Annual Report

2008

建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

* For identification purpose only

CONTENTS

BOARD OF DIRECTORS

Executive Directors

James Sai-Wing WONG *(Chairman)*
Sek-Kee YU
Yuen-Keung CHAN
Wai-Hong LING

Non-Executive Directors

Herman Man-Hei FUNG
Frank Kwok-Kit CHU

Independent Non-Executive Directors

David Chung-Shing WU
Sou-Tung CHAN
Anthony Ren-Da FAN

AUDIT COMMITTEE

David Chung-Shing WU
Sou-Tung CHAN
Anthony Ren-Da FAN
Herman Man-Hei FUNG

REMUNERATION COMMITTEE

David Chung-Shing WU
Sou-Tung CHAN
Anthony Ren-Da FAN
Herman Man-Hei FUNG

COMPANY SECRETARY

Yun-Sang LO

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank 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
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28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

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Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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111 Connaught Road Central
Hong Kong

STOCK CODE

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RESULTS

Chinney Alliance Group Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded turnover and profit for the year ended 31 December 2008 of HK$2,547 million (2007: HK$1,547 million) and HK$44.8 million (2007: HK$64.7 million) respectively. The profit for the year included the deficit arising from downward revaluation of the Group's properties of HK$12 million (net of deferred tax) (2007: surplus of HK$4.5 million) and the fair value loss on equity investments of HK$9.4 million (2007: gain of HK$6 million) resulting from the downturn of the property market and stock market. The results of 2007 also included a non-recurring excess over the cost of business combination in respect of the acquisition of Chinney Construction Group Limited ("CCG", formerly known as Victory Leap Limited) of HK$39.7 million. Should these items be excluded for both years, the profit contributed from the Group's business operation for the year under review would be HK$66.2 million, comparing with HK$14.5 million of last year. The increase in turnover and profit excluding non-recurring items and fair value changes of properties and equity investments were mainly attributable to CCG acquired in October 2007, which contributed a turnover of HK$1,191 million (2007: HK$107 million) and operating profit of HK$56.9 million (2007: HK$4.9 million).

PROPOSED FINAL DIVIDEND

The directors of the Company (the "Board") recommend the payment of a final dividend of HK2.5 cents per share for the year ended 31 December 2008 (2007: HK1.5 cents) to the shareholders whose names appear on the Company's register of members on 5 June 2009. It is expected that the final dividend cheques will be despatched to the shareholders on or before 24 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 1 June 2009 to 5 June 2009 (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 29 May 2009.

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemical products

Jacobson van den Berg (Hong Kong) Limited ("Jacobson") and DMT International Hong Kong Limited ("DMT") recorded turnover of HK$701 million (2007: HK$735 million) for the year. Operating profit reduced to HK$11.4 million comparing to last year's HK$20.7 million. The decrease was mainly due to the turbulent fluctuations of petrochemical resins price diluting the profit margin and impairment loss of trade receivables of HK$4 million. Jacobson and DMT continue to build up their customer and supplier base to increase market presence in the Mainland China. Overhead, inventories and trade receivables remain under tight control to ensure profitability of the business and to ensure adequate liquidity in such a soft market.

Trading of industrial products and equipment

Chinney Alliance Engineering Limited ("CAE") and its subsidiaries reported turnover of HK$96 million (2007: HK$52 million) with an operating profit of HK$2.9 million (2007: HK$0.5 million). The increase in turnover from the sale of air-conditioning products contributed to the improvement of profitability.

Building related contracting services

Shun Cheong Investments Limited ("Shun Cheong") contributed turnover of HK$559 million (2007: HK$653 million) with operating profit of HK$14.3 million (2007: HK$7.1 million). Despite the decrease in turnover, the division's profit increased as the projects in Hong Kong and Macau achieved better margins. As at 31 December 2008, the division has outstanding contract on hand of approximately HK$314 million.

Foundation piling and building construction

CCG contributed its full year performance to the Group in 2008 comparing to only two-month results in 2007 upon the completion of the acquisition by the Group. Kin Wing Engineering Company Limited ("KWE"), a principal subsidiary of CCG engaged in foundation piling business, was running at its full capacity during second half of the year under review and contributed record high turnover and reasonably good operating profit of HK$640 million and HK$28.1 million respectively. Chinney Construction Company, Limited ("CCCL"), another principal subsidiary of CCG engaged in building construction business, contributed record high turnover and record high operating profit of HK$550 million and HK$28.8 million respectively. As at 31 December 2008, the CCG Group has outstanding contracts on hand of approximately HK$1.1 billion in total.

Associate and jointly-controlled entities

The Group's share of the losses of an associate and jointly-controlled entities represented share of the results of Jiangxi Kaitong New Materials Company Limited operated in China and jointly-controlled entities operated in Macau respectively.

OUTLOOK

The financial tsunami is the greatest challenge to the world economy and such global crisis requires global co-operation to resolve. With the fiscal measures taken by the USA and other European Governments and the global plan for recovery announced by G20, the worldwide stock markets were less volatile in past few weeks. However, it is still uncertain when the global economy would revive. Hong Kong as one of the world's major financial markets is not immune from the financial crisis. GDP of the fourth quarter of 2008 declined by 2.5% on a year-on-year basis in real terms. Unemployment rate increased to 5% and may worsen in near term. Nevertheless, the continuing economic growth in the Mainland China and particularly the 14 supportive measures to Hong Kong will render support to Hong Kong's economy. With a huge market potential, China could be the key of the revival of the global economy. The Central Government is acting proactively to support the key industries of the country and to stimulate the consumer market. When the world market becomes stabilized and also sustained, the Group's plastic trading business could benefit from a new resurgence of consumer demand. On the other hand, the fast-tracking of public sector works by the Hong Kong Government will provide timely support to the local construction industry, so the Group's foundation piling, building construction and building services contracting businesses will have more opportunities in being awarded new contracts. The Board is therefore cautiously optimistic about the business performance of the Group in the coming year.

APPRECIATION

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

James Sai-Wing Wong
Chairman

Hong Kong, 16 April 2009

EXECUTIVE DIRECTORS

James Sai-Wing Wong

Aged 70, was appointed an executive director and the chairman of the Company in 1998. He is the chairman of Chinney Investments, Limited ("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 57, 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, CAE, Chinney Alliance (China) Limited and CCCL and the joint managing director of KWE, all being major subsidiaries of the Company. He was previously an executive director of Shun Cheong Holdings Limited whose shares are listed on the Stock Exchange (resigned on 16 September 2006). 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.

Yuen-Keung Chan

Aged 54, was appointed an executive director of the Company in 2007. He has over thirty years of experience in the construction industry. He is a member of the Chartered Institute of Building. Mr. Chan is the joint managing director of KWE and the director of Shun Cheong and CCCL, all being major subsidiaries of the Company. He is also a director of Hon Kwok which is listed on the Stock Exchange. He was previously an executive director and chairman of Shun Cheong Holdings Limited whose shares are listed on the Stock Exchange (resigned on 19 July 2006).

Wai-Hong Ling

Aged 45, was appointed an executive director of the Company in 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 DIRECTORS

Herman Man-Hei Fung

Aged 71, was appointed a non-executive 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.

Frank Kwok-Kit Chu

Aged 63, was appointed an executive director of the Company in 1993 and was re-designated as a non-executive director of the Company on 16 April 2009. He had 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Chung-Shing Wu

Aged 73, 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 76, was appointed an independent non-executive director of the Company in 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 was also 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).

Anthony Ren-Da Fan

Aged 49, was appointed an independent non-executive director of the Company in July 2008. He holds a Master's Degree in Business Administration from the United States of America. Mr. Fan has over thirteen years of experience in corporate finance, business management, corporate restructuring, mergers and acquisitions and venture capital. He is currently the chairman and managing director of Asialink Capital Limited. He is also an independent non-executive director of CITIC Resources Holdings Limited, Hong Kong Resources Holdings Company Limited, Raymond Industrial Ltd., Renhe Commercial Holdings Company Limited and Uni-President China Holdings Ltd., the shares of which are listed on the Stock Exchange. Mr. Fan had been an independent non-executive director of Roly International Holdings Limited from July 2002 to August 2007, a company which was voluntarily delisted from the Singapore Exchange Securities Trading Limited in April 2007. He is a member of the All-China Federation of Industry and Commerce. He has previously held senior positions with various international financial institutions and has gained extensive experience in reviewing and analysing financial statements of public and private companies.

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 2008, 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 2008.

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" on pages 6 to 7.

