



建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Interim Report 2009

* For identification purpose only

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CORPORATE INFORMATION

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
 Bank of China (Hong Kong) 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
 26th Floor, Tesbury Centre
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 Hong Kong

REGISTERED OFFICE

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 Church Street
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 111 Connaught Road Central
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STOCK CODE

00385

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REVIEW OF OPERATIONS

RESULTS

Chinney Alliance Group Limited (the "Company", together with its subsidiaries, the "Group") recorded turnover of HK\$1,220 million for the six months ended 30 June 2009 (2008: HK\$1,036 million), an increase of 17.8% over last year. The profit for the period was HK\$42.7 million (2008: HK\$23.6 million), represented an increase of 81.3% over last year.

The Group's profit for the current period included the fair value gain on equity investments of HK\$5.2 million (2008: loss of HK\$5.7 million) and realised gains of HK\$0.1 million (2008: HK\$0.9 million) on the disposals of equity investments. Should these fair value gains or losses and gains on disposals of equity investments be excluded in both periods, the Group would have profit of HK\$37.4 million for the period under review compared to the profit of HK\$28.4 million of same period of last year.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemicals

Jacobson van den Berg (Hong Kong) Limited ("Jacobson") recorded turnover of HK\$198 million for the current period (2008: HK\$372 million). The operating profit decreased to HK\$3.2 million (2008: HK\$8.1 million). Sales and operating profit of Jacobson in the first half year was impacted as substantial portion of Jacobson's customers were manufacturers with the US and Europe as their major markets which were at the epicenter of the financial tsunami. Jacobson streamlined the operating assets leading to reduced inventories level, improved cash balances and lower borrowings. This improvement over the period under review enables Jacobson to remain profitable under adverse market conditions. Hopefully, it may also position the management to take on new business opportunities when the economy recovers. Furthermore, Jacobson continues to increase its presence in the Mainland China by focusing on its consumer market in addition to be the supplier of plastics and chemicals for the export market.

Trading of industrial products and equipment

Chinney Alliance Engineering Limited ("CAE") and its subsidiaries recorded turnover of HK\$37 million for the six months ended 30 June 2009 (2008: HK\$22 million). The operating profit for the period was HK\$0.1 million (2008: loss of HK\$0.6 million). There was a more robust construction and building market in Hong Kong with higher sales during the period under review.

Building related contracting services

Shun Cheong Investments Limited ("SCIL") contributed turnover of HK\$242 million for the period (2008: HK\$229 million) with operating profit of HK\$1 million (2008: HK\$5 million). While the building services contracting business maintained its profit level, additional costs were incurred by a subsidiary engaged in contracting of building aluminium and glass works for touching up works to comply with the more stringent than expected standard of the new flat owners upon handover of residential units. The division is expected to be benefited from the increase in public spending for the construction industry and the recovery of the local property market although the competition is still keen. As at 30 June 2009, SCIL had outstanding contracts on hand of HK\$332 million.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Building construction and foundation piling

Chinney Construction Company, Limited ("CCCL"), engaged in the building of superstructure works, contributed turnover of HK\$291 million (2008: HK\$207 million) with operating profit of HK\$10.6 million (2008: HK\$10.2 million). During the period, the major projects included the construction of four new schools, which were scheduled for completion in 2009. The operations of sub-structure works under the name of Kin Wing (for foundation and piling) and DrillTech (for drilling and ground investigation works) showed substantial increase in turnover to HK\$452 million (2008: HK\$206 million) and operating profit surged to HK\$37.8 million (2008: HK\$20 million), reflecting works done in the period for five major contracts including the foundation for redevelopment of two residential estates of the Hong Kong Housing Authority and the foundation for three major residential developments in the private sector. All these contracts were scheduled for completion in 2009. With more tender opportunities for the forthcoming property development and infrastructure projects, we expect that business in building construction and foundation piling will continue to be robust in the remainder of this year. As at 30 June 2009, the division had outstanding contracts on hand of HK\$593 million in total.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK\$176 million as at 30 June 2009 (31 December 2008: HK\$252 million), of which HK\$91 million (31 December 2008: HK\$156 million) were trust receipt loans. The decrease in interest-bearing debts of the Group was mainly due to the Group's policy to maintain a reasonable stock level which led to the decrease in purchase of trading stocks during the period and thus lower utilisation of trust receipt loans. Approximately 69% of the interest-bearing debts were due and repayable within one year. Current ratio of the Group at 30 June 2009, as measured by total current assets over total current liabilities, was 1.43 (31 December 2008: 1.28).

