts	**736,621**	590,119
	1,546,750	1,468,521
Other income		
Interest income	**5,436**	3,403
Commission income	**2,152**	1,651
Dividend income from a listed investment	**171**	–
Gross rental income	**1,154**	455
Others	**1,515**	2,080
	10,428	7,589

6. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**12,765**	12,981
Interest on a promissory note	**428**	–
Interest on obligations under finance leases	**174**	–
	13,367	12,981

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Auditors' remuneration:			
Current year provision		**2,250**	1,787
Underprovision in prior years		**140**	148
		2,390	1,935
Employee benefits expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**72,269**	50,834
Pension scheme contributions		**4,066**	2,803
Less: Forfeited contributions		**(324)**	(217)
Net pension scheme contributions*		**3,742**	2,586
		76,011	53,420
Less: Amount capitalised in contract costs		**(14,412)**	–
		61,599	53,420
Cost of inventories sold		**739,982**	800,337
Cost of services provided		**674,955**	562,718
Depreciation	*14*	**6,014**	1,908
Less: Amount capitalised in contract costs		**(159)**	–
		5,855	1,908
Minimum lease payments under operating leases in respect of land and buildings		**5,638**	3,817
Impairment of trade receivables#		**253**	428
Write-back of impairment of trade receivables#		**(542)**	(1,533)
Write-back of inventories to net realisable value included in cost of inventories sold		**(2,761)**	(579)
Fair value gains on equity investments at fair value through profit or loss, net#		**(6,038)**	(2,136)
Loss on disposal of items of properties, plant and equipment#		**177**	163
Gain on disposal of available-for-sale investments#		**–**	(499)
Gain on disposal of equity investments at fair value through profit or loss#		**(715)**	–
Impairment of available-for-sale investments#		**–**	340
Reversal of goodwill#	*19*	**904**	–
Foreign exchange differences, net#		**(1,608)**	(3,104)

7. PROFIT BEFORE TAX *(continued)*

* *As at 31 December 2007, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2006: Nil).*

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

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**150**	138
Other emoluments:		
Salaries, allowances and benefits in kind	**4,416**	3,714
Performance related bonuses	**730**	800
Pension scheme contributions	**341**	272
	5,487	4,786
	5,637	4,924

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007	2006
	HK$'000	*HK$'000*
William Gage McAfee	**50**	50
David Chung-Shing Wu	**50**	50
Sou-Tung Chan (appointed on 4 January 2007)	**50**	–
Tian-Quan Mo (resigned on 4 October 2006)	**–**	38
	150	138

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Sek-Kee Yu	–	1,646	375	149	2,170
Frank Kwok-Kit Chu	–	1,860	250	108	2,218
Yuen-Keung Chan	–	–	–	–	–
Wai-Hong Ling	–	910	105	84	1,099
	–	4,416	730	341	5,487
Non-executive director:					
Herman Man-Hei Fung	–	–	–	–	–
	–	4,416	730	341	5,487
2006					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Sek-Kee Yu	–	1,646	–	149	1,795
Frank Kwok-Kit Chu	–	1,918	700	108	2,726
Peter Chi-Chung Luk (resigned on 11 April 2006)	–	150	100	15	265
	–	3,714	800	272	4,786
Non-executive director:					
Herman Man-Hei Fung	–	–	–	–	–
	–	3,714	800	272	4,786

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no share options were granted to the directors in respect of their services to the Group. Further details of the share option scheme and the directors' options remaining outstanding under the scheme at the balance sheet date are set out in note 36 to the financial statements.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included three (2006: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2006: three) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other benefits in kind	**1,592**	2,633
Bonuses paid and payable	**1,000**	1,697
Pension scheme contributions	**58**	116
	2,650	4,446

The number of the above non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	2
	2	3

During the year, no share options were granted to the non-director, highest paid employees in respect of their services to the Group. Further details of the share option scheme and the options remaining outstanding under the scheme at the balance sheet date are included in the disclosures in note 36 to the financial statements.

10. TAX

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 year. 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.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong:		
Charge for the year	**761**	1,972
(Over)/under provision in prior years	**(95)**	3
Current – Elsewhere	**229**	250
Deferred *(note 34)*	**1,264**	1,813
Total tax charge for the year	**2,159**	4,038

10. TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax charge for the year is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Profit before tax	**66,879**	21,069
Tax at Hong Kong profits tax rate of 17.5% (2006:17.5%)	**11,704**	3,687
Effect of different rates for companies operating in other jurisdictions	**1**	(219)
(Over)/under provision in prior years	**(95)**	3
Income not subject to tax	**(8,118)**	(2,243)
Expenses not deductible for tax	**902**	715
Tax losses utilised from previous periods	**(5,218)**	(305)
Tax losses not recognised	**2,683**	1,916
Losses attributable to associates	**83**	283
Others	**217**	201
Tax charge for the year	**2,159**	4,038

The share of tax attributable to an associate amounting to nil (2006: HK$4,000) is included in "Share of losses of associates" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$11,160,000 (2006: HK$8,315,000) which has been dealt with in the financial statements of the Company *(note 37(b))*.

12. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Proposed final – HK1.5 cents (2006: HK1 cent) per ordinary share	**5,949**	3,966

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2007 and 31 December 2006 have 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 both years.

The calculation of basic earnings per share is based on:

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**66,452**	16,997

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year	**396,599,497**	207,761,070

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2007						
At 31 December 2006 and 1 January 2007:						
Cost or valuation	24,587	2,876	–	5,421	891	33,775
Accumulated depreciation	–	(1,470)	–	(4,602)	(715)	(6,787)
Net carrying amount	24,587	1,406	–	819	176	26,988
At 1 January 2007, net of accumulated depreciation and impairment	24,587	1,406	–	819	176	26,988
Additions	4,725	487	380	602	709	6,903
Disposals	–	(37)	(1)	(105)	(35)	(178)
Acquisition of subsidiaries *(note 38)*	54,040	242	150,401	1,602	332	206,617
Surplus on revaluation credited to asset revaluation reserve	5,350	–	–	–	–	5,350
Surplus on revaluation credited to the consolidated income statement	1,369	–	–	–	–	1,369
Depreciation provided during the year	(987)	(922)	(3,461)	(451)	(193)	(6,014)
Exchange realignment	54	–	–	1	–	55
At 31 December 2007, net of accumulated depreciation and impairment	89,138	1,176	147,319	2,468	989	241,090
At 31 December 2007						
Cost or valuation	89,152	3,038	150,780	6,138	1,365	250,473
Accumulated depreciation and impairment	(14)	(1,862)	(3,461)	(3,670)	(376)	(9,383)
Net carrying amount	89,138	1,176	147,319	2,468	989	241,090
Analysis of cost or valuation:						
At cost	1,040	3,038	150,780	6,138	1,365	162,361
At 31 December 2007 valuation	88,112	–	–	–	–	88,112
	89,152	3,038	150,780	6,138	1,365	250,473