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	2/2
Mr. Sek-Kee Yu	2/2
Mr. Frank Kwok-Kit Chu (re-designated as non-executive director on 16 April 2009)	2/2
Mr. Yuen-Keung Chan	2/2
Mr. Wai-Hong Ling	2/2
Non-Executive Director	
Mr. Herman Man-Hei Fung	2/2
Independent Non-Executive Directors	
Mr. David Chung-Shing Wu	2/2
Mr. Sou-Tung Chan	2/2
Mr. Anthony Ren-Da Fan (appointed on 4 July 2008)	1/1
Mr. William Gage McAfee (retired on 3 June 2008)	1/1

Board meetings of the Company were held twice during the year on a regular basis, which deviated from code provision A.1.1 which stipulates that the Board should meet regularly and board meetings 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. Each division of the Group's business namely DMT and Jacobson, KWE, CCCL, CAE and Shun Cheong is managed by its divisional managing directors. 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 that code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

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

Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments, EIL and Chinney Capital Limited, which collectively holds approximately 72.85% 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 52 and 53 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. David Chung-Shing Wu	1/1
Mr. Sou-Tung Chan	1/1
Mr. Anthony Ren-Da Fan (became a Remuneration Committee member effective from 4 July 2008)	N/A
Mr. William Gage McAfee (ceased to be a Remuneration Committee member effective from 3 June 2008)	1/1

NOMINATION OF DIRECTORS

On 4 July 2008, Mr. Anthony Ren-Da Fan was appointed as an independent non-executive director of the Company. Such nomination has been taken into consideration of the nominee's qualification, ability and potential contribution to the Company by the Board.

AUDITORS' REMUNERATION

For the year ended 31 December 2008, services provided to the Group by its auditors and the respective fees paid were:

Services rendered	fees paid/payable *HK$'000*
Audit services	2,990
Non-audit services (review and other services)	610

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 2008 and the annual results for the year ended 31 December 2008.

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. David Chung-Shing Wu	2/2
Mr. Sou-Tung Chan	2/2
Mr. Anthony Ren-Da Fan (became an Audit Committee member effective from 4 July 2008)	1/1
Mr. William Gage McAfee (ceased to be an Audit Committee member effective from 3 June 2008)	1/1

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 21 and 22.

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

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, the provision of building related contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and provision of maintenance services, the superstructure construction works and sub-structure and foundation piling works for both public and private sectors in Hong Kong and Macau, and investment holding. 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 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 100.

The directors recommend the payment of a final dividend of HK2.5 cents per share for the year ended 31 December 2008 (2007: HK1.5 cents) to the shareholders whose names appear on the Company's register of members on 5 June 2009. 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 before 24 June 2009.

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$252 million as at 31 December 2008 (2007: HK$310 million), of which HK$156 million (2007: HK$131 million) were trust receipt loans. The decrease in interest-bearing debts was mainly attributable to repayment of bank loans and finance leases payable during the year under review. Approximately 82% of the debts were due and repayable within one year. Current ratio of the Group as at 31 December 2008, measured by total current assets over total current liabilities, was 1.28 (2007: 1.18).

Total unpledged cash and bank balances as at 31 December 2008 was HK$136 million (2007: HK$84 million). In October 2008, the Company issued 198,299,748 new ordinary shares at a price of HK$0.25 per share under an open offer to the then existing shareholders of the Company and raised a net proceeds of HK$47.8 million to enhance the working capital of the Group.

The Group had a total of HK$486 million 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$116 million over the equity attributable to the holders of the Company of HK$384 million, was 30% as at 31 December 2008 (2007: 75%).

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 when desirable.

Pledge of assets

Certain properties and plant and machinery having aggregate book value of HK$65.2 million and HK$65.6 million respectively as at 31 December 2008 were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK$37 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$129 million for the performance bonds issued in favour of the Group's clients on contracting works.

Save as disclosed above, the Group has no material contingent liabilities as at 31 December 2008.

Employees and remuneration policies

The Group employed approximately 750 staff in Hong Kong and other parts of the People's Republic of China as at 31 December 2008. 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				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE	**2,547,004**	1,546,750	1,468,521	1,015,001	1,044,491
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**44,771**	64,720	17,031	5,412	12,879
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	–	–	(1,960)	61
PROFIT FOR THE YEAR	**44,771**	64,720	17,031	3,452	12,940
Profit/(loss) attributable to:					
– Equity holders of the Company	**45,532**	66,452	16,997	3,411	12,720
– Minority interests	**(761)**	(1,732)	34	41	220

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,230,790**	1,038,671	846,862	438,573	519,166
TOTAL LIABILITIES	**(846,599)**	(738,455)	(604,100)	(281,105)	(364,893)
MINORITY INTERESTS	**(28)**	(789)	(10,804)	–	(1,912)
	384,163	299,427	231,958	157,468	152,361

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

Details of movements in the Company's share capital and share options during the year are set out in notes 35 and 36 to the financial statements, respectively.

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$175,669,000 as at 31 December 2008, of which HK$14,872,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$60,978,000, 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 less than 30% of the total purchases for the year. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

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
Yuen-Keung Chan
Wai-Hong Ling

Non-executive directors:

Herman Man-Hei Fung	
Frank Kwok-Kit Chu	(re-designated as non-executive director on 16 April 2009)

Independent non-executive directors:

David Chung-Shing Wu	
Sou-Tung Chan	
Anthony Ren-Da Fan	(appointed on 4 July 2008)
William Gage McAfee	(retired on 3 June 2008)

In accordance with Bye-law 86 of the Company's Bye-laws, Mr. Anthony Ren-Da Fan who was appointed subsequent to the last annual general meeting of the Company will hold office until the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Sek-Kee Yu and Mr. Frank Kwok-Kit Chu will retire by rotation at the forthcoming annual general meeting. Mr. Sek-Kee Yu and Mr. Frank Kwok-Kit Chu, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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 6 to 7 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 38 to the financial statements, 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 2008, 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	–	–	432,650,216 *(Note)*	432,650,216	72.73%
Frank Kwok-Kit Chu	48,240	47,840	–	96,080	0.02%
	48,240	47,840	432,650,216	432,746,296	72.75%

Note: Amongst these shares, 16,312,000 shares are held by Chinney Capital Limited, 173,093,695 shares are held by Multi-Investment Group Limited, and 243,244,521 shares are held by EIL, all 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	1,800,000
Herman Man-Hei Fung	1,200,000
Frank Kwok-Kit Chu	1,200,000
	4,200,000

The Company has no outstanding debentures.

Save as disclosed above, as at 31 December 2008, 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 directors or their respective spouses 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 2008, 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, 3*	Interest through controlled corporations	432,650,216	72.73%
Madeline May-Lung Wong	*1*	Interest through a controlled corporation	173,093,695	29.10%
Lucky Year Finance Limited	*1*	Interest through a controlled corporation	173,093,695	29.10%
Chinney Holdings Limited	*1*	Interest through a controlled corporation	173,093,695	29.10%
Chinney Investments	*1*	Interest through a controlled corporation	173,093,695	29.10%
Newsworthy Resources Limited	*1*	Interest through a controlled corporation	173,093,695	29.10%
Multi-Investment Group Limited	*1*	Beneficial owner	173,093,695	29.10%
EIL	*2*	Beneficial owner	243,244,521	40.89%

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 173,093,695 shares by virtue of Section 316 of the SFO;

2. EIL is beneficially owned by Dr. James Sai-Wing Wong solely; and

3. 16,312,000 shares are held by Chinney Capital Limited, which is beneficially owned by Dr. James Sai-Wing Wong.

No share options of the Company were held by the above shareholders as at 31 December 2008.

Save as disclosed above, as at 31 December 2008, 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 under review, there was no transaction or arrangement needed to be disclosed as a connected transaction in accordance with the Listing Rules. The related party transactions as set out in note 38 to the financial statements are connected transactions/continuing connected transactions exempted from disclosure and independent shareholders' approval requirements under the Listing Rules.