The unpledged cash and bank balances as at 30 June 2009 were HK\$156 million (31 December 2008: HK\$136 million). As at 30 June 2009, the Group had a total of HK\$253 million undrawn banking facilities available for its working capital purpose. The gearing ratio of the Group, as measured by the net interest-bearing debts of HK\$20 million over the equity attributable to the equity holders of the Company of HK\$411 million, was 4.9% as at 30 June 2009 (31 December 2008: 30%).

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 whenever desirable.

Pledge of assets

As at 30 June 2009, certain properties and plant and machinery having aggregate book value of HK\$64 million and HK\$76 million, respectively, were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK\$46 million were pledged to banks to secure the issue of performance bonds in favour of the Group's clients on contracting works.

Contingent liabilities

Details of the contingent liabilities of the Group are set out in note 13 to the condensed consolidated interim financial statements.

FINANCIAL REVIEW *(continued)****Employees and remuneration policies***

The Group employed approximately 640 staff in Hong Kong and other parts of the People's Republic of China as at 30 June 2009. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

OUTLOOK

The global economy is making some improvements in the second quarter of 2009 with the strong policy actions taken by governments around the world. With the strong stimulus measures by the Central Government and the recent uplift of the limit of foreign funds' investment in stock market, the Mainland economy has regained faster growth momentum, which also benefits the Hong Kong economy. The strategy of the Hong Kong Government to stabilise the financial system and to support small to medium enterprises has yielded positive results in supporting the local economy. GDP resumed growth at 3.3% in the second quarter after the contraction in the previous four quarters. The exports of goods in the second quarter picked up strongly from the first quarter, which would benefit the customers of your Group's plastic trading business. The recovery of the local property market and the kick-off of more infrastructure projects would bring more tender opportunities to the Group's foundation piling, building construction and building related contracting services businesses. Although the local economy is seeing some light at the end of the tunnel, the outlook remains uncertain, and in particular unemployment rates remain high, is still affected by the external environment. In spite of this, the directors are optimistic about the Group's results for the whole year in 2009.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 17 September 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2009	2008
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	3	1,220,293	1,036,207
Cost of sales/services provided		<u>(1,079,584)</u>	<u>(915,187)</u>
Gross profit		140,709	121,020
Other income	3	2,755	3,345
Selling and distribution costs		(3,735)	(6,482)
Administrative expenses		(95,253)	(82,308)
Other operating income/(expenses), net		6,202	(2,377)
Finance costs	4	(3,079)	(6,634)
Share of losses of:			
A jointly-controlled entity		(11)	–
An associate		(141)	(323)
PROFIT BEFORE TAX	5	47,447	26,241
Tax	6	(4,731)	(2,686)
PROFIT FOR THE PERIOD		42,716	23,555
Attributable to:			
Equity holders of the Company		42,744	23,628
Minority interests		(28)	(73)
		42,716	23,555
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		7.19 cents	5.96 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2009	2008
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
PROFIT FOR THE PERIOD	42,716	23,555
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (AFTER TAX)		
Exchange differences arising on translation of foreign operations	<u>(543)</u>	<u>64</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>42,173</u>	<u>23,619</u>
Attributable to:		
Equity holders of the Company	42,201	23,692
Minority interests	<u>(28)</u>	<u>(73)</u>
	<u>42,173</u>	<u>23,619</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Notes		
NON-CURRENT ASSETS		
Property, plant and equipment	190,244	197,017
Investment properties	28,261	28,261
Interest in an associate	1,237	1,378
Interests in jointly-controlled entities	–	11
Goodwill	6,970	6,970
Deferred tax assets	987	987
Other assets	282	282
Total non-current assets	<u>227,981</u>	<u>234,906</u>
CURRENT ASSETS		
Inventories	42,755	78,863
Gross amount due from contract customers	121,280	125,901
Trade receivables	8 317,960	436,695
Retention monies receivables	117,507	100,907
Amounts due from related companies	9 4,563	11,778
Amounts due from jointly-controlled entities	403	119
Prepayments, deposits and other receivables	49,261	62,870
Equity investments at fair value through profit or loss	8,809	5,319
Tax recoverable	735	743
Pledged time deposits	45,918	37,046
Cash and cash equivalents	155,923	135,643
Total current assets	<u>865,114</u>	<u>995,884</u>
CURRENT LIABILITIES		
Gross amount due to contract customers	137,063	138,889
Trade and bills payables	10 211,304	303,733
Trust receipt loans	91,004	156,111
Retention monies payables	72,046	61,786
Amounts due to related companies	9 14,219	11,241
Other payables and accruals	39,349	52,245
Tax payable	7,025	2,033
Obligations under finance leases	3,836	3,770
Interest-bearing bank borrowings	27,308	45,364
Total current liabilities	<u>603,154</u>	<u>775,172</u>
NET CURRENT ASSETS	<u>261,960</u>	<u>220,712</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>489,941</u>	<u>455,618</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