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2006					
At 1 January 2006:					
Cost or valuation	23,031	2,938	7,868	688	34,525
Accumulated depreciation	(166)	(2,699)	(7,403)	(405)	(10,673)
Net carrying amount	22,865	239	465	283	23,852
At 1 January 2006, net of accumulated depreciation and impairment	22,865	239	465	283	23,852
Additions	–	34	370	69	473
Disposals	–	–	(302)	–	(302)
Acquisition of subsidiaries	27	1,880	753	–	2,660
Surplus on revaluation credited to asset revaluation reserve	636	–	–	–	636
Surplus on revaluation credited to the consolidated income statement	4,477	–	–	–	4,477
Depreciation provided during the year	(517)	(747)	(468)	(176)	(1,908)
Transfer to investment properties *(note 15)*	(2,901)	–	–	–	(2,901)
Exchange realignment	–	–	1	–	1
At 31 December 2006, net of accumulated depreciation and impairment	24,587	1,406	819	176	26,988
At 31 December 2006					
Cost or valuation	24,587	2,876	5,421	891	33,775
Accumulated depreciation and impairment	–	(1,470)	(4,602)	(715)	(6,787)
Net carrying amount	24,587	1,406	819	176	26,988
Analysis of cost or valuation:					
At cost	–	2,876	5,421	891	9,188
At 31 December 2006 valuation	24,587	–	–	–	24,587
	24,587	2,876	5,421	891	33,775

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group's land and buildings, except for a property located in Hong Kong with a net carrying value of HK$1,026,000 as at 31 December 2007 (the "Property"), were revalued individually on 31 December 2007 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an open market value of HK$88,112,000 based on their existing use. In the opinion of the directors, the carrying value of the Property approximated to its fair value as at 31 December 2007. Revaluation surpluses of HK$1,369,000 and HK$5,350,000, resulting from the above valuations, have been credited to the consolidated income statement and the asset revaluation reserve, respectively.

Details of the land and buildings are as follows:

	2007	2006
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**88,340**	23,830
Mainland China	**812**	757
	89,152	24,587

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$76,787,000 (2006: HK$23,679,000).

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of plant and machinery at 31 December 2007 amounted to HK$27,397,000 (2006: Nil).

The net carrying value of land and buildings pledged to secure banking facilities granted to the Group amounted to HK$81,750,000 (2006: HK$23,350,000) *(note 31)*.

At 31 December 2007, certain of the Group's plant and machinery with an aggregate net carrying value of approximately HK$77,855,000 (2006: Nil) were pledged to secure general banking facilities granted to the Group *(note 31)*.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 December 2007			
At 31 December 2006 and 1 January 2007:			
Cost	–	287	287
Accumulated depreciation	–	(276)	(276)
Net carrying amount	–	11	11
At 1 January 2007, net of accumulated depreciation	–	11	11
Additions	232	29	261
Disposals	–	(1)	(1)
Depreciation provided during the year	(77)	(10)	(87)
At 31 December 2007, net of accumulated depreciation	155	29	184
At 31 December 2007:			
Cost	232	314	546
Accumulated depreciation	(77)	(285)	(362)
Net carrying amount	155	29	184

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Furniture, fixtures and equipment *HK$'000*
31 December 2006	
At 1 January 2006:	
Cost	287
Accumulated depreciation	(271)
Net carrying amount	16
At 1 January 2006, net of accumulated depreciation	16
Depreciation provided during the year	(5)
At 31 December 2006, net of accumulated depreciation	11
At 31 December 2006:	
Cost	287
Accumulated depreciation	(276)
Net carrying amount	11

15. INVESTMENT PROPERTIES

	Group	
	2007 **HK$'000**	2006 *HK$'000*
Carrying amount at 1 January	**19,830**	13,049
Transfer from property, plant and equipment *(note 14)*	**–**	2,901
Net profit from a fair value adjustment	**5,595**	3,880
Carrying amount at 31 December	**25,425**	19,830

The Group's investment properties were revalued on 31 December 2007 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$25,425,000 on an open market, existing use basis. Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 40 to the financial statements.

16. INTERESTS IN SUBSIDIARIES

	Company 2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**185,600**	185,600
Due from subsidiaries	**843,724**	802,544
Due to subsidiaries	**(9,527)**	(9,532)
	1,019,797	978,612
Impairment	**(846,139)**	(846,139)
	173,658	132,473

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and are not repayable within one year. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The amounts due from subsidiaries included in the Company's current assets of HK$22,604,000 (2006: HK$14,496,000) are unsecured, interest-free and are repayable on demand or within one year.

The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

The movements in provision for interests in subsidiaries are as follows:

	Company 2007 HK$'000	2006 HK$'000
At 1 January	**846,139**	861,237
Impairment losses reversed	**–**	(15,098)
	846,139	846,139

An impairment was recognised for certain unlisted investments and certain amounts due from subsidiaries with an aggregate carrying amount of HK$846,139,000 (before deducting the impairment loss) (2006: HK$846,139,000) because these subsidiaries have been loss-making for some time.

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Apex Curtain Wall and Windows Company Limited ("Apex")**	Hong Kong	HK$10,000	–	100%	Contracting of building aluminium works
Best Treasure Limited	British Virgin Islands	US$1	–	100%	Investment holding
Chinney Alliance Corporate Treasury Limited	Hong Kong	HK$2	–	100%	Treasury function
Chinney Alliance Engineering Limited	Hong Kong	HK$10,000	–	100%	Distribution and installation of mechanical, electrical and building supplies products
Chinney Alliance Trading (BVI) Limited	British Virgin Islands	HK$360,001	100%	–	Investment holding
Chinney Builders and Foundation Company Limited**	Hong Kong	HK$2	–	100%	Building construction
Chinney Construction (BVI) Limited**	British Virgin Islands	US$10,000	–	100%	Investment holding
Chinney Construction Company, Limited**	Hong Kong	HK$18,000,000	–	100%	Building construction
Chinney E & M (Maintenance) Limited	Hong Kong	HK$100	–	100%	Maintenance of air-conditioning, electrical generators, water pumps and fire prevention and fighting systems
Chinney Timfai Construction (Macau) Company Limited**	Macau	MOP1,500,000	–	100%	Building construction and foundation piling
Chinney Timwill Construction (Macau) Company Limited**	Macau	MOP1,500,000	–	100%	Building construction and foundation piling
DMT-Jacobson Holdings Limited	British Virgin Islands	US$2,000,000	–	100%	Investment holding