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, 16 April 2009

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 23 to 100, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 2008 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
16 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	**2,547,004**	1,546,750
Cost of sales/services provided		**(2,270,298)**	(1,414,937)
Gross profit		**276,706**	131,813
Other income	5	**7,641**	10,428
Selling and distribution costs		**(12,167)**	(14,918)
Administrative expenses		**(191,939)**	(100,365)
Other operating income/(expenses), net		**(10,621)**	7,117
Surplus/(deficit) arising from revaluation of land and buildings	14	**(10,592)**	1,369
Changes in fair value of investment properties	15	**(2,065)**	5,595
Excess over the cost of business combinations	41	**–**	39,684
Finance costs	6	**(14,562)**	(13,367)
Share of losses of:			
A jointly-controlled entity		**(86)**	–
An associate		**(580)**	(477)
PROFIT BEFORE TAX	7	**41,735**	66,879
Tax	10	**3,036**	(2,159)
PROFIT FOR THE YEAR		**44,771**	64,720
Attributable to:			
Equity holders of the Company	11	**45,532**	66,452
Minority interests		**(761)**	(1,732)
		44,771	64,720
DIVIDEND – proposed final	12	**14,872**	5,949
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**10.3 cents**	16.8 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**197,017**	241,090
Investment properties	15	**28,261**	25,425
Interest in an associate	17	**1,378**	1,488
Interests in jointly-controlled entities	18	**11**	–
Goodwill	19	**6,970**	8,018
Deferred tax assets	34	**987**	635
Other assets	20	**282**	282
Retention monies receivables over one year	22	**–**	3,654
Total non-current assets		**234,906**	280,592
CURRENT ASSETS			
Inventories	21	**78,863**	60,591
Gross amount due from contract customers	22	**125,901**	121,714
Trade and bills receivables	23	**436,695**	295,243
Retention monies receivables	22	**100,907**	79,289
Amounts due from related companies	24	**11,778**	15,570
Amounts due from jointly-controlled entities	18	**119**	249
Prepayments, deposits and other receivables	25	**62,870**	55,240
Equity investments at fair value through profit or loss	26	**5,319**	16,834
Tax recoverable		**743**	2,609
Pledged time deposits	27	**37,046**	26,425
Cash and cash equivalents	27	**135,643**	84,315
Total current assets		**995,884**	758,079
CURRENT LIABILITIES			
Gross amount due to contract customers	22	**138,889**	105,025
Trade and bills payables	28	**303,733**	183,930
Trust receipt loans	29	**156,111**	130,950
Retention monies payables	22	**61,786**	34,766
Amounts due to related companies	24	**11,241**	11,548
Loan from a minority shareholder of a subsidiary	38(b)	**–**	5,980
Other payables and accruals	30	**52,245**	56,011
Tax payable		**2,033**	1,555
Obligations under finance leases	32	**3,770**	6,082
Interest-bearing bank borrowings	31	**45,364**	108,181
Total current liabilities		**775,172**	644,028
NET CURRENT ASSETS		**220,712**	114,051
TOTAL ASSETS LESS CURRENT LIABILITIES		**455,618**	394,643

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases	32	**7,263**	11,525
Interest-bearing bank borrowings	31	**–**	14,000
Promissory note	33	**39,247**	38,789
Deferred tax liabilities	34	**24,917**	30,113
Total non-current liabilities		**71,427**	94,427
Net assets		**384,191**	300,216
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	35	**59,490**	39,660
Reserves	37(a)	**309,801**	253,818
Proposed final dividend	12	**14,872**	5,949
		384,163	299,427
Minority interests		**28**	789
Total equity		**384,191**	300,216

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 2008

		Attributable to equity holders of the Company										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Legal reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 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/(loss) 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 and 1 January 2008		39,660	33,005*	120,946*	5,443*	–*	36*	94,388*	5,949	299,427	789	300,216
Exchange realignment		–	–	–	–	–	1,712	–	–	1,712	–	1,712
Transfer to legal reserve		–	–	–	–	49	–	(49)	–	–	–	–
Release of revaluation reserve on land and buildings to retained profits		–	–	–	(199)	–	–	199	–	–	–	–
Revaluation deficit on land and buildings	14	–	–	–	(4,686)	–	–	–	–	(4,686)	–	(4,686)
Deferred tax on revaluation deficit on land and buildings	34	–	–	–	324	–	–	–	–	324	–	324
Total income and expense for the year recognised directly in equity		–	–	–	(4,561)	49	1,712	150	–	(2,650)	–	(2,650)
Profit/(loss) for the year		–	–	–	–	–	–	45,532	–	45,532	(761)	44,771
Total income and expense for the year		–	–	–	(4,561)	49	1,712	45,682	–	42,882	(761)	42,121
Arising from Open Offer	35	19,830	29,745	–	–	–	–	–	–	49,575	–	49,575
Share issue expenses in relation to Open Offer		–	(1,772)	–	–	–	–	–	–	(1,772)	–	(1,772)
Final 2007 dividend declared		–	–	–	–	–	–	–	(5,949)	(5,949)	–	(5,949)
Proposed 2008 final dividend	12	–	–	–	–	–	–	(14,872)	14,872	–	–	–
At 31 December 2008		**59,490**	**60,978***	**120,946***	**882***	**49***	**1,748***	**125,198***	**14,872**	**384,163**	**28**	**384,191**

* *These reserve accounts comprise the consolidated reserves of HK$309,801,000 (2007: HK$253,818,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**41,735**	66,879
Adjustments for:			
Finance costs	6	**14,562**	13,367
Share of losses of:			
A jointly-controlled entity		**86**	–
An associate		**580**	477
Deficit/(surplus) arising from revaluation of land and buildings	14	**10,592**	(1,369)
Changes in fair value of investment properties	15	**2,065**	(5,595)
Excess over the cost of business combinations	41	**–**	(39,684)
Depreciation	7	**23,752**	5,855
Impairment of trade receivables	7	**4,458**	253
Write-back of impairment of trade receivables	7	**(290)**	(542)
Write-down/(write-back) of inventories to net realisable value	7	**5,589**	(2,761)
Fair value losses/(gains) on equity investments at fair value through profit or loss, net	7	**9,445**	(6,038)
Loss/(gain) on disposal of items of property, plant and equipment	7	**(1,926)**	177
Gain on disposal of equity investments at fair value through profit or loss	7	**(859)**	(715)
Reversal of goodwill	7	**1,048**	904
Bank interest income	5	**(1,473)**	(5,436)
Dividend income from a listed investment	5	**(249)**	(171)
		109,115	25,601
Decrease/(increase) in inventories		**(23,861)**	8,983
Increase in gross amount due from contract customers		**(3,332)**	(32,072)
Decrease/(increase) in trade and bills receivables		**(145,620)**	155,183
Decrease/(increase) in retention monies receivables		**(17,964)**	3,587
Movement in balances with related companies, net		**3,485**	(10,494)
Movement in balances with jointly-controlled entities, net		**130**	(327)
Increase in prepayments, deposits and other receivables		**(7,630)**	(7,797)
Increase/(decrease) in gross amount due to contract customers		**33,864**	(30,318)
Increase in trade and bills payables		**119,803**	13,700
Increase/(decrease) in retention monies payables		**27,020**	(4,209)
Decrease in other payables and accruals		**(3,701)**	(76,612)
Cash generated from operations		**91,309**	45,225
Bank interest received		**1,473**	5,436
Interest paid		**(13,558)**	(13,193)
Interest element of finance lease rental payments		**(611)**	(174)
Dividend paid		**(5,949)**	(3,966)
Hong Kong profits tax refunded, net		**1,191**	1,226
Overseas taxes paid		**(1,035)**	(229)
Net cash inflow from operating activities		**72,820**	34,325

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from a listed investment		**249**	171
Purchases of items of property, plant and equipment	*14*	**(10,128)**	(6,903)
Purchase of an investment property	*15*	**(4,901)**	–
Proceeds from disposal of items of property, plant and equipment		**16,294**	1
Proceeds from disposal of equity investments at fair value through profit or loss		**2,929**	1,949
Investment in a jointly-controlled entity		**(97)**	–
Acquisition of subsidiaries	*41*	**–**	(83,522)
Net cash inflow/(outflow) from investing activities		**4,346**	(88,304)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares	*35*	**49,575**	–
Share issue expenses	*37(b)*	**(1,772)**	–
Increase/(decrease) in trust receipt loans		**25,161**	(82,268)
Repayment of bank loans		**(20,000)**	(6,500)
Decrease/(increase) in pledged time deposits		**(10,621)**	6,162
Loan repayment to a minority shareholder of a subsidiary		**(5,980)**	(920)
Dividend paid to a minority shareholder of a subsidiary		**–**	(8,283)
Capital element of finance lease rental payments		**(6,574)**	(972)
Net cash inflow/(outflow) from financing activities		**29,789**	(92,781)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**106,955**	(146,760)
Cash and cash equivalents at beginning of year		**23,134**	170,457
Effect of foreign exchange rate changes, net		**1,190**	(563)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**131,279**	23,134
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*27*	**116,672**	72,050
Non-pledged time deposits with original maturity of less than three months when acquired	*27*	**18,971**	12,265
Bank overdrafts	*31*	**(4,364)**	(61,181)
		131,279	23,134

BALANCE SHEET
31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**100**	184
Interests in subsidiaries	16	**198,915**	173,658
Other assets	20	**282**	282
Total non-current assets		**199,297**	174,124
CURRENT ASSETS			
Amounts due from subsidiaries	16	**66,142**	22,604
Prepayments, deposits and other receivables	25	**232**	295
Equity investments at fair value through profit or loss	26	**4,991**	13,871
Cash and cash equivalents	27	**32,884**	10,032
Total current assets		**104,249**	46,802
CURRENT LIABILITIES			
Other payables and accruals	30	**3,409**	3,284
Interest-bearing bank borrowings	31	**4,000**	4,000
Total current liabilities		**7,409**	7,284
NET CURRENT ASSETS		**96,840**	39,518
TOTAL ASSETS LESS CURRENT LIABILITIES		**296,137**	213,642
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	**–**	4,000
Net assets		**296,137**	209,642
EQUITY			
Issued capital	35	**59,490**	39,660
Reserves	37(b)	**221,775**	164,033
Proposed final dividend	12	**14,872**	5,949
Total equity		**296,137**	209,642

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 (the "Company") is a limited liability company incorporated in Bermuda with its shares listed on 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 provision of maintenance services
- superstructure construction works for both public and private sectors in Hong Kong and Macau
- foundation piling and sub-structure construction works for both public and private sectors in Hong Kong and Macau
- investment holding

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 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 2008. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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 interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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 1 (Revised)	*First-time Adoption of HKFRS* [2]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Statements* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* [2]

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

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for annual periods ending on or after 30 June 2009
* Improvements to HKFRSs contain amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, 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 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 interests in jointly-controlled entities 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 jointly-controlled entities 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 an 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 an 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 (d);

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 (d) or (e); 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$^1/_3$%
Plant and machinery	10% – 20%
Furniture, fixtures and equipment	10% – 33$^1/_3$%
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 least 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.