		30 June	31 December
		2009	2008
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases		5,327	7,263
Interest-bearing bank borrowings		9,113	–
Promissory note		39,438	39,247
Deferred tax liabilities		24,571	24,917
		<hr/>	<hr/>
Total non-current liabilities		78,449	71,427
		<hr/>	<hr/>
Net assets		411,492	384,191
		<hr/>	<hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	59,490	59,490
Reserves		352,002	309,801
Proposed final dividend		–	14,872
		<hr/>	<hr/>
		411,492	384,163
		<hr/>	<hr/>
Minority interests		–	28
		<hr/>	<hr/>
Total equity		411,492	384,191
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Issued capital	Share premium account	Contributed surplus	Asset revaluation reserve	Legal reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	59,490	60,978	120,946	882	49	1,748	125,198	14,872	384,163	28	384,191
Release of revaluation reserve on land and buildings to retained profits	-	-	-	(16)	-	-	16	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(543)	42,744	-	42,201	(28)	42,173
	-	-	-	(16)	-	(543)	42,760	-	42,201	(28)	42,173
Final 2008 dividend declared	-	-	-	-	-	-	-	(14,872)	(14,872)	-	(14,872)
At 30 June 2009	59,490	60,978*	120,946*	866*	49*	1,205*	167,958*	-	411,492	-	411,492
At 1 January 2008	39,660	33,005	120,946	5,443	-	36	94,388	5,949	299,427	789	300,216
Release of revaluation reserve on land and buildings to retained profits	-	-	-	(101)	-	-	101	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	64	23,628	-	23,692	(73)	23,619
	-	-	-	(101)	-	64	23,729	-	23,692	(73)	23,619
2007 final dividend declared	-	-	-	-	-	-	-	(5,949)	(5,949)	-	(5,949)
At 30 June 2008	39,660	33,005	120,946	5,342	-	100	118,117	-	317,170	716	317,886

* These reserve accounts comprise the consolidated reserves of HK\$352,002,000 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2009	2008
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	108,136	(35,914)
Net cash inflow/(outflow) from investing activities	(2,521)	10,115
Net cash inflow/(outflow) from financing activities	(82,171)	38,433
Net increase in cash and cash equivalents	23,444	12,634
Cash and cash equivalents at beginning of period	131,279	23,134
Effect of foreign exchange rate changes, net	(543)	(423)
Cash and cash equivalents at end of period	154,180	35,345
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	125,032	56,488
Non-pledged time deposits with original maturity of less than three months when acquired	30,891	30,815
Bank overdrafts	(1,743)	(51,958)
	154,180	35,345

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2008.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2008 except as described below. In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s financial years beginning on or after 1 January 2009.

HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligation Arising on Liquidation</i>
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payments – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HKFRSs (Amendments)	<i>Improvements to HKFRSs issued in 2008</i> ¹

¹ Except for the amendments to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

Accounting policies (continued)

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the revised standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8 specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 *Segment Reporting*.