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Group Direct	Percentage of equity interest attributable to the Group Indirect	Principal activities
DMT International Hong Kong Limited	Hong Kong	Ordinary HK$1,000; Non-voting deferred HK$5,156,700	–	100%	Agency trading of industrial materials
DrilTech Geotechnical Engineering Limited**	Hong Kong	HK$10,000	–	100%	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited**	Hong Kong	HK$12,500,000	–	100%	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering (Macau) Limited**	Macau	MOP1,000,000	–	100%	Drilling, site investigation and related ground engineering construction
Gina Enterprises Limited	Hong Kong	HK$2	–	100%	Property holding
Jacobson van den Berg (China) Limited*	Hong Kong	HK$1,000,000	–	100%	Trading of electrical and mechanical products
Jacobson van den Berg (Hong Kong) Limited	Hong Kong	Ordinary HK$1,000; Non-voting deferred HK$35,486,600	–	100%	Investment holding and agency trading of industrial products
Kin Wing Chinney (BVI) Limited**	British Virgin Islands	US$208	–	100%	Investment holding
Kin Wing Engineering Company Limited**	Hong Kong	HK$20,000,000	–	100%	Foundation piling
Kin Wing Foundations Limited**	Hong Kong	HK$10,000	–	100%	Foundation piling
Kin Wing Machinery & Transportation Limited**	Hong Kong	HK$100	–	100%	Equipment and machinery leasing

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Group Direct	Percentage of equity interest attributable to the Group Indirect	Principal activities
Kin Wing Treasury Limited**	Hong Kong	HK$10,000	–	100%	Financing
Kinwing Engineering (Macau) Company Limited**	Macau	MOP1,000,000	–	100%	Foundation piling
Lei Kee Development Company Limited	Hong Kong	HK$2	–	100%	Property holding
Shun Cheong Building Services (Macau) Limited	Macau	MOP100,000	–	100%	Installation and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems
Shun Cheong Electrical Engineering Company Limited	Hong Kong	"A" ordinary HK$100,000; Non-voting deferred HK$4,000,000	–	100%	Design, installation, repair and maintenance of electrical and mechanical systems
Shun Cheong Investments Limited	British Virgin Islands	US$100	–	100%	Investment holding
Shun Cheong Management Limited	Hong Kong	HK$2	–	100%	Provision of management services
Shun Cheong Trade and Development Company Limited	Hong Kong	HK$663,000	–	100%	Trading of electrical generators
Shun Wing Construction & Engineering Company Limited	Hong Kong	HK$1,000	–	50.1%	Provision of building and electrical maintenance services
Tegan Holdings Limited	Hong Kong	HK$2	–	100%	Property holding
Victory Leap Limited ("Victory Leap")**	British Virgin Islands	US$1	–	100%	Investment Holding

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Westco Airconditioning Limited	Hong Kong	HK$4,100,000	–	100%	Design, installation and maintenance of heating, ventilation and air-conditioning systems
Westco Chinney Limited*	Hong Kong	HK$3,000,000	–	100%	Sale and installation of air-conditioning systems

* *Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.*

** *Acquired during the year. Further details of these acquisitions are included in note 38 to the financial statements.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTEREST IN AN ASSOCIATE

	Group 2007 HK$'000	2006 HK$'000
Share of net assets	**8,688**	8,629
Impairment#	**(7,200)**	(7,200)
	1,488	1,429

\# *An impairment was recognised because the expected recoverable amount of the Group's interest in the associate is less than the Group's share of its net assets. There was no change in the impairment amount during the current and prior years.*

17. INTEREST IN AN ASSOCIATE *(continued)*

Particulars of the associate at the balance sheet date are as follows:

Name	Place of registration and operations	Particulars of registered capital held	Percentage of equity interest attributable to the Group	Principal activities
Jiangxi Kaitong New Materials Company Limited 江西省凱通新材料科技有限公司 ("Jiangxi Kaitong")	People's Republic of China	RMB12,450,000	24.9%	Manufacture of stainless steel and plastic compound pipes

This associate is a sino-foreign joint venture with a duration of business of 15 years which commenced from 11 October 2000. The associate is not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The voting power held and the profit sharing arrangement in relation to the associate are both the same as the equity interest shown above. The financial statements of the above associates are coterminous with those of the Group. The following table illustrates the summarised financial information of Jiangxi Kaitong extracted from its financial statements:

	2007	2006
	HK$'000	*HK$'000*
Assets	**30,392**	30,139
Liabilities	**(327)**	(309)
Revenue	**330**	440
Loss for the year	**(1,914)**	(2,307)

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**–**	–

The amount due from a jointly-controlled entity included in current assets of HK$249,000 (2006: Nil) is unsecured, interest-free and is repayable on demand. The carrying amount of this balance approximates to its fair value.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(continued)*

Particulars of the jointly-controlled entity are as follows:

Name	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Chinney Double Mechanic Engineering Company Limited	Macau	50	50	50	Provision of electrical and mechanical engineering services

The interest in a jointly-controlled entity is indirectly held by the Company. This jointly-controlled entity is not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity extracted from its financial statements:

	2007	2006
	HK$'000	*HK$'000*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**1,926**	–
Non-current assets	**54**	–
Current liabilities	**(2,259)**	–
Net liabilities	**(279)**	–
Share of the jointly-controlled entity's results:		
Total revenue	**8,060**	–
Total expenses	**(7,467)**	–
Profit after tax	**593**	–

The share of losses of the jointly-controlled entity is limited to the Group's investment cost in the jointly-controlled entity, as in the opinion of the directors, the Group will not continue to provide further financial support or capital injection to the jointly-controlled entity.

19. GOODWILL

	Group 2007 HK$'000	2006 HK$'000
Carrying amount at 1 January	**8,922**	–
Acquisition of subsidiaries	**–**	8,922
Amount charged to income statement# *(note 7)*	**(904)**	–
Carrying amount at 31 December	**8,018**	8,922

The amount represented the aggregate amount of pre-acquisition tax losses of the subsidiaries, which were acquired by the Company in prior years, being utilised during the year. As these pre-acquisition tax losses had not been recognised as deferred tax assets of these subsidiaries at the date of acquisition, the amount forms an adjustment to the related goodwill.

Goodwill acquired through business combination has been allocated to the reportable segment of building related contracting services.

Impairment testing of goodwill

For impairment testing, goodwill acquired through business combination has been allocated to one single cash-generating unit which is involved in building related contracting services.

The recoverable amount of this cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management. The discount rate applied to the cash flow projections is 6% (2006: 6%).

Key assumptions used in the value in use calculation for 31 December 2007 are as follows:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the estimated gross margins related to signed but uncompleted construction contracts in hand.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

20. OTHER ASSETS

	Group and Company 2007 HK$'000	2006 HK$'000
Club memberships, at cost	**1,220**	1,220
Provision for impairment	**(938)**	(938)
	282	282

21. INVENTORIES

	Group 2007 HK$'000	2006 HK$'000
Raw materials	**56,072**	59,614
Finished goods	**4,519**	7,199
	60,591	66,813

22. CONSTRUCTION CONTRACTS

	Group 2007 HK$'000	2006 HK$'000
Gross amount due from contract customers	**121,714**	41,508
Gross amount due to contract customers	**(105,025)**	(76,067)
	16,689	(34,559)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**10,032,822**	3,201,024
Less: Progress billings	**(10,016,133)**	(3,235,583)
	16,689	(34,559)

At 31 December 2007, the retentions held by customers for contract works included in retention monies receivables over one year and the retention monies receivables included in current assets of the Group amounted to approximately HK$3,654,000 (2006: HK$17,548,000) and HK$79,289,000 (2006: HK$13,818,000), respectively.