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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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 bills payables, trust receipt loans, retention monies payables, amounts due to related companies, loan from a minority shareholder of a subsidiary, obligations under finance leases, 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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts *(continued)*

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, are 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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;

(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; and

(f) dividend income, when the shareholders' right to receive payment has been established.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

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.

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.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits *(continued)*

Pension schemes (continued)

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.

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 dates 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 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 JUDGEMENTS 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.

Impairment of goodwill

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 2008 was HK$6,970,000 (2007: HK$8,018,000). More details are given in note 19.

Impairment of property, plant and equipment

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.

Outcome of construction contracts

The Group determines whether the outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. The contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date was approximately HK$11,456,390,000 at 31 December 2008 (2007: HK$10,032,822,000). Further details are contained in note 22 to the financial statements.

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 foundation piling and sub-structure construction works for both public and private sectors; and
- the building construction segment consists of superstructure construction works for both public and private sectors.

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 2008 and 2007.

	Plastic and chemical products		Building supplies, electrical and mechanical products		Building related contracting services		Foundation piling		Building construction		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**701,223**	735,022	**96,391**	51,928	**558,605**	653,105	**640,373**	81,745	**550,412**	24,950	**2,547,004**	1,546,750
Other revenue	**3,301**	2,718	**983**	869	**269**	34	**179**	–	**1,082**	–	**5,814**	3,621
Total	**704,524**	737,740	**97,374**	52,797	**558,874**	653,139	**640,552**	81,745	**551,494**	24,950	**2,552,818**	1,550,371
Segment results:												
Operating profit/(loss)	**11,388**	20,682	**2,853**	529	**14,262**	7,067	**28,076**	5,144	**28,790**	(269)	**85,369**	33,153
Surplus/(deficit) arising from revaluation of land and buildings	**(2,251)**	1,369	**–**	–	**–**	–	**–**	–	**(8,341)**	–	**(10,592)**	1,369
Changes in fair value of investment properties	**(1,735)**	4,235	**(330)**	1,360	**–**	–	**–**	–	**–**	–	**(2,065)**	5,595
	7,402	26,286	**2,523**	1,889	**14,262**	7,067	**28,076**	5,144	**20,449**	(269)	**72,712**	40,117
Interest income and unallocated gains											**1,827**	2,944
Unallocated expenses											**(8,990)**	(8,775)
Fair value gains/(losses) on equity investments at fair value through profit or loss, net											**(9,445)**	6,038
Gain on disposal of equity investments at fair value through profit or loss											**859**	715
Excess over the cost of business combinations											**–**	39,684
Finance costs											**(14,562)**	(13,367)
Share of loss of a jointly-controlled entity											**(86)**	–
Share of loss of an associate											**(580)**	(477)
Profit before tax											**41,735**	66,879
Tax											**3,036**	(2,159)
Profit for the year											**44,771**	64,720
Attributable to:												
Equity holders of the Company											**45,532**	66,452
Minority interests											**(761)**	(1,732)
											44,771	64,720

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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**247,903**	287,685	**55,534**	37,553	**327,763**	230,908	**477,009**	363,051	**192,918**	115,493	**(105,892)**	(74,837)	**1,195,235**	959,853
Interests in jointly-controlled entities													**11**	-
Interest in an associate													**1,378**	1,488
Corporate and other unallocated assets													**29,802**	16,149
Bank overdrafts included in segment assets	**-**	-	**223**	14,497	**2,027**	15,358	**-**	13,094	**2,114**	18,232	**-**	-	**4,364**	61,181
Total assets													**1,230,790**	1,038,671
Segment liabilities	**23,447**	52,723	**116,058**	108,734	**254,772**	178,969	**255,536**	138,052	**172,238**	106,787	**(105,892)**	(74,837)	**716,159**	510,428
Corporate and other unallocated liabilities													**126,076**	166,846
Bank overdrafts included in segment assets	**-**	-	**223**	14,497	**2,027**	15,358	**-**	13,094	**2,114**	18,232	**-**	-	**4,364**	61,181
Total liabilities													**846,599**	738,455
Other segment information:														
Capital expenditure	**5,432**	5,488	**11**	136	**119**	2,049	**8,678**	151,584	**789**	54,263	**-**	-	**15,029**	213,520
Depreciation	**1,232**	778	**132**	205	**1,008**	1,080	**19,657**	3,407	**1,723**	385	**-**	-	**23,752**	5,855
Other non-cash expenses:														
Deficit/(surplus) arising from revaluation of land and buildings	**2,251**	(1,369)	**-**	-	**-**	-	**-**	-	**8,341**	-	**-**	-	**10,592**	(1,369)
Changes in fair value of investment properties	**1,735**	(4,235)	**330**	(1,360)	**-**	-	**-**	-	**-**	-	**-**	-	**2,065**	(5,595)

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 2008 and 2007.

Group

	Hong Kong		Macau and Mainland China		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**2,131,421**	1,247,683	**415,583**	299,067	**2,547,004**	1,546,750
Other revenue	**4,062**	2,753	**1,752**	868	**5,814**	3,621
Total	**2,135,483**	1,250,436	**417,335**	299,935	**2,552,818**	1,550,371
Other segment information:						
Segment assets	**1,098,736**	858,950	**127,690**	118,540	**1,226,426**	977,490
Bank overdrafts included in segment assets	**4,364**	59,963	**–**	1,218	**4,364**	61,181
Total assets					**1,230,790**	1,038,671
Capital expenditure	**14,661**	212,234	**368**	1,286	**15,029**	213,520

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:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**744,528**	810,129
Construction contracts	**1,802,476**	736,621
	2,547,004	1,546,750
Other income		
Bank interest income	**1,473**	5,436
Commission income	**1,761**	2,152
Dividend income from a listed investment	**249**	171
Gross rental income	**1,303**	1,154
Others	**2,855**	1,515
	7,641	10,428

6. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**11,556**	12,765
Interest on a promissory note	**2,395**	428
Interest on obligations under finance leases	**611**	174
	14,562	13,367

7. PROFIT BEFORE TAX

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

		Group	
		2008	2007
	Notes	***HK$'000***	*HK$'000*
Auditors' remuneration:			
Current year provision		**2,995**	2,250
Underprovision in prior years		**87**	140
		3,082	2,390
Employee benefits expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**172,451**	72,269
Pension scheme contributions		**8,525**	4,066
Less: Forfeited contributions		**(2,938)**	(324)
Net pension scheme contributions*		**5,587**	3,742
		178,038	76,011
Less: Amount capitalised in contract costs		**(80,888)**	(14,412)
		97,150	61,599
Depreciation	*14*	**24,607**	6,014
Less: Amount capitalised in contract costs		**(855)**	(159)
		23,752	5,855
Cost of inventories sold		**689,190**	739,982
Cost of services provided		**1,581,108**	674,955
Minimum lease payments under operating leases in respect of land and buildings		**8,839**	5,638
Impairment of trade receivables#	*23*	**4,458**	253
Write-back of impairment of trade receivables#	*23*	**(290)**	(542)
Write-down/(write-back) of inventories to net realisable value included in cost of inventories sold/services provided		**5,589**	(2,761)
Fair value losses/(gains) on equity investments at fair value through profit or loss, net#		**9,445**	(6,038)
Loss/(gain) on disposal of items of property, plant and equipment#		**(1,926)**	177
Gain on disposal of equity investments at fair value through profit or loss#		**(859)**	(715)
Reversal of goodwill#	*19*	**1,048**	904
Foreign exchange differences, net#		**(1,255)**	(1,608)