Except for the adoption of HKAS 1 (Revised) and HKFRS 8, the adoption of other new and revised HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> ²
HKFRSs (Amendments)	<i>Improvements to HKFRSs issued in 2009</i> ³

¹ *Effective for annual periods beginning on or after 1 July 2009*

² *Effective for transfers on or after 1 July 2009*

³ *Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16, which are effective for annual periods beginning on or after 1 July 2009, and no effective date or transitional provisions for the amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010, although there are separate transitional provisions for certain standards*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The Group is principally engaged in the trading of plastics and chemical products, distribution and installation of building supplies, electrical and mechanical products, provision of building related contracting services, provision of foundation piling works and sub-structure works and building construction works for both public and private sectors. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

	Building supplies, electrical											
	Plastic and chemical products		and mechanical products		Building related contracting services		Foundation piling		Building construction		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	197,978	372,164	37,416	21,959	242,231	229,046	451,583	205,861	291,085	207,177	1,220,293	1,036,207
Other revenue	982	1,303	535	433	72	8	1	-	231	25	1,821	1,769
Total	198,960	373,467	37,951	22,392	242,303	229,054	451,584	205,861	291,316	207,202	1,222,114	1,037,976
Segment results:	3,177	8,147	147	(639)	1,042	5,021	37,836	20,038	10,571	10,195	52,773	42,762
Interest income and unallocated gains											934	834
Unallocated expenses											(8,323)	(5,601)
Fair value gains/(losses) on equity investments at fair value through profit or loss, net											5,169	(5,656)
Gain on disposal of equity investments at fair value through profit or loss											125	859
Finance costs											(3,079)	(6,634)
Share of losses of:												
A jointly-controlled entity											(11)	-
An associate											(141)	(323)
Profit before tax											47,447	26,241
Tax											(4,731)	(2,686)
Profit for the period											42,716	23,555
Attributable to:												
Equity holders of the Company											42,744	23,628
Minority interests											(28)	(73)
											42,716	23,555

3. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sale of goods	211,793	405,991
Construction contracts	<u>1,008,500</u>	<u>630,216</u>
	<u>1,220,293</u>	<u>1,036,207</u>
Other income		
Interest income	106	764
Commission income	693	872
Dividend income from a listed investment	29	115
Gross rental income	713	598
Others	<u>1,214</u>	<u>996</u>
	<u>2,755</u>	<u>3,345</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	1,708	5,059
Interest on a promissory note	1,192	1,192
Interest on obligations under finance leases	<u>179</u>	<u>383</u>
	<u>3,079</u>	<u>6,634</u>

No interest was capitalised by the Group in both periods.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	10,528	12,155
Employee benefits expense (including directors' emoluments)	49,334	46,543
Fair value losses/(gains) on equity investments at fair value through profit or loss, net *	(5,169)	5,656
Foreign exchange differences, net *	(601)	(723)
Gain on disposal of equity investments at fair value through profit or loss *	(125)	(859)
Loss/(gain) on disposal of items of properties, plant and equipment *	170	(2,630)
Impairment of trade receivables *	23	1,086
Write-back of impairment of trade receivables *	(500)	(154)

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

6. TAX

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong	4,584	3,053
Current – Elsewhere:		
Charge for the period	493	475
Under provision in prior years	–	83
Deferred	(346)	(925)
Total tax charge for the period	4,731	2,686

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the territories in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. 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 period attributable to ordinary equity holders of the Company of HK\$42,744,000 (2008: HK\$23,628,000) and the weighted average number of 594,899,245 (2008: 396,599,497) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2009 and 30 June 2008 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 periods.

8. TRADE RECEIVABLES

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Trade receivables	332,310	452,561
Impairment	(14,350)	(15,866)
	317,960	436,695

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 receivables as at 30 June 2009 and 31 December 2008, based on the payment due date and net of provisions, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Current to 30 days	281,679	355,755
31 to 60 days	15,332	48,514
61 to 90 days	6,145	11,891
Over 90 days	14,804	20,535
	317,960	436,695

9. AMOUNTS DUE FROM/TO RELATED COMPANIES

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

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	<i>Notes</i>		
Chinney Contractors Company Limited ("Chinney Contractors")	<i>(i)</i>	4,055	3,814
Chinney Property Management Limited ("Chinney Property")	<i>(ii)</i>	7	23
Ever Billion Engineering Limited ("Ever Billion")	<i>(iii)</i>	61	3,862
Guangzhou Honkwok Fuqiang Land Development Ltd. ("Fuqiang")	<i>(iv)</i>	44	44
Tinhawk Company Limited ("Tinhawk")	<i>(iii)</i>	396	621
CNN Industrial Limited ("CNN")	<i>(v)</i>	–	2,722
Hon Kwok Land Investment (Shenzhen) Co., Ltd. ("Hon Kwok Shenzhen")	<i>(ii)</i>	–	692
		4,563	11,778