At 31 December 2007, the retentions held by the Group for contract works included in retention monies payables included in the current liabilities of the Group amounted to approximately HK$34,766,000 (2006: HK$24,126,000).

23. TRADE AND BILLS RECEIVABLES

	Group 2007 HK$'000	2006 HK$'000
Trade receivables	**313,330**	405,405
Impairment	**(19,947)**	(17,302)
	293,383	388,103
Bills receivables	**1,860**	420
	295,243	388,523

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 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 the payment due date and net of provisions, is as follows:

	Group 2007 HK$'000	2006 HK$'000
Current to 30 days	**205,155**	253,139
31 to 60 days	**43,179**	67,628
61 to 90 days	**23,098**	15,751
Over 90 days	**23,811**	52,005
	295,243	388,523

The movements in provision for impairment of trade receivables are as follows:

	Group 2007 HK$'000	2006 HK$'000
At 1 January	**17,302**	6,087
Acquisition of subsidiaries	**3,631**	13,184
Impairment losses recognised *(note 7)*	**253**	428
Amount written off as uncollectible	**(697)**	(864)
Impairment losses reversed *(note 7)*	**(542)**	(1,533)
	19,947	17,302

23. TRADE AND BILLS RECEIVABLES *(continued)*

The above provision for impairment of trade receivables represented provision for individually impaired trade receivables which related to customers that were in default or delinquency in payments. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**104,007**	74,287
Less than 30 days past due	**101,148**	178,852
31 to 90 days past due	**66,277**	83,379
Past due over 90 days	**23,811**	52,005
	295,243	388,523

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the trade receivable balances as at 31 December 2006 were amounts due from Chinney Construction Company, Limited ("CCCL") of approximately HK$27,686,000 which arose from the provision of various building and maintenance services. CCCL became a wholly-owned subsidiary of the Company on 26 October 2007.

24. AMOUNTS DUE FROM/TO RELATED COMPANIES

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

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
CCCL	*(i)*	**–**	171
Hon Kwok Land Investment (Shenzhen) Co., Ltd.	*(ii)*	**1**	28
Tinhawk Company Limited ("Tinhawk")	*(iii)*	**5,499**	2,057
Ever Billion Engineering Limited ("Ever Billion")	*(iii)*	**7,669**	6,125
Shenzhen Honkwok Huaye Development Co., Ltd.	*(ii)*	**117**	–
Chinney Contractors Company Limited ("Chinney Contractors")	*(iv)*	**2,284**	–
		15,570	8,381

Notes:

(i) CCCL was a then subsidiary of Chinney Investments, a major shareholder of the Company of which Dr. James Sai-Wing Wong and Mr. Yuen-Keung Chan, directors of the Company, are also directors and had beneficial interests. Mr. Sek-Kee Yu, a director of the Company, is also a director of CCCL. CCCL became a subsidiary of the Company on 26 October 2007.

(ii) Hon Kwok Land Investment (Shenzhen) Co., Ltd. and Shenzhen Honkwok Huaye Development Co., Ltd. are wholly-owned subsidiaries of Hon Kwok Land Investment Company, Limited ("Hon Kwok") which is a subsidiary of Chinney Investments of which Dr. James Sai-Wing Wong, a director of the Company, is also a director and has a beneficial interest. Mr. Herman Man-Hei Fung, a director of the Company, is also a director of Chinney Investments and Hon Kwok. The maximum amounts due from Hon Kwok Land Investment (Shenzhen) Co., Ltd. and Shenzhen Honkwok Huaye Development Co., Ltd. during the year were HK$92,000 and HK$118,000, respectively.

(iii) Mr. Sek-Kee Yu and Mr. Yuen-Keung Chan are common directors of the Company, Tinhawk and Even Billion.

(iv) Chinney Investments and Mr. Yuen-Keung Chan, a director of the Company, have beneficial interests of 86.05% and 13.95% in Chinney Contractors, respectively. The maximum amount due from Chinney Contractors during the year was HK$2,284,000.

The balances with the related companies are unsecured, interest-free and are repayable on demand.

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**1,214**	1,114	**222**	217
Deposits and other receivables	**54,026**	30,109	**73**	1,031
	55,240	31,223	**295**	1,248

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

26. EQUITY INVESTMENTS AT FAIR VALUE THOUGH PROFIT OR LOSS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments in Hong Kong, at market value	**16,834**	12,030	**13,871**	10,455

The above equity investments at 31 December 2007 were classified as held for trading.

The market value of the above investments of the Group at the date of approval of these financial statements was approximately HK$13,710,000.

27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**72,050**	84,886	**4,811**	906
Time deposits		**12,265**	93,979	**5,221**	58,322
Pledged time deposits		**26,425**	26,800	**–**	–
		110,740	205,665	**10,032**	59,228
Less: Pledged time deposits:					
Pledged for letters of guarantee and performance bonds		**(26,425)**	–	**–**	–
Pledged for bank overdraft facilities	*31(c)*	**–**	(26,800)	**–**	–
Cash and cash equivalents		**84,315**	178,865	**10,032**	59,228

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$9,422,000 (2006: HK$751,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

28. TRADE AND BILLS PAYABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade payables	**163,563**	72,722
Bills payable	**20,367**	42,473
	183,930	115,195

28. 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:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current to 30 days	**104,764**	62,510
31 to 60 days	**33,336**	5,642
61 to 90 days	**16,253**	861
Over 90 days	**9,210**	3,709
	163,563	72,722

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

29. TRUST RECEIPT LOANS

At 31 December 2007, the Group's trust receipt loans were secured by corporate guarantees given by the Company and certain subsidiaries. Trust receipt loans are repayable within six months from the date of advance, and bear interest at floating interest rates. Their carrying amounts approximate to their fair values.

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**18,423**	11,307	**250**	437
Accruals	**37,588**	109,376	**3,034**	3,308
	56,011	120,683	**3,284**	3,745

Other payables are non-interest-bearing and have an average term of three months.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2007			2006		
Group	**Contractual interest rate %**	**Maturity**	***HK$'000***	Contractual interest rate %	Maturity	*HK$'000*
Current						
Finance lease payables *(note 32)*	**5.25**	**2008**	**6,082**	–	–	–
Trust receipt loans *(note 29)*	**4.33-10.75**	**2008**	**130,950**	4.88-11.75	2007	209,400
Bank overdrafts – unsecured	**6.00-9.75**	**On demand**	**44,167**	8.00-10.75	On demand	28,450
Bank overdrafts – secured	**7.38**	**On demand**	**17,014**	3.95-4.20	On demand	6,758
Bank loans – secured	**5.13-5.69**	**2008**	**23,000**	–	–	–
Current portion of long-term bank loans – secured	**5.20-5.57**	**2008**	**24,000**	5.65	2007	4,000
			108,181			39,208
Total current			**245,213**			248,608
Non-current						
Finance lease payables *(note 32)*	**5.25**	**2009**	**11,525**	–	–	–
Bank loans – secured	**5.20-5.57**	**2009**	**14,000**	5.65	2009	8,000
Promissory note	**5.00**	**2010**	**38,789**	–	–	–
Total non-current			**64,314**			8,000
Total			**309,527**			256,608

	2007			2006		
Company	**Contractual interest rate %**	**Maturity**	***HK$'000***	Contractual interest rate %	Maturity	*HK$'000*
Current						
Current portion of long-term bank loans – secured	**5.20**	**2008**	**4,000**	5.65	2007	4,000
Non-current						
Bank loans – secured	**5.20**	**2009**	**4,000**	5.65	2009	8,000
Total			**8,000**			12,000

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

The maturity of the above bank and other borrowings is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans and overdrafts and trust receipt loans repayable:				
Within one year or on demand	**239,131**	248,608	**4,000**	4,000
In the second year	**14,000**	8,000	**4,000**	4,000
In the third to fifth years, inclusive	**–**	–	**–**	4,000
	253,131	256,608	**8,000**	12,000
Other borrowings repayable:				
Within one year	**6,082**	–	**–**	–
In the second year	**4,198**	–	**–**	–
In the third to fifth years, inclusive	**46,116**	–	**–**	–
	56,396	–	**–**	–
	309,527	256,608	**8,000**	12,000

Notes:

(a) All bank borrowings as set out above are denominated in Hong Kong dollars and bear interest at floating interest rates.

(b) The secured bank loans are repayable quarterly with the last instalment due in December 2009.

(c) The Group's bank borrowings are secured by:

  (i) the corporate guarantee given by the Company and certain subsidiaries;

  (ii) certain land and buildings with an aggregate carrying value of HK$81,750,000 (2006: HK$23,350,000) *(note 14)*;

  (iii) the pledge of the Group's plant and machinery of HK$77,855,000 (2006: Nil) *(note 14)*; and

  (iv) at 31 December 2006, certain time deposits with an aggregate carrying value of HK$26,800,000 *(note 27)*.

(d) The carrying amounts of the bank and other borrowings approximate to their fair values.

32. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its plant and machinery for its construction business. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

At 31 December 2007, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**6,748**	–	**6,082**	–
In the second year	**4,616**	–	**4,198**	–
In the third to fifth years, inclusive	**7,642**	–	**7,327**	–
Total minimum finance lease payments	**19,006**	–	**17,607**	–
Future finance charges	**(1,399)**	–		
Total net finance lease payables	**17,607**	–		
Portion classified as current liabilities *(note 31)*	**(6,082)**	–		
Non-current portion *(note 31)*	**11,525**	–		

The leases are secured by certain plant and machinery with an aggregate carrying value of HK$27,397,000 and corporate guarantees provided by certain subsidiaries.

33. PROMISSORY NOTE

The promissory note with a principal value of HK$40,000,000 was issued by a wholly-owned subsidiary of the Company and guaranteed by the Company, as part of the consideration for the acquisition of entire issued share capital of Victory Leap Limited *(note 38)*. The promissory note bears interest at the rate of 5% per annum and falls due three years after the date of issue on 26 October 2007.

The promissory note is stated at amortised cost and its carrying amount approximates to its fair value.

The fair value of the promissory note has been estimated by discounting the expected future cash flows at the prevailing interest rate.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Others		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**–**	–	**2,546**	764	**26**	–	**2,572**	764
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	**(1,200)**	–	**2,446**	1,683	**(26)**	–	**1,220**	1,683
Deferred tax charged to asset revaluation reserve	**–**	–	**395**	99	**–**	–	**395**	99
Acquisition of subsidiaries *(note 38)*	**25,891**	–	**35**	–	**–**	26	**25,926**	26
Gross deferred tax liabilities at 31 December	**24,691**	–	**5,422**	2,546	**–**	26	**30,113**	2,572

Deferred tax assets

Group

	Depreciation allowance less than related depreciation		Revaluation of properties		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**679**	723	**–**	86	**679**	809
Deferred tax charged to the income statement during the year *(note 10)*	**(44)**	(44)	**–**	(86)	**(44)**	(130)
Gross deferred tax assets at 31 December	**635**	679	**–**	–	**635**	679

The Group has tax losses arising in Hong Kong of HK$270,000,000 (2006: HK$263,000,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. SHARE CAPITAL

Shares

	2007 **HK$'000**	2006 *HK$'000*
Authorised:		
2,500,000,000 (2006: 2,500,000,000) ordinary shares of HK$0.10 (2006: HK$0.10) each	**250,000**	250,000
Issued and fully paid:		
396,599,497 (2006: 396,599,497) ordinary shares of HK$0.10 (2006: HK$0.10) each	**39,660**	39,660

	Number of shares	***HK$'000***
At 1 January 2006	158,639,799	39,660
Effect of Capital Reduction *(note (i))*	–	(23,795)
New shares issued pursuant to Open Offer *(note (ii))*	237,959,698	23,795
At 31 December 2006, 1 January 2007 and 31 December 2007	**396,599,497**	**39,660**

Notes:

During the prior year, the Company proposed:

(i) a capital reduction involving the reduction of the nominal value of the shares of the Company from HK$0.25 to HK$0.10 per share by the cancellation of HK$0.15 from the paid-up capital in each share (the "Capital Reduction"); and

(ii) an open offer of new shares on the basis of three offer shares for every two shares held at a subscription price of HK$0.25 per offer share (the "Open Offer").

The Capital Reduction became effective on 4 October 2006. As a result, a sum of HK$23,795,969.85 standing to the credit of the share capital account was transferred to the contributed surplus account of the Company and the authorised share capital of the Company of HK$250,000,000 divided into 1,000,000,000 shares of HK$0.25 each was cancelled and restored to HK$250,000,000 divided into 2,500,000,000 shares of HK$0.10 each.

The Open Offer became unconditional on 23 October 2006 and the subscription monies of HK$59.5 million were received by the Company on 25 October 2006. A total of 237,959,698 new shares of HK$0.10 each were issued and allotted on 26 October 2006.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

36. SHARE OPTION SCHEME

On 24 September 1993, an Executive Share Option Scheme (the "Scheme") was approved by the shareholders of the Company (as amended by the shareholders of the Company on 28 June 2001), under which the directors of the Company may, at their discretion, offer any employee (including any director) of the Company or of any of its subsidiaries options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme. The summary terms and particulars of the outstanding options under the Scheme are disclosed below.

Summary of the Scheme

(a) *Purposes of the Scheme*

The purposes of the Scheme are to attract and retain high calibre employees, and to motivate them to achieve a higher level of performance.

(b) *Participants of the Scheme*

The Board may, at its discretion, grant to any employee (including any director) of the Company or of any of its subsidiaries' options to subscribe for the Company's shares.

(c) *Maximum number of shares available for issue under the Scheme*

The maximum number of shares in respect of which options may be granted under the Scheme is such number of shares of which when aggregated with shares already subject to any other share option schemes of the Company, represents 10% of the issued share capital of the Company from time to time (excluding for this purpose any shares issued pursuant to the Scheme). The Scheme expired on 23 September 2003 and, as a result, no further shares were available for issue under the Scheme as at the date of this annual report.

(d) *Maximum entitlement to any participant*

Under the Scheme, no options may be granted to any employee which if exercised in full would result in the total number of the Company's shares already issued and issuable to the employee under all the options granted to the employee exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Scheme.

(e) *Period and payment on acceptance of options*

Under the Scheme, the offer of an option to acquire shares must be accepted in writing in such manner as the Board may prescribe within 14 days from the date of offer and upon payment of a nominal consideration of HK$1 in total by the participant to the Company, whereby such consideration is not refundable.

(f) *Period within which the shares must be taken up under an option*

For those options granted on or before 28 June 2001, the exercise period of the options is 10 years from the date of grant. The number of options that can be exercised is restricted to a maximum of 20% of the shares comprised in the option in the first year from the date of grant and the threshold is increased progressively by 20% each year until it reaches 100% in the fifth year from the date of grant.

For those options granted after 28 June 2001, an option may be exercised in whole or in part at any time during an exercise period ranging from two to five years from the date of grant, as specified by the Board in each grant.

36. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

(g) *Basis of determining the exercise price*

The exercise price of the options is determined by the Board and will not be less than the higher of (i) the nominal value of the Company's shares; and (ii) an amount not less than 80% of the average closing price of the Company's shares on the Stock Exchange for the five business days immediately preceding the date of the offer.

(h) *Expiration of the Scheme*

The Scheme expired on 23 September 2003.

Particulars of the outstanding options

During the year, no outstanding option was exercised or lapsed in accordance with the terms of the Scheme, upon the expiry of the option period for ten years from the date of grant of those options.

Details of the share options outstanding as at 31 December 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 1 January 2007 and 31 December 2007	Exercise price per share *HK$*	Date of grant	Exercisable from	Exercisable until
Share options to directors					
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	2,800,000				
Share options to employees					
In aggregate	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
	400,000	0.70	12 July 1999	12 July 1999	11 July 2009
Sub-total	1,200,000				
Total	4,000,000				

At the balance sheet date, the Company had 4,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,000,000 additional ordinary shares of the Company and an additional share capital of approximately HK$400,000 and share premium of HK$2,400,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 4,000,000 share options outstanding under the Scheme, which represented approximately 1% of the Company's shares in issue as at that date.

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of these financial statements.

(b) Company

	Share premium account HK$'000	Contributed surplus * HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2006	–	97,151	522	–	97,673
Arising from Capital Reduction *(note 35)*	–	23,795	–	–	23,795
Arising from Open Offer *(note 35)*	35,694	–	–	–	35,694
Share issue expenses in relation to Open Offer	(2,689)	–	–	–	(2,689)
Profit for the year	–	–	8,315	–	8,315
Proposed final dividend *(note 12)*	–	–	(3,966)	3,966	–
At 31 December 2006 and 1 January 2007	33,005	120,946	4,871	3,966	162,788
Final 2006 dividend declared	–	–	–	(3,966)	(3,966)
Profit for the year	–	–	11,160	–	11,160
Proposed final dividend *(note 12)*	–	–	(5,949)	5,949	–
At 31 December 2007	33,005	120,946	10,082	5,949	169,982

* *The Company's contributed surplus arising from the Capital Reorganisation which involved the consolidation of the capital reserve and share premium accounts in the prior year and the Capital Reduction involving cancellation of a portion of paid-up capital during the prior year.*

There is no specific provision in the Bermuda Companies Act which regulates the use of contributed surplus save that the Company cannot make a distribution out of the contributed surplus to the shareholders if there are reasonable grounds for believing that Company (i) is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

38. BUSINESS COMBINATION

On 1 June 2007, the Group acquired the entire issued share capital of Apex at a cash consideration of HK$298,000 *(note 39(b)(i))*. The purchase consideration for the acquisition was in the form of cash and was fully paid on the date of acquisition.

On 26 October 2007, the Group entered into a conditional sale and purchase agreement to acquire the entire issued capital of Victory Leap *(note 39(b)(ii))*. The purchase consideration for the acquisition was in the form of (i) cash of HK$43,728,000; (ii) a promissory note of HK$40,000,000; and (iii) setting-off a balance of HK$9,136,000 payable by the vendor to certain subsdiaries of Victory Leap.

38. BUSINESS COMBINATION *(continued)*

The fair values of the identifiable assets and liabilities of the acquirees as at the respective dates of acquisition and the corresponding carrying amounts immediately before the acquisitions were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Net assets acquired:			
Property, plant and equipment	14	206,617	132,482
Interest in a jointly-controlled entity		–	–
Retention monies receivables over one year		5,111	5,111
Gross amount due from contract customers		47,975	47,975
Trade receivables		61,614	61,614
Retention monies receivables		50,053	50,053
Amounts due from related companies		11,752	11,752
Amounts due from a jointly-controlled entity		19	19
Prepayments, deposits and other receivables		16,220	16,220
Tax recoverable		1,226	1,226
Pledged time deposits		32,587	32,587
Cash and cash equivalents		19,108	19,108
Gross amount due to contract customers		(59,276)	(59,276)
Trade and bills payables		(55,035)	(55,035)
Trust receipt loans		(3,818)	(3,818)
Amounts due to related companies		(16,938)	(16,938)
Amount due to a jointly-controlled entity		(97)	(97)
Retention monies payables		(14,849)	(14,849)
Other payables and accruals		(11,940)	(11,883)
Tax payable		(85)	(85)
Bank overdrafts		(57,466)	(57,466)
Bank loans		(55,500)	(55,500)
Obligations under finance leases		(18,579)	(18,579)
Deferred tax liabilities	34	(25,926)	(16,320)
		132,773	68,301
Excess over the cost of business combinations recognised in the consolidated income statement		(39,684)	
		93,089	
Satisfied by:			
Cash consideration		44,026	
Issue of a promissory note		38,789	
Setting-off a balance payable by the vendor to Victory Leap Group		9,136	
Relevant costs for the acquisition		1,138	
		93,089	

38. BUSINESS COMBINATION *(continued)*

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

	2007 HK$'000
Cash consideration paid	**(44,026)**
Relevant costs for the acquisition	**(1,138)**
Cash and cash equivalents acquired	**19,108**
Bank overdrafts acquired	**(57,466)**
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(83,522)**

Since their acquisitions, the acquirees contributed HK$106,695,000 to the Group's turnover and accounted for HK$3,202,000 of the consolidated profit for the year ended 31 December 2007.

In the opinion of the directors, disclosures with respect to the revenue and profit or loss of the Group as if the business combinations had been effected at the beginning of the year would be impracticable, because the acquirees, before the acquisition, had a financial year end date of 31 March.

The excess over the costs of business combinatons of HK$39,684,000 as recognised above is mainly attributable to the differences between the fair values and carrying amounts of certain items of property, plant and equipment of the acquirees. Such discounts were allowed since the vendor has decided to discontinue its construction businesses.

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2007 HK$'000	2006 HK$'000
Management fee to a major shareholder	*(i)*	**2,000**	2,000
Share of rental and office expenses with a related company	*(ii)*	**927**	411
Rental expenses paid to a related company	*(iii)*	**750**	675
Subcontracting fees to related companies	*(iv)*	**73,287**	63,359
Subcontracting fees to a minority shareholder of a subsidiary	*(v)*	**–**	464
Construction contract income from a related company	*(vi)*	**(387)**	(968)
Sale of goods to a related company	*(vii)*	**(1,061)**	–

39. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) The management fees were charged by Chinney Investments 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 interests in Chinney Investments. Mr. Herman Man-Hei Fung is a director of the Company and Chinney Investments.

(ii) The rental and office expenses were charged by Hon Kwok, a subsidiary of Chinney Investments, on an actual basis. Dr. James Sai-Wing Wong is a director of and has a beneficial interest in Hon Kwok. Mr. Herman Man-Hei Fung is a director of the Company and Hon Kwok.

(iii) A subsidiary of the Company leased certain properties from Jackson Mercantile Trading Company Limited ("Jackson Mercantile"), a then subsidiary of Chinney Investments, and paid rent at rates agreed by both parties. Dr. James Sai-Wing Wong, a director of the Company, is also a director of and has a beneficial interest in Chinney Investments. Mr. Sek-Kee Yu is a director of the Company and Jackson Mercantile. Mr. Yuen-Keung Chan, a director of the Company, is a director of and had 13.95% beneficial interest in Jackson Mercantile. Jackson Mercantile became a wholly-owned subsidiary of the Company on 26 October 2007.

(iv) The subcontracting fees were paid to Tinhawk and Ever Billion for the completion of work orders of certain building maintenance contracts for the Group. Mr. Sek-Kee Yu and Mr. Yuen-Keung Chan are common directors of the Company, Tinhawk and Ever Billion.

(v) In the prior year, 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 building maintenance work and building services installation work certified during the year from CCCL, a then subsidiary of Chinney Investments of which Dr. James Sai-Wing Wong, a director of the Company, is also a director and has a beneficial interest. Mr. Yuen-Keung Chan, a director of the Company, is also a director of and had a 13.95% beneficial interest in CCCL. Mr. Sek-Kee Yu is a director of the Company and CCCL. CCCL became a wholly-owned subsidiary of the Company on 26 October 2007.

As at 31 December 2006, the Group had outstanding trade receivables of HK$27,686,000 due from CCCL (note 23).

(vii) The sales of goods to CCCL were made according to mutually agreed prices.

39. RELATED PARTY TRANSACTIONS *(continued)*

(b) Other transactions with related parties:

(i) On 22 May 2007, Shun Cheong Investments Limited ("SCIL", a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor), CCCL (an 86.05% owned subsidiary of Chinney Investments, as vendor) and Chinney Contractors (an 86.05% owned subsidiary of Chinney Investments, as vendor's guarantor) entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Apex for a cash consideration of approximately HK$298,000. 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 have been included in a circular dated 15 June 2007 to the shareholders of the Company.

(ii) On 4 September 2007, Chinney Alliance Trading (BVI) Limited (a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor), Chinney Contractors (as vendor), Chinney Investments 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 at a consideration of HK$92.865 million. Chinney Contractors was owned as to 86.05% by Chinney Investments, a substantial shareholder of the Company, and 13.95% by Mr. Yuen-Keung Chan, a director of the Company. The acquisition constituted a major and connected transaction for the Company under the Listing Rules. Full details of the transaction were set out in the circular to the shareholders of the Company dated 25 September 2007. The transaction was approved by independent shareholders of the Company by poll on 16 October 2007 and completed on 26 October 2007.

(c) Outstanding balances with related parties:

(i) Details of the Group's outstanding balances with related companies as at the balance sheet date are included in note 24 to the financial statements.

(ii) Details of the Group's trade balances with a related company as at 31 December 2006 are disclosed in note 23 to the financial statements.

(iii) As disclosed in the consolidated balance sheet, the Group had an outstanding loan due to a minority shareholder of a subsidiary of HK$5,980,000 (2006: HK$6,900,000) as at the balance sheet date. The balance is unsecured, interest-free and is repayable on demand.

39. RELATED PARTY TRANSACTIONS *(continued)*

(d) Compensation of key management personnel of the Group:

	2007 HK$'000	2006 HK$'000
Short-term employee benefits	**12,220**	9,930
Post-employment benefits	**659**	429
Total compensation paid to key management personnel	**12,879**	10,359

Further details of directors' emoluments are included in note 8 to the financial statements.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

During the year, the Group leases certain of its investment properties *(note 15)* under operating lease arrangements, with leases negotiated for terms of three years. The terms of the leases generally also require the tenant to pay security deposits.

	Group	
	2007 HK$'000	2006 HK$'000
Within one year	**947**	–
In the second to fifth years, inclusive	**1,027**	–
	1,974	–

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (2006: one to three years).

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Within one year	**5,469**	3,319
In the second to fifth years, inclusive	**6,025**	260
	11,494	3,579

The Company had no operating lease commitments at the balance sheet date (2006: Nil).

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group and the Company had the following capital commitment at the balance sheet date:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted, but not provided for:				
Land and buildings	**4,275**	–	**–**	–

42. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

(i)

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**875,000**	624,000
Guarantee given to Chinney Contractors in connection with the promissory note issued by a subsidiary	**–**	–	**40,000**	–
	–	–	**915,000**	624,000

As at 31 December 2007, the total facilities utilised by the subsidiaries amounted to HK$344,241,000 (2006: HK$375,099,000).

(ii) The Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of HK$67,976,000 (2006: HK$12,408,000) for the issue of performance bonds in its ordinary course of business.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group

2007

Financial assets

	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Other assets	–	–	282	282
Retention monies receivables	–	82,943	–	82,943
Trade and bills receivables	–	295,243	–	295,243
Amount due from related companies	–	15,570	–	15,570
Amount due from a jointly-controlled entity	–	249	–	249
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	54,026	–	54,026
Equity investments at fair value through profit or loss	16,834	–	–	16,834
Pledged time deposits	–	26,425	–	26,425
Cash and cash equivalents	–	84,315	–	84,315
	16,834	558,771	282	575,887

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade and bills payables	183,930
Trust receipt loans	130,950
Retention monies payables	34,766
Amount due to related companies	11,548
Loan from a minority shareholder of a subsidiary	5,980
Financial liabilities included in other payables and accruals *(note 30)*	18,423
Obligations under finance leases *(note 32)*	17,607
Interest-bearing bank borrowings *(note 31)*	122,181
Promissory note	38,789
	564,174

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group

2006

Financial assets

	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Other assets	–	–	282	282
Retention monies receivables	–	31,366	–	31,366
Trade and bills receivables	–	388,523	–	388,523
Amount due from related companies	–	8,381	–	8,381
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	30,109	–	30,109
Equity investments at fair value through profit or loss	12,030	–	–	12,030
Pledged time deposits	–	26,800	–	26,800
Cash and cash equivalents	–	178,865	–	178,865
	12,030	664,044	282	676,356

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade and bills payables	115,195
Trust receipt loans	209,400
Retention monies payables	24,126
Amount due to related companies	531
Financial liabilities included in other payables and accruals *(note 30)*	11,307
Interest-bearing bank borrowings *(note 31)*	47,208
Loan from a minority shareholder of a subsidiary	6,900
	414,667

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

2007

Financial assets

	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Interests in subsidiaries *(note 16)*	–	183,185	–	183,185
Other assets	–	–	282	282
Amount due form subsidiaries	–	22,604	–	22,604
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	73	–	73
Equity investments at fair value through profit or loss	13,871	–	–	13,871
Cash and cash equivalents	–	10,032	–	10,032
	13,871	215,894	282	230,047

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Interests in subsidiaries *(note 16)*	9,527
Financial liabilities included in other payables and accruals *(note 30)*	250
Interest-bearing bank borrowings *(note 31)*	8,000
	17,777

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

2006

Financial assets

	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Interests in subsidiaries *(note 16)*	–	142,005	–	142,005
Other assets	–	–	282	282
Amount due from subsidiaries	–	14,496	–	14,496
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	1,031	–	1,031
Equity investments at fair value through profit or loss	10,455	–	–	10,455
Cash and cash equivalents	–	59,228	–	59,228
	10,455	216,760	282	227,497

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Interests in subsidiaries *(note 16)*	9,532
Financial liabilities included in other payables and accruals *(note 30)*	437
Interest-bearing bank borrowings *(note 31)*	12,000
	21,969

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans and overdrafts, cash and bank balances, and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as gross amounts due from and to contract customers, trade and retention monies receivables, other receivables, and trade and bills payables, which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage each of these risks and they are summarised below.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The interest rates and terms of repayment of interest-bearing bank loans and overdrafts are disclosed in note 31 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans and overdrafts, cash and bank balances, and short-term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expense are charged to the consolidated income statement as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000	Increase/ (decrease) in basis points	Increase/ (decrease) in equity HK$'000
2007					
Hong Kong dollar	**50**	**(1,142)**	**(1,012)**	**50**	**(50)**
Hong Kong dollar	**(50)**	**1,142**	**1,012**	**(50)**	**50**
2006					
Hong Kong dollar	50	(1,101)	(959)	50	(50)
Hong Kong dollar	(50)	1,101	959	(50)	50

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group uses forward currency contracts to eliminate the currency exposures on such sale and purchase transactions. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the United States dollar and Renminbi exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	HK$'000	HK$'000
2007			
If Hong Kong dollar weakens against United States dollar	**1**	**34**	**34**
If Hong Kong dollar strengthens against United States dollar	**(1)**	**(34)**	**(34)**
If Hong Kong dollar weakens against Renminbi	**5**	**610**	**610**
If Hong Kong dollar strengthens against Renminbi	**(5)**	**(610)**	**(610)**
2006			
If Hong Kong dollar weakens against United States dollar	1	12	12
If Hong Kong dollar strengthens against United States dollar	(1)	(12)	(12)
If Hong Kong dollar weakens against Renminbi	5	104	104
If Hong Kong dollar strengthens against Renminbi	(5)	(104)	(104)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, pledged time deposit amounts due from related companies, amounts due from a jointly-controlled entity and deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and trust receipt loans. The Group's policy is to maintain the Group at net current asset position.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, is as follows:

Group

2007	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	183,930	–	–	183,930
Trust receipt loans	–	130,950	–	–	130,950
Retention monies payables	–	34,766	–	–	34,766
Amount due to related companies	11,548	–	–	–	11,548
Loan from a minority shareholder of a subsidiary	5,980	–	–	–	5,980
Other payables	12,074	–	–	–	12,074
Obligations under finance leases	–	6,082	4,198	7,327	17,607
Interest-bearing bank borrowings	61,181	47,000	14,000	–	122,181
Promissory note	–	–	–	38,789	38,789
	90,783	402,728	18,198	46,116	557,825

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Group

2006	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	115,195	–	–	115,195
Trust receipt loans	–	209,400	–	–	209,400
Retention monies payables	–	24,126	–	–	24,126
Amount due to related companies	531	–	–	–	531
Other payables	6,226	–	–	–	6,226
Interest-bearing bank borrowings	35,208	4,000	4,000	4,000	47,208
Loan from a minority shareholder of a subsidiary	–	–	6,900	–	6,900
	41,965	352,721	10,900	4,000	409,586

Company

2007	**On demand**	**Less than 12 months**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Over 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Interests in subsidiaries	**–**	**–**	**–**	**–**	**9,527**	**9,527**
Other payables	**139**	**–**	**–**	**–**	**–**	**139**
Interest-bearing bank borrowings	**–**	**4,000**	**4,000**	**–**	**–**	**8,000**
	139	**4,000**	**4,000**	**–**	**9,527**	**17,666**

2006	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interests in subsidiaries	–	–	–	–	9,532	9,532
Other payables	197	–	–	–	–	197
Interest-bearing bank borrowings	–	4,000	4,000	4,000	–	12,000
	197	4,000	4,000	4,000	9,532	21,729

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss *(note 26)* as at 31 December 2007. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the balance sheet date.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the balance sheet date, and its respective highest and lowest points during the year were as follows:

	31 December 2007	**High/low 2007**	31 December 2006	High/low 2006
Hong Kong – Hang Seng Index	**27,813**	**31,958/18,659**	19,965	20,049/14,844

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

	Carrying amount of equity investments *HK$'000*	**Change in profit before tax** *HK$'000*
2007		
Investments listed in:		
Hong Kong – Held for trading	**16,834**	**1,683**
2006		
Investments listed in:		
Hong Kong – Held for trading	12,030	1,203

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade and bills payables, trust receipt loans, retention monies payables, amounts due to related companies, a loan from a minority shareholder of a subsidiary, other payables and accruals, interest-bearing bank and other borrowings, and a promissory note, less cash and cash equivalents. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade and bills payables	**183,930**	115,195
Trust receipt loans	**130,950**	209,400
Retention monies payables	**34,766**	24,126
Amounts due to related companies	**11,548**	531
Other payables and accruals	**56,011**	120,683
Obligations under finance leases	**17,607**	–
Interest-bearing bank borrowings	**122,181**	47,208
Loan from a minority shareholder of a subsidiary	**5,980**	6,900
Promissory note	**38,789**	–
Less: Cash and cash equivalents	**(84,315)**	(178,865)
Net debt	**517,447**	345,178
Equity attributable to equity holders	**299,427**	231,958
Capital and net debt	**816,874**	577,136
Gearing ratio	**63%**	60%

45. COMPARATIVE AMOUNTS

Certain comparative amounts in the consolidated balance sheet and notes to the financial statements have been reclassified to conform with the current year's presentation.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 April 2008.