7. PROFIT BEFORE TAX *(continued)*

* *As at 31 December 2008, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2007: Nil).*

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

8. DIRECTORS' REMUNERATION

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Fees	**146**	150
Other emoluments:		
Salaries, allowances and benefits in kind	**4,723**	4,416
Performance related bonuses*	**1,140**	730
Pension scheme contributions	**372**	341
	6,235	5,487
	6,381	5,637

* *Certain executive directors of the Company are entitled to bonus payments which are determined with reference to profit for the year of the Group.*

(a) Independent non-executive directors

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

	2008	2007
	HK$'000	*HK$'000*
David Chung-Shing Wu	**50**	50
Sou-Tung Chan	**50**	50
Anthony Ren-Da Fan (appointed on 4 July 2008)	**25**	–
William Gage McAfee (retired on 3 June 2008)	**21**	50
	146	150

There were no other emoluments payable to the independent non-executive directors during the year (2007: 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*
2008					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Sek-Kee Yu	–	1,720	1,000	156	2,876
Frank Kwok-Kit Chu	–	1,853	–	108	1,961
Yuen-Keung Chan	–	–	–	–	–
Wai-Hong Ling	–	1,150	140	108	1,398
	–	4,723	1,140	372	6,235
Non-executive director:					
Herman Man-Hei Fung	–	–	–	–	–
	–	4,723	1,140	372	6,235
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

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 (2007: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2007: two) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other benefits in kind	**1,898**	1,592
Bonuses paid and payable	**500**	1,000
Pension scheme contributions	**100**	58
	2,498	2,650

The remuneration of these two (2007: two) non-director, highest paid employees fell within the band of HK$1,000,001 to HK$1,500,000.

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 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. 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.

	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong:		
Charge for the year	**1,326**	761
Under/(over) provision in prior years	**22**	(95)
Current – Elsewhere	**840**	229
Deferred *(note 34)*	**(5,224)**	1,264
Total tax charge/(credit) for the year	**(3,036)**	2,159

10. TAX *(continued)*

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Profit before tax	**41,735**	66,879
Tax at Hong Kong profits tax rate of 16.5% (2007:17.5%)	**6,886**	11,704
Effect of different rates for companies operating in other jurisdictions	**(677)**	1
Effect on opening deferred tax of decrease in rate	**(295)**	–
Under/(over) provision in prior years	**22**	(95)
Income not subject to tax	**(933)**	(8,118)
Expenses not deductible for tax	**1,834**	902
Tax losses utilised from previous periods	**(9,695)**	(5,218)
Tax losses not recognised	**456**	2,683
Loss attributable to a jointly-controlled entity	**14**	–
Loss attributable to an associate	**96**	83
Others	**(744)**	217
Tax charge/(credit) for the year	**(3,036)**	2,159

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 2008 includes a profit of HK$44,641,000 (2007: HK$11,160,000) which has been dealt with in the financial statements of the Company *(note 37(b))*.

12. DIVIDEND

	2008	2007
	HK$'000	*HK$'000*
Proposed final – HK2.5 cents (2007: HK1.5 cents) per ordinary share	**14,872**	5,949

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 2008 and 31 December 2007 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:

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**45,532**	66,452

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year	**442,652,717**	396,599,497

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 2008						
At 31 December 2007 and 1 January 2008:						
Cost or valuation	89,152	3,038	150,780	6,138	1,365	250,473
Accumulated depreciation	(14)	(1,862)	(3,461)	(3,670)	(376)	(9,383)
Net carrying amount	89,138	1,176	147,319	2,468	989	241,090
At 1 January 2008, net of accumulated depreciation	89,138	1,176	147,319	2,468	989	241,090
Additions	–	15	8,302	723	1,088	10,128
Disposals	(1,017)	–	(13,129)	(129)	(93)	(14,368)
Deficit on revaluation debited to the asset revaluation reserve	(4,686)	–	–	–	–	(4,686)
Deficit on revaluation debited to the consolidated income statement	(10,592)	–	–	–	–	(10,592)
Depreciation provided during the year	(2,291)	(854)	(20,014)	(932)	(516)	(24,607)
Exchange realignment	51	–	–	1	–	52
At 31 December 2008, net of accumulated depreciation	70,603	337	122,478	2,131	1,468	197,017
At 31 December 2008:						
Cost or valuation	70,603	2,957	145,415	6,655	2,288	227,918
Accumulated depreciation	–	(2,620)	(22,937)	(4,524)	(820)	(30,901)
Net carrying amount	70,603	337	122,478	2,131	1,468	197,017
Analysis of cost or valuation:						
At cost	–	2,957	145,415	6,655	2,288	157,315
At 31 December 2008 valuation	70,603	–	–	–	–	70,603
	70,603	2,957	145,415	6,655	2,288	227,918

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

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 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	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 41)*	54,040	242	150,401	1,602	332	206,617
Surplus on revaluation credited to the 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	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	(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)*

The Group's land and buildings were revalued individually on 31 December 2008 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an open market value of HK$70,603,000 based on their existing use. Revaluation deficits of HK$10,592,000 and HK$4,686,000, resulting from the above valuations, have been debited to the consolidated income statement and the asset revaluation reserve, respectively.

Details of the land and buildings are as follows:

	2008	2007
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**69,740**	88,340
Mainland China	**863**	812
	70,603	89,152

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$78,401,000 (2007: HK$81,511,000).

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 2008 amounted to HK$15,713,000 (2007: HK$27,397,000) *(note 32)*.

The net carrying values of the Group's land and buildings and plant and machinery pledged to secure banking facilities granted to the Group amounted to HK$65,220,000 (2007: HK$81,750,000) and HK$65,565,000 (2007: HK$77,855,000), respectively *(note 31)*.

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

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 December 2008			
At 31 December 2007 and at 1 January 2008:			
Cost	232	314	546
Accumulated depreciation	(77)	(285)	(362)
Net carrying amount	155	29	184
At 1 January 2008, net of accumulated depreciation	155	29	184
Additions	–	4	4
Depreciation provided during the year	(78)	(10)	(88)
At 31 December 2008, net of accumulated depreciation	77	23	100
At 31 December 2008:			
Cost	232	56	288
Accumulated depreciation	(155)	(33)	(188)
Net carrying amount	77	23	100

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

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 December 2007			
At 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

15. INVESTMENT PROPERTIES

	Group	
	2008 **HK$'000**	2007 HK$'000
Carrying amount at 1 January	**25,425**	19,830
Addition	**4,901**	–
Net profit/(loss) from a fair value adjustment	**(2,065)**	5,595
Carrying amount at 31 December	**28,261**	25,425

The Group's investment properties were revalued on 31 December 2008 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$28,261,000 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 39 to the financial statements.

16. INTERESTS IN SUBSIDIARIES

	Company 2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**185,600**	185,600
Due from subsidiaries	**848,515**	843,724
Due to subsidiaries	**(9,596)**	(9,527)
	1,024,519	1,019,797
Impairment	**(825,604)**	(846,139)
	198,915	173,658

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 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$66,142,000 (2007: HK$22,604,000) are unsecured, interest-free and are repayable on demand or within one year.

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

	Company 2008 HK$'000	2007 HK$'000
At 1 January	**846,139**	846,139
Impairment losses reversed	**(20,535)**	–
At 31 December	**825,604**	846,139

An impairment was recognised for certain unlisted investments and certain amounts due from subsidiaries with an aggregate carrying amount of HK$825,604,000 (before deducting the impairment loss) (2007: 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 Company Limited (formerly known as 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 ("CCCL")	Hong Kong	HK$18,000,000	–	100%	Building construction
Chinney Construction Group Limited ("CCG" formerly known as Victory Leap Limited)	British Virgin Islands	US$1	–	100%	Investment holding
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

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
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
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
DriTech Ground Engineering Limited	Hong Kong	HK$12,500,000	–	100%	Drilling, site investigation and related ground engineering construction
DriTech 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
Jackson Mercantile Trading Company Limited ("Jackson Mercantile")	Hong Kong	Ordinary HK$2,000; Non-voting deferred HK$5,000,000	–	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

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		Principal activities
			Direct	Indirect	
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
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

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		Principal activities
			Direct	Indirect	
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
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.*

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	
	2008	2007
	HK$'000	*HK$'000*
Share of net assets	**8,578**	8,688
Impairment#	**(7,200)**	(7,200)
	1,378	1,488

\# *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	Particulars of registered capital held	Percentage of equity interest attributable to the Group	Principal activity
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 associate are coterminous with those of the Group. The following table illustrates the summarised financial information of Jiangxi Kaitong extracted from its financial statements:

	2008	2007
	HK$'000	*HK$'000*
Assets	**30,130**	30,392
Liabilities	**(507)**	(327)
Revenue	**678**	330
Loss for the year	**(2,330)**	(1,914)

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Share of net assets	**11**	–

The amounts due from jointly-controlled entities included in current assets of HK$119,000 (2007: HK$249,000) are unsecured, interest-free and repayable on demand.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

Particulars of the jointly-controlled entities are as follows:

Name	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Chinney Double Mechanic Engineering Company Limited ("Chinney Double")	Macau	50	50	50	Provision of concreting services
Chinney P & H Studio Co., Ltd. ("Chinney P & H")	Macau	50	50	50	Provision of fitting out works

The interests in jointly-controlled entities are indirectly held by the Company. The above jointly-controlled entities are 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 entities extracted from their financial statements:

	2008 **HK$'000**	2007 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**844**	1,926
Non-current assets	**52**	54
Current liabilities	**(1,198)**	(2,259)
Net liabilities	**(302)**	(279)
Share of the jointly-controlled entities' results:		
Total revenue	**5,969**	8,060
Total expenses	**(6,089)**	(7,467)
Profit/(loss) after tax*	**(120)**	593

* *The share of loss of one of the jointly-controlled entities is limited to the Group's investment cost in the jointly-controlled entity. In the opinion of the directors, the Group will not continue to provide further financial support or capital injection to that jointly-controlled entity. In the current year, loss after tax of that jointly-controlled entity of approximately HK$34,000 was not shared (2007: profit after tax of HK$593,000).*

19. GOODWILL

	Group 2008 HK$'000	2007 HK$'000
Carrying amount at 1 January	**8,018**	8,922
Amount charged to the consolidated income statement# *(note 7)*	**(1,048)**	(904)
Carrying amount at 31 December	**6,970**	8,018

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% (2007: 6%).

Key assumptions used in the value in use calculation for 31 December 2008 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.

The values assigned to key assumptions are consistent with external information sources.

20. OTHER ASSETS

	Group and Company 2008 HK$'000	2007 HK$'000
Club memberships, at cost	**1,220**	1,220
Provision for impairment	**(938)**	(938)
	282	282

21. INVENTORIES

	Group 2008 HK$'000	2007 HK$'000
Raw materials	**71,754**	56,072
Finished goods	**7,109**	4,519
	78,863	60,591

22. CONSTRUCTION CONTRACTS

	Group 2008 HK$'000	2007 HK$'000
Gross amount due from contract customers	**125,901**	121,714
Gross amount due to contract customers	**(138,889)**	(105,025)
	(12,988)	16,689
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**11,456,390**	10,032,822
Less: Progress billings	**(11,469,378)**	(10,016,133)
	(12,988)	16,689

At 31 December 2008, the retentions held by customers for contract works included in retention monies receivables included in the current assets of the Group amounted to approximately HK$100,907,000 (2007: HK$79,289,000).

At 31 December 2008, 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$61,786,000 (2007: HK$34,766,000).

At 31 December 2007, the retentions held by customers for contract works included in retention monies receivables over one year amounted to approximately HK$3,654,000.

23. TRADE AND BILLS RECEIVABLES

	Group 2008 HK$'000	2007 HK$'000
Trade receivables	**452,561**	313,330
Impairment	**(15,866)**	(19,947)
	436,695	293,383
Bills receivables	**–**	1,860
	436,695	295,243

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with good business relationships. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. 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 2008 HK$'000	2007 HK$'000
Current to 30 days	**355,755**	205,155
31 to 60 days	**48,514**	43,179
61 to 90 days	**11,891**	23,098
Over 90 days	**20,535**	23,811
	436,695	295,243

23. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Group 2008 HK$'000	2007 HK$'000
At 1 January	**19,947**	17,302
Acquisition of subsidiaries	**–**	3,631
Impairment losses recognised *(note 7)*	**4,458**	253
Amount written off as uncollectible	**(8,249)**	(697)
Impairment losses reversed *(note 7)*	**(290)**	(542)
At 31 December	**15,866**	19,947

The above provision for impairment of trade receivables represented provision for individually impaired trade receivables with a carrying amount of HK$15,866,000 (before deducting the impairment loss) (2007: HK$19,947,000) 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 2008 HK$'000	2007 HK$'000
Neither past due nor impaired	**288,809**	104,007
Less than 30 days past due	**66,946**	101,148
31 to 90 days past due	**60,405**	66,277
Past due over 90 days	**20,535**	23,811
	436,695	295,243

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.

24. AMOUNTS DUE FROM/TO RELATED COMPANIES

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

		Group	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Chinney Contractors Company Limited ("Chinney Contractors")	*(i)*	**3,814**	2,284
Chinney Property Management Limited ("Chinney Property")	*(ii)*	**23**	–
CNN Industrial Limited ("CNN")	*(iii)*	**2,722**	–
Ever Billion Engineering Limited ("Ever Billion")	*(iv)*	**3,862**	7,669
Guangzhou Honkwok Fuqiang Land Development Ltd. ("Fuqiang")	*(v)*	**44**	–
Hon Kwok Land Investment (Shenzhen) Co., Ltd. ("Hon Kwok Shenzhen")	*(ii)*	**692**	1
Shenzhen Honkwok Huaye Development Co., Ltd. ("Huaye")	*(ii)*	**–**	117
Tinhawk Company Limited ("Tinhawk")	*(iv)*	**621**	5,499
		11,778	15,570

Notes:

(i) Chinney Contractors is wholly-owned by Mr. Yuen-Keung Chan, a director of the Company. The maximum amount due from Chinney Contractors during the year was HK$3,814,000.

(ii) Chinney Property, Hon Kwok Shenzhen, and Huaye are wholly-owned subsidiaries of Hon Kwok Land Investment Company, Limited ("Hon Kwok") which is a subsidiary of Chinney Investments, Limited ("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 Chinney Property, Hon Kwok Shenzhen, and Huaye during the year were HK$304,000, HK$2,624,000, and HK$138,000, respectively.

(iii) Mr. Wai-Hong Ling is a common director of the Company and CNN.

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

(v) Fuqiang is a 65%-owned subsidiary of Hon Kwok. The maximum amount due from Fuqiang during the year was HK$88,000.

As at 31 December 2008, except for the amount due from Tinhawk and CNN of HK$618,000 and HK$564,000 which are interest-bearing at prevailing market rates, balances with the related companies are unsecured, interest-free and 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	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**2,978**	1,214	**227**	222
Deposits and other receivables	**59,892**	54,026	**5**	73
	62,870	55,240	**232**	295

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	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments in Hong Kong, at market value	**5,319**	16,834	**4,991**	13,871

The above equity investments at 31 December 2008 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$6,852,000.

27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**116,672**	72,050	**32,884**	4,811
Time deposits	**18,971**	12,265	**–**	5,221
Pledged time deposits	**37,046**	26,425	**–**	–
	172,689	110,740	**32,884**	10,032
Less: Pledged time deposits for letters of guarantee and performance bonds	**(37,046)**	(26,425)	**–**	–
Cash and cash equivalents	**135,643**	84,315	**32,884**	10,032

27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS *(continued)*

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$2,623,000 (2007: HK$9,422,000). 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.

28. TRADE AND BILLS PAYABLES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade payables	**289,991**	163,563
Bills payables	**13,742**	20,367
	303,733	183,930

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current to 30 days	**255,159**	104,764
31 to 60 days	**23,633**	33,336
61 to 90 days	**5,302**	16,253
Over 90 days	**5,897**	9,210
	289,991	163,563

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 2008, 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	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**4,924**	12,074	**145**	139
Accruals	**47,321**	43,937	**3,264**	3,145
	52,245	56,011	**3,409**	3,284

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

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2008			2007		
	Contractual interest rate	**Maturity**		Contractual interest rate	Maturity	
	%		***HK$'000***	%		*HK$'000*
Current						
Finance lease payables *(note 32)*	**3.50**	**2009**	**3,770**	5.25	2008	6,082
Trust receipt loans *(note 29)*	**1.35 – 6.49**	**2009**	**156,111**	4.33 – 10.75	2008	130,950
Bank overdrafts – unsecured	**5.25 – 7.00**	**On demand**	**2,250**	6.00 – 9.75	On demand	44,167
Bank overdrafts – secured	**5.88**	**On demand**	**2,114**	7.38	On demand	17,014
Bank loans – unsecured	**2.20 – 2.07**	**2009**	**17,000**	–	–	–
Bank loans – secured	**2.05**	**2009**	**10,000**	5.13 – 5.69	2008	23,000
Current portion of long-term bank loans – secured	**2.70 – 3.49**	**2009**	**14,000**	5.20 – 5.57	2008	24,000
			45,364			108,181
Total current			**205,245**			245,213
Non-current						
Finance lease payables *(note 32)*	**3.50**	**2011**	**7,263**	5.25	2011	11,525
Bank loans – secured			**–**	5.20 – 5.57	2009	14,000
Promissory note *(note 33)*	**5.00**	**2010**	**39,247**	5.00	2010	38,789
Total non-current			**46,510**			64,314
Total			**251,755**			309,527