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 period was HK\$4,055,000. In addition, the Group had outstanding amount due to Chinney Contractors of HK\$5,391,000 as at 30 June 2009 (31 December 2008: HK\$4,623,000).
- (ii) Chinney Property and Hon Kwok Shenzhen 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. Mr. Yuen-Keung Chan is a common director of the Company and Hon Kwok. The maximum amounts due from Chinney Property and Hon Kwok Shenzhen during the period were HK\$64,000 and HK\$692,000, respectively.
- (iii) Mr. Sek-Kee Yu and Mr. Yuen-Keung Chan are common directors of the Company, Tinhawk and Ever Billion.
- (iv) Fuqiang is a 65%-owned subsidiary of Hon Kwok. The maximum amount due from Fuqiang during the period was HK\$85,000.
- (v) Mr. Wai-Hong Ling is a common director of the Company and CNN.

As at 30 June 2009, except for the amount due from Tinhawk of HK\$390,000 which was interest-bearing at prevailing market rates, balances with the related companies are unsecured, interest-free and repayable on demand.

10. TRADE AND BILLS PAYABLES

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Trade payables	202,836	289,991
Bills payables	8,468	13,742
	211,304	303,733

An aged analysis of the trade payables as at 30 June 2009 and 31 December 2008, based on the invoice date, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Current to 30 days	171,211	255,159
31 to 60 days	11,687	23,633
61 to 90 days	5,325	5,302
Over 90 days	14,613	5,897
	202,836	289,991

11. SHARE CAPITAL**Shares**

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Authorised:		
2,500,000,000 ordinary shares of HK\$0.10 each	250,000	250,000
Issued and fully paid:		
594,899,245 ordinary shares of HK\$0.10 each	59,490	59,490

11. SHARE CAPITAL *(continued)***Share options**

	Outstanding share options with an exercise price of HK\$0.4667 per share
At 1 January 2009 and 30 June 2009	<u>5,400,000</u>

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

The exercise in full of the outstanding share options would result in the issue of 5,400,000 additional ordinary shares for an aggregate amount of approximately HK\$2,520,000 (before issue expenses).

Details of the options outstanding as at 30 June 2009 are disclosed under the "Share Option Scheme" section.

12. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Management fee to a major shareholder	(i)	1,000	1,000
Share of rental and office expenses with a related company	(ii)	297	310
Subcontracting fees to related companies	(iii)	21,035	30,583
Interest expenses on a promissory note paid to:	(iv)		
A major shareholder		1,192	–
A related company		–	1,192
Interest income from a related company	(v)	13	30
Rental income from a related company	(vi)	14	25
Office management fee income from jointly-controlled entities	(vii)	206	–
Purchases from a related company	(viii)	171	–
Rental expenses paid to a related company	(ix)	54	–
Construction contract income from related companies	(x)	92	–
Subcontracting fees to a minority shareholder of a subsidiary	(xi)	–	1
Commission income from a related company	(xii)	–	8

12. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes:

- (i) The management fee was charged by 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 a beneficial interest 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 and Mr. Yuen-Keung Chan are common directors of the Company and Hon Kwok.
- (iii) 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.
- (iv) The interest expenses were charged by Chinney Investments and Chinney Contractors on the promissory note at 5% per annum.
- (v) The interest income received from Tinhawk based on the prevailing market rate.
- (vi) The rental income was paid by Ever Billion at rates agreed by both parties.
- (vii) Office management fee income was charged to Chinney Double Mechanic Engineering Company Limited and Chinney P & H Studio Co., Ltd. based on the time involvement of the personnel providing services.
- (viii) Purchases from Tinhawk for certain building maintenance contracts of the Group were conducted at mutually agreed rates and on basis determined by both parties.
- (ix) Rental expenses were charged by Shun Cheong Real Estates Limited ("SCRE") at rates agreed by both parties. Mr. Sek-Kee Yu and Mr. Yuen-Keung Chan are common directors of the Company and SCRE.
- (x) The construction contract income represented the value of building maintenance works and building services installation works certified during the period from The Bauhinia Hotel Management Limited (formerly known as CP Hotel & Guesthouse Management Limited, a wholly-owned subsidiary of Hon Kwok) and Tinhawk.
- (xi) The subcontracting charges were paid to a 49.9% minority shareholder of Shun Wing Construction & Engineering Company Limited, a subsidiary of the Company, for the completion of work orders of a building maintenance contract.
- (xii) Commission income from Tinhawk was charged at the rates agreed by both parties.