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

Company

	2008			2007		
	Contractual interest rate	**Maturity**		Contractual interest rate	Maturity	
	%		***HK$'000***	%		*HK$'000*
Current						
Current portion of long-term bank loans – secured	**2.70**	**2009**	**4,000**	5.20	2008	4,000
Non-current						
Bank loans – secured	**–**	**–**	**–**	5.20	2009	4,000
Total			**4,000**			8,000

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

	Group		Company	
	2008	2007	**2008**	2007
	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	**201,475**	239,131	**4,000**	4,000
In the second year	**–**	14,000	**–**	4,000
	201,475	253,131	**4,000**	8,000
Other borrowings repayable:				
Within one year	**3,770**	6,082	**–**	–
In the second year	**43,151**	4,198	**–**	–
In the third to fifth years, inclusive	**3,359**	46,116	**–**	–
	50,280	56,396	**–**	–
	251,755	309,527	**4,000**	8,000

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

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$65,220,000 (2007: HK$81,750,000) *(note 14)*; and

(iii) the pledge of the Group's plant and machinery of HK$65,565,000 (2007: HK$77,855,000) *(note 14)*.

(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 of two years.

At 31 December 2008, 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	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**4,096**	6,748	**3,770**	6,082
In the second year	**4,096**	4,616	**3,904**	4,198
In the third to fifth years, inclusive	**3,413**	7,642	**3,359**	7,327
Total minimum finance lease payments	**11,605**	19,006	**11,033**	17,607
Future finance charges	**(572)**	(1,399)		
Total net finance lease payables	**11,033**	17,607		
Portion classified as current liabilities *(note 31)*	**(3,770)**	(6,082)		
Non-current portion *(note 31)*	**7,263**	11,525		

The leases are secured by certain plant and machinery with an aggregate carrying value of HK$15,713,000 (2007: HK$27,397,000) and corporate guarantees given by certain subsidiaries *(note 14)*.

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 CCG in the prior year *(note 41)*. 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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**24,691**	–	**5,422**	2,546	**–**	26	**30,113**	2,572
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	**(4,034)**	(1,200)	**(838)**	2,446	**–**	(26)	**(4,872)**	1,220
Deferred tax charged/(credited) to the asset revaluation reserve	**–**	–	**(324)**	395	**–**	–	**(324)**	395
Acquisition of subsidiaries *(note 41)*	**–**	25,891	**–**	35	**–**	–	**–**	25,926
Gross deferred tax liabilities at 31 December	**20,657**	24,691	**4,260**	5,422	**–**	–	**24,917**	30,113

34. DEFERRED TAX *(continued)*

Deferred tax assets

Group

	Depreciation allowance less than related depreciation	
	2008	2007
	HK$'000	*HK$'000*
At beginning of year	**635**	679
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	**352**	(44)
Gross deferred tax assets at 31 December	**987**	635

The Group has tax losses arising in Hong Kong of HK$283,000,000 (2007: HK$270,000,000) 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

	2008	2007
	HK$'000	*HK$'000*
Authorised:		
2,500,000,000 (2007: 2,500,000,000) ordinary shares of HK$0.10 (2007: HK$0.10) each	**250,000**	250,000
Issued and fully paid:		
594,899,245 (2007: 396,599,497) ordinary shares of HK$0.10 (2007: HK$0.10) each	**59,490**	39,660

	Number of shares	*HK$'000*
At 1 January 2007, 31 December 2007 and 1 January 2008	396,599,497	39,660
New shares issued pursuant to Open Offer	198,299,748	19,830
At 31 December 2008	**594,899,245**	**59,490**

During the year, the Company proposed an open offer of new shares on the basis of one offer share for every two shares held at a subscription price of HK$0.25 per offer share (the "Open Offer").

35. SHARE CAPITAL *(continued)*

Shares *(continued)*

The Open Offer became unconditional on 3 October 2008 and the subscription monies of HK$49,575,000 (before expenses) were received by the Company on 8 October 2008. A total of 198,299,748 new shares of HK$0.10 each were issued and allotted on 8 October 2008.

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.

36. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

(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.

(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

At the balance sheet date, the Company had 5,400,000 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 5,400,000 additional ordinary shares of the Company and an additional share capital of approximately HK$540,000 and share premium of HK$1,980,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 5,400,000 share options outstanding under the Scheme, which represented approximately 0.9% of the Company's shares in issue as at that date.

36. SHARE OPTION SCHEME *(continued)*

Particulars of the outstanding options *(continued)*

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 2008 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 2008	Number of shares subject to outstanding options lapsed during the year**	Arising from Open Offer during the year*	Number of shares subject to the outstanding share options as at 31 December 2008	Exercise price per share* HK$	Date of grant	Exercisable from	Exercisable until
Share options to directors								
Sek-Kee Yu	1,200,000	–	600,000	1,800,000	0.4667	16 July 1999	16 July 1999	15 July 2009
Herman Man-Hei Fung	800,000	–	400,000	1,200,000	0.4667	13 July 1999	13 July 1999	12 July 2009
Frank Kwok-Kit Chu	800,000	–	400,000	1,200,000	0.4667	13 July 1999	13 July 1999	12 July 2009
Sub-total	2,800,000	–	1,400,000	4,200,000				
Share options to employees								
In aggregate	400,000	(400,000)	–	–	0.7000	12 July 1999	12 July 1999	11 July 2009
	400,000	–	200,000	600,000	0.4667	16 July 1999	16 July 1999	15 July 2009
	400,000	–	200,000	600,000	0.4667	19 July 1999	19 July 1999	18 July 2009
Sub-total	1,200,000	(400,000)	400,000	1,200,000				
Total	4,000,000	(400,000)	1,800,000	5,400,000				

* *The exercise price of the share options and the number of shares to be subscribed are subject to adjustments in the case of capitalisation of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other alternatives in the capital structure of the Group. During the year ended 31 December 2008, as a result of the Open Offer (note 35), the exercise price of the share options was adjusted from HK$0.7000 per share to HK$0.4667 per share and the aggregate number of shares to be subscribed under the outstanding share options were adjusted from 3,600,000 to 5,400,000.*

** *All share options granted to an employee lapsed upon his resignation from all his directorships in certain subsidiaries of the Company on 6 March 2008.*

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 26 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 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 and 1 January 2008	33,005	120,946	10,082	5,949	169,982
Arising from Open Offer *(note 35)*	29,745	–	–	–	29,745
Share issue expenses in relation to Open Offer	(1,772)	–	–	–	(1,772)
Final 2007 dividend declared	–	–	–	(5,949)	(5,949)
Profit for the year	–	–	44,641	–	44,641
Proposed final dividend *(note 12)*	–	–	(14,872)	14,872	–
At 31 December 2008	**60,978**	**120,946**	**39,851**	**14,872**	**236,647**

* *The Company's contributed surplus arose from the capital reorganisation which involved the consolidation of the capital reserve and share premium accounts in a prior year and the capital reduction involving cancellation of a portion of paid-up capital during a 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. 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	2008 HK$'000	2007 HK$'000
Management fee to a major shareholder	(i)	**2,000**	2,000
Share of rental and office expenses with a related company	(ii)	**628**	927
Rental expenses paid to a related company	(iii)	**–**	750
Subcontracting fees to related companies	(iv)	**68,648**	73,287
Construction contract income from related companies	(v)	**(557)**	(387)
Sale of goods to a related company	(vi)	**(12,532)**	(1,061)
Office management fee income from jointly-controlled entities	(vii)	**(775)**	–
Purchases from related companies	(viii)	**357**	174
Interest expenses on a promissory note paid to:			
A related company	(ix)	**1,393**	428
A major shareholder	(ix)	**1,002**	–

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, a former 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 a 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.

38. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: (continued)

(v) The construction contract income in the current year represented the value of building maintenance work and building services installation work certified during the year from Chinney Property and CP Hotel & Guesthouse Management Limited which are wholly-owned subsidiaries of Hon Kwok, a subsidiary of Chinney Investments. 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.

In the prior year, construction contract income represented the value of building maintenance work and building services installation work certified from CCCL. CCCL became a wholly-owned subsidiary of the Company on 26 October 2007.

(vi) Sale of goods in the current year represented goods sold to CNN. In the prior year, sales of goods to CCCL were made according to mutually agreed prices.

(vii) Office management fee income was charged to Chinney Double and Chinney P & H based on the time involvement of personnel providing services.

(viii) Purchases from Tinhawk and Ever Billion were for certain building maintenance contracts of the Group and were conducted at mutually agreed rates on basis determined by both parties. Mr. Sek-Yee Yu and Mr. Yuen-Keung Chan are common directors of the Group and the related parties.

(ix) The interest expenses were charged by Chinney Contractors and Chinney Investments on the promissory note at 5% per annum.

(b) 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) 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 as at 31 December 2007. The balance was unsecured, interest-free and repayable on demand.

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

	2008	2007
	HK$'000	*HK$'000*
Short-term employee benefits	**16,273**	12,220
Post-employment benefits	**850**	659
Total compensation paid to key management personnel	**17,123**	12,879

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

39. 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 ranging from two to three years (2007: three years). The terms of the leases generally also require the tenants to pay security deposits.

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**1,402**	947
In the second to fifth years, inclusive	**89**	1,027
	1,491	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 (2007: one to three years).

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**4,346**	5,469
In the second to fifth years, inclusive	**1,065**	6,025
	5,411	11,494

The Company had no operating lease commitments at the balance sheet date (2007: Nil).

40. CONTINGENT LIABILITIES

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

(i)

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**1,073,000**	875,000
Guarantee given to Chinney Contractors in connection with the promissory note issued by a subsidiary	**–**	–	**–**	40,000
Guarantee given to Chinney Investments in connection with the promissory note issued by a subsidiary	**–**	–	**40,000**	–
	–	–	**1,113,000**	915,000

As at 31 December 2008, the total banking facilities utilised by the subsidiaries amounted to HK$362,601,000 (2007: HK$344,241,000).

(ii) The Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of HK$129,142,000 (2007: HK$67,976,000) for the issue of performance bonds in its ordinary course of business.

41. BUSINESS COMBINATION

In the prior year, the Group acquired the entire issued capital of Apex and CCG. The purchase consideration for the acquisition was in the form of (i) cash of HK$44,026,000; (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 subsidiaries of CCG.

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
Amount 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 costs 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 CCG and its subsidiaries		9,136	
Relevant costs for the acquisition		1,138	
		93,089	

41. BUSINESS COMBINATION *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries was 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 in the prior year.

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 combinations of HK$39,684,000 as recognised above was 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.

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group and the Company had the following capital commitment at the balance sheet date.

	Group		**Company**	
	2008 ***HK$'000***	2007 *HK$'000*	**2008** ***HK$'000***	2007 *HK$'000*
Contracted, but not provided for:				
Land and buildings	**–**	4,275	**–**	–

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

2008

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	–	100,907	–	100,907
Trade and bills receivables	–	436,695	–	436,695
Amounts due from related companies	–	11,778	–	11,778
Amounts due from jointly-controlled entities	–	119	–	119
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	59,892	–	59,892
Equity investments at fair value through profit or loss	5,319	–	–	5,319
Pledged time deposits	–	37,046	–	37,046
Cash and cash equivalents	–	135,643	–	135,643
	5,319	782,080	282	787,681

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	303,733
Trust receipt loans	156,111
Retention monies payables	61,786
Amounts due to related companies	11,241
Financial liabilities included in other payables and accruals *(note 30)*	4,924
Obligations under finance leases *(note 32)*	11,033
Interest-bearing bank borrowings *(note 31)*	45,364
Promissory note	39,247
	633,439

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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
Amounts 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
Amounts 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)*	12,074
Obligations under finance leases *(note 32)*	17,607
Interest-bearing bank borrowings *(note 31)*	122,181
Promissory note	38,789
	557,825

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

2008

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)*	–	208,511	–	208,511
Other assets	–	–	282	282
Amounts due from subsidiaries	–	66,142	–	66,142
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	5	–	5
Equity investments at fair value through profit or loss	4,991	–	–	4,991
Cash and cash equivalents	–	32,884	–	32,884
	4,991	307,542	282	312,815

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Interests in subsidiaries *(note 16)*	9,596
Financial liabilities included in other payables and accruals *(note 30)*	145
Interest-bearing bank borrowings *(note 31)*	4,000
	13,741

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
Amounts due from 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)*	139
Interest-bearing bank borrowings *(note 31)*	8,000
	17,666

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 trade and bills receivables, retention monies receivables and payables, deposits and other receivables, balances with related companies and jointly-controlled entities, trade and bills payables, and trust receipt loans, and 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.

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 other borrowings 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	Increase/ (decrease) in equity	Increase/ (decrease) in basis points	Increase/ (decrease) in equity
		HK$'000	*HK$'000*		*HK$'000*
2008					
Hong Kong dollar	**50**	**(988)**	**(988)**	**50**	**(30)**
Hong Kong dollar	**(50)**	**988**	**988**	**(50)**	**30**
2007					
Hong Kong dollar	50	(1,142)	(1,012)	50	(50)
Hong Kong dollar	(50)	1,142	1,012	(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. 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** *HK$'000*	**Increase/ (decrease) in equity** *HK$'000*
2008			
If Hong Kong dollar weakens against United States dollar	**1**	**392**	**392**
If Hong Kong dollar strengthens against United States dollar	**(1)**	**(392)**	**(392)**
If Hong Kong dollar weakens against Renminbi	**5**	**136**	**136**
If Hong Kong dollar strengthens against Renminbi	**(5)**	**(136)**	**(136)**
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)

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 deposits, amounts due from related companies and jointly-controlled entities, 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 a net current asset position.

The maturity profiles of the Group and the Company's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, are as follows:

Group

	On demand *HK$'000*	Less than 12 months *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	Total *HK$'000*
2008					
Trade and bills payables	**–**	**303,733**	**–**	**–**	**303,733**
Trust receipt loans	**–**	**156,111**	**–**	**–**	**156,111**
Retention monies payables	**–**	**61,786**	**–**	**–**	**61,786**
Amounts due to related companies	**11,241**	**–**	**–**	**–**	**11,241**
Other payables	**4,924**	**–**	**–**	**–**	**4,924**
Obligations under finance leases	**–**	**4,096**	**4,096**	**3,413**	**11,605**
Interest-bearing bank borrowings	**4,364**	**41,000**	**–**	**–**	**45,364**
Promissory note	**–**	**–**	**40,000**	**–**	**40,000**
	20,529	**566,726**	**44,096**	**3,413**	**634,764**

	On demand *HK$'000*	Less than 12 months *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	Total *HK$'000*
2007					
Trade and bills payables	–	183,930	–	–	183,930
Trust receipt loans	–	130,950	–	–	130,950
Retention monies payables	–	34,766	–	–	34,766
Amounts 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	–	6,748	4,616	7,642	19,006
Interest-bearing bank borrowings	61,181	47,000	14,000	–	122,181
Promissory note	–	–	–	40,000	40,000
	90,783	403,394	18,616	47,642	560,435

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

Liquidity risk *(continued)*

Company

	On demand HK$'000	Less than 12 months HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 year but less than 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2008						
Interests in subsidiaries	**–**	**–**	**–**	**–**	**9,596**	**9,596**
Other payables	**145**	**–**	**–**	**–**	**–**	**145**
Interest-bearing bank borrowings	**–**	**4,000**	**–**	**–**	**–**	**4,000**
	145	**4,000**	**–**	**–**	**9,596**	**13,741**

	On demand HK$'000	Less than 12 months HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 year but less than 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2007						
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

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 2008. 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 2008	**High/low 2008**	31 December 2007	High/low 2007
Hong Kong – Hang Seng Index	**14,387**	**27,854/ 10,676**	27,813	31,958/ 18,659

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

Equity price risk *(continued)*

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*
2008		
Investments listed in:		
Hong Kong – Held for trading	**5,319**	**532**
2007		
Investments listed in:		
Hong Kong – Held for trading	16,834	1,683

Capital management

The primary objectives of the Group's capital management are 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 shareholders' 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 for managing capital during the years ended 31 December 2008 and 31 December 2007.

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

Equity price risk *(continued)*

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, other payables and accruals, obligations under finances leases, interest-bearing bank and other borrowings, a loan from a minority shareholder of a subsidiary, 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

	2008	2007
	HK$'000	*HK$'000*
Trade and bills payables	**303,733**	183,930
Trust receipt loans	**156,111**	130,950
Retention monies payables	**61,786**	34,766
Amounts due to related companies	**11,241**	11,548
Other payables and accruals	**52,245**	56,011
Obligations under finance leases *(note 32)*	**11,033**	17,607
Interest-bearing bank borrowings *(note 31)*	**45,364**	122,181
Loan from a minority shareholder of a subsidiary	**–**	5,980
Promissory note	**39,247**	38,789
Less: Cash and cash equivalents	**(135,643)**	(84,315)
Net debt	**545,117**	517,447
Equity attributable to equity holders of the Company	**384,163**	299,427
Capital and net debt	**929,280**	816,874
Gearing ratio	**59%**	63%

45. COMPARATIVE AMOUNTS

Certain comparative amounts in 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 16 April 2009.