(b) *Outstanding balances with related parties:*

Details of the Group's outstanding balances with related companies as at 30 June 2009 are disclosed in note 9 to the condensed consolidated interim financial statements.

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

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Short-term employee benefits	11,157	8,806
Post-employment benefits	467	427
Total compensation paid to key management personnel	11,624	9,233

13. CONTINGENT LIABILITIES

As at 30 June 2009, the Group provided corporate guarantees and indemnities to certain banks and a financial institution of an aggregate amount of approximately HK\$135,200,000 for the issue of performance bonds to the Group's clients on contracting works.

Save as disclosed above, the Group has no material contingent liabilities as at 30 June 2009.

14. OPERATING LEASE ARRANGEMENTS

(a) As lessor

During the period, the Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of three years. The terms of the leases generally also require the tenants to pay security deposits.

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within one year	679	1,402
In the second to fifth years, inclusive	<u>—</u>	<u>89</u>
	<u>679</u>	<u>1,491</u>

(b) As lessee

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

As at 30 June 2009 and 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within one year	2,538	4,346
In the second to fifth years, inclusive	<u>591</u>	<u>1,065</u>
	<u>3,129</u>	<u>5,411</u>

OTHER INFORMATION

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

Compliance with the Code on Corporate Governance Practices

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

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

The Company has not appointed a chief executive officer. Each division of the Group's business namely Jacobson, Kin Wing, CCCL, CAE and SCIL 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.

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

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

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

Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments, Enhancement Investments Limited ("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.

3. Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted 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. 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 above deviations from the code provisions were discussed in the corporate governance report included in the Company’s 2008 annual report.

Audit Committee

Regular meetings have been held by the audit committee of the Company (the “Audit Committee”) since establishment and it meets at least twice each year to review and supervise the Group’s financial reporting process and internal control. The Company’s interim results for the six months ended 30 June 2009 has not been audited, but has been reviewed by the Audit Committee.

SHARE OPTION SCHEME

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

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

Details of the options outstanding as at 30 June 2009 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 2009 and 30 June 2009	Exercise price per share	Date of grant	Exercisable from	Exercisable until
		<i>HK\$</i>			
Share options to directors					
Sek-Kee Yu	1,800,000	0.4667	16 July 1999	16 July 1999	15 July 2009
Frank Kwok-Kit Chu	1,200,000	0.4667	13 July 1999	13 July 1999	12 July 2009
Herman Man-Hei Fung	<u>1,200,000</u>	0.4667	13 July 1999	13 July 1999	12 July 2009
Sub-total	<u>4,200,000</u>				
Share options to employees					
In aggregate	600,000	0.4667	16 July 1999	16 July 1999	15 July 2009
	<u>600,000</u>	0.4667	19 July 1999	19 July 1999	18 July 2009
Sub-total	<u>1,200,000</u>				
Total	<u>5,400,000</u>				

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

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

As at 30 June 2009, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
James Sai-Wing Wong	–	–	433,400,216 (Note)	433,400,216	72.85%
Frank Kwok-Kit Chu	48,240	47,840	–	96,080	0.02%

Note: Among these shares, 17,062,000 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 has beneficial interests.

The interests of the directors in the share options of the Company are separately disclosed under the "Share Option Scheme" section.

Save as disclosed above and in the "Share Option Scheme" section, as at 30 June 2009, none of the directors had registered an interest or short position in the shares, underlying shares and 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 of Hong Kong Limited pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section of this report, at no time during the six-month period ended 30 June 2009 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company; or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 30 June 2009, 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	433,400,216	72.85%
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 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. 17,062,000 shares are held by Chinney Capital Limited which is beneficially wholly owned by Dr. James Sai-Wing Wong.

No share options of the Company were held by the above shareholders as at 30 June 2009.

Save as disclosed above, as at 30 June 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2009, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares.