建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Annual Report 2009

** For identification purpose only*

Contents

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
Shanghai Commercial Bank Limited
Bank of China (Hong Kong) Limited

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

STOCK CODE

00385

CORPORATE INFORMATION *(continued)*

BUSINESS ADDRESSES AND CONTACTS

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

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Kin Wing Foundations Limited

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Hong Kong Spinners Industrial Building, Phase VI
481-483 Castle Peak Road
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Hong Kong

Tel : (852) 2415-6509
Fax : (852) 2490-0173
Website : http://www.kinwing.com.hk
E-mail : kwecoltd@kinwing.com.hk

Shun Cheong Electrical Engineering Company Limited

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Hong Kong Spinners Industrial Building, Phase VI
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Fax : (852) 2481-3463
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Westco Chinney Limited

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

Chinney Construction Company, Limited

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DrilTech Ground Engineering Limited
DrilTech Geotechnical Engineering Limited

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Jacobson van den Berg (Hong Kong) Limited

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of Chinney Alliance Group Limited (the "Company", collectively with its subsidiaries, the "Group") will be held on Thursday, 3 June 2010 at 4:00 p.m. at Full Moon Shanghai Restaurant, Macau Jockey Club, 4/F., East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company and the Group for the year ended 31 December 2009 together with the reports of the directors and the independent auditors thereon.

2. To declare a final dividend for the year ended 31 December 2009.

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

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

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

ORDINARY RESOLUTION

"**THAT**:

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

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

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

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

(d) for the purpose of this Resolution,

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

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

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

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

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

By Order of the Board
Yun-Sang Lo
Company Secretary

Hong Kong, 22 April 2010

Notes:

(1) A shareholder entitled to attend and vote at the AGM (or at any adjournment thereof) is entitled to appoint another person as his proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder of the Company.

(2) In order to be valid, a form of proxy in the prescribed form, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or other authority must be completed, signed and deposited with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

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

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

(4) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), any vote of shareholders at a general meeting must be taken by poll and the Company must announce the results of the poll in the manner prescribed un der Rule 13.39(5) of the Listing Rules. The chairman of the meeting will therefore put each of the resolutions to be proposed at the AGM to be voted by way of a poll pursuant to the Company's Bye-laws. An announcement will be made by the Company following the conclusion of the AGM to inform the results of the AGM.

(5) With regard to resolution 3 in this notice, Messrs. Yuen-Keung Chan and Wai-Hong Ling will retire by rotation at the AGM in accordance with bye-law 87 of the Bye-laws of the Company. Both Messrs. Yuen-Keung Chan and Wai-Hong Ling, being eligible, will offer themselves for re-election.

(6) Biographical details and interests in shares of the Company of the retiring Directors Messrs. Yuen-Keung Chan and Wai-Hong Ling who stand for re-election at the AGM, are set out under headings "Biographies of Directors" on pages 10 and 11 and "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" on page 22, respectively, in the 2009 annual report (the "Annual Report").

Mr. Yuen-Keung Chan does not receive any salary or allowances. Mr. Wai-Hong Ling is entitled to salary of HK$95,000 per month and a double pay equivalent to one month's salary. He is also entitled to discretionary bonus to be approved by the remuneration committee of the Company and the board of directors. Mr. Ling's remuneration is determined by reference to his position, level of responsibilities and the remuneration policy of the Company.

(7) Save as disclosed in the Annual Report, Messrs. Yuen-Keung Chan and Wai-Hong Ling does not have other relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Both Messrs. Yuen-Keung Chan and Wai-Hong Ling do not have service contract entered into with the Company or any of its subsidiaries. Their appointment to the Company as Directors are subject to the rotational retirement requirements under the Company's Bye-laws.

Save as disclosed above, there are no other matters concerning Messrs. Yuen-Keung Chan and Wai-Hong Ling that are required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules, nor any other matters and information need to be brought to the attention of the shareholders of the Company or required to be disclosed pursuant to any of the requirements of the Listing Rules.

CHAIRMAN'S STATEMENT

RESULTS

Chinney Alliance Group Limited (the "Company", collectively with its subsidiaries , the "Group") recorded a turnover of HK$2,106 million for the year ended 31 December 2009 (2008: HK$2,547 million). The profit for the year of the Group increased to HK$77.4 million (2008: HK$44.8 million), which included fair value gain on equity investments of HK$15.1 million (2008: loss of HK$9.4 million), gain on disposal of equity investments of HK$0.3 million (2008: HK$0.9 million) and surplus on revaluation of properties (net of deferred tax) of HK$11.0 million (2008: deficit of HK$12.0 million). The profit contributed from the Group's business operation would be HK$51.0 million (2008: HK$65.3 million) if the effect from the changes in fair value of equity investments, the disposals of equity investments and revaluation of properties were excluded.

PROPOSED FINAL DIVIDEND

The directors recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2009 (2008: HK2.5 cents) to the shareholders whose names appear on the Company's register of members on 3 June 2010. It is expected that the final dividend cheques will be despatched to the shareholders on or before 22 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 31 May 2010 to 3 June 2010 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 28 May 2010.

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemical products

Jacobson van den Berg (Hong Kong) Limited ("Jacobson") recorded a turnover of HK$421 million (2008: HK$701 million) with operating profit of HK$8.1 million (2008: HK$5.3 million). The sluggish economy in the US and Europe have affected the export sales of manufacturers in the region to whom Jacobson supplies plastic resins and chemicals for making their products. Jacobson improved its operating efficiency by optimising the supply chain, freeing up cash previously tied up in operating assets and reducing interest expenses. These effects helped to bring the operating profit after finance costs well above that of last year despite a drop in sales and ensured better quality of earnings for the business. Jacobson continues to expand its presence in the Mainland China and to develop the range of products and product applications to serve our customers better and to create value for our stakeholders.

Trading of industrial products and equipment

Chinney Alliance Engineering Limited ("CAE") and its subsidiaries recorded turnover of HK$74 million (2008: HK$96 million) and an operating loss of HK$0.6 million (2008: profit of HK$2.0 million). With the billing of certain projects deferred to 2010, both the turnover and profitability were affected negatively.

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW AND PROSPECTS *(continued)*

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") recorded a turnover of HK$417 million (2008: HK$559 million) and an operating loss of HK$3.9 million (2008: profit of HK$12.7 million). The operating loss was mainly attributable to costs incurred by a subsidiary engaged in contracting of building aluminium and glass works for additional works to comply with the more stringent than expected standard upon handover. As at 31 December 2009, the division had outstanding contracts on hand of HK$222 million. With more contracts awarded from the Hong Kong Housing Authority, the government and private developer, the performance of the division for the coming year is expected to improve.

Foundation piling

The principal subsidiaries of the division include Kin Wing Engineering Company Limited, Kin Wing Foundations Limited and DrilTech Ground Engineering Limited (collectively "Kin Wing"). Turnover for the year was HK$781 million (2008: HK$640 million) and operating profit was HK$51.8 million (2008: HK$26.0 million), which were contributed from five major contracts completed during the year, including foundation for redevelopment of two residential estates of the Housing Authority and the foundation for three residential developments in the private sector. The outstanding contracts on hand was HK$627 million as at 31 December 2009. It is expected that more foundation contracts from both the public and private sectors will be tendered out in 2010 and the division will have more opportunities in being awarded new contracts.

Building construction

The division recorded a turnover of HK$415 million (2008: HK$550 million) with an operating profit of HK$13.2 million (2008: HK$27.5 million) which was mainly contributed from its principal subsidiary Chinney Construction Company, Limited ("Chinney Construction"). The decrease in operating profit was mainly due to major contracts commenced during the year were not yet proceeded to stage of recognising profit in accordance with the Group's accounting policies. As at 31 December 2009, the division had outstanding contracts on hand of HK$316 million.

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.

CHAIRMAN'S STATEMENT *(continued)*

OUTLOOK

The Hong Kong economy rebounded quickly in the second quarter of 2009 and continued to improve in the rest of the year. The local GDP of the fourth quarter of 2009 recorded a growth of 2.6% on a quarter-to-quarter basis. Such improvement was substantially due to the momentum of Mainland China's recovering economy and the Hong Kong government's policies to stabilise the financial sector, support enterprises and preserve employment. The global recovery should continue in 2010 and Asian economies, particularly China, will take the lead. On the other hand, the European sovereign debt crisis and the timing of exit strategies and pace of the phase out of the present fiscal and monetary stimulus by worldwide governments would bring uncertainty to the world economy. The voice for the appreciation of Renminbi would affect the export sale of the Mainland and thus Hong Kong which has integrated supply chain with the Mainland. Nevertheless, the medium-term prospects for the Hong Kong economy are still optimistic. The Group's plastic trading business may benefit from the increasing exports to Asia, especially China. With the large-scale infrastructure projects will be at their peak construction period in the coming years and the recovery of the local property market, the Group's construction and related businesses shall have more business opportunity. The Board is 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, 9 April 2010

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

James Sai-Wing Wong

Aged 71, was appointed an executive director and the chairman of the Company in 1998. He is the chairman of Chinney Investments, Limited (Stock Code: 216, "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 (Stock Code: 160, "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 58, 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, Chinney Alliance (China) Limited and Chinney Construction and the joint managing director of Kin Wing Engineering Company Limited, all being major subsidiaries of the Company. He has worked with three North American banks for over seventeen years during which he held various posts including the chief executive of a Canadian bank in Hong Kong, prior to joining the Group in 1994. He holds a Bachelor's degree in Computer Science from the University of Western Ontario, Canada and a Master's degree in Finance from the University of British Columbia, Canada.

Yuen-Keung Chan

Aged 55, 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 Kin Wing Engineering Company Limited and the director of Shun Cheong and Chinney Construction, all being major subsidiaries of the Company. He is also a director of Hon Kwok which is listed on the Stock Exchange.

Wai-Hong Ling

Aged 46, 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 72, 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 64, 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.

BIOGRAPHIES OF DIRECTORS *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

David Chung-Shing Wu

Aged 74, 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 77, 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 part-time 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 (2007-2013).

Anthony Ren-Da Fan

Aged 50, was appointed an independent non-executive director of the Company in July 2008. He holds a Master's Degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions. Mr. Fan is an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), Raymond Industrial Limited (Stock Code: 229), CITIC Resources Holdings Limited (Stock Code: 1205), Renhe Commercial Holdings Company Limited (Stock Code: 1387) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

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 2009, 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 2009.

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 10 to 11.

CORPORATE GOVERNANCE REPORT *(continued)*

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. Yuen-Keung Chan	2/2
Mr. Wai-Hong Ling	2/2
Non-Executive Directors	
Mr. Herman Man-Hei Fung	2/2
Mr. Frank Kwok-Kit Chu	1/2
Independent Non-Executive Directors	
Mr. David Chung-Shing Wu	2/2
Mr. Sou-Tung Chan	2/2
Mr. Anthony Ren-Da Fan	1/2

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 Jacobson, CAE, Kin Wing, Chinney Construction 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.

CORPORATE GOVERNANCE REPORT *(continued)*

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 terms of reference of the Remuneration Committee adopted by the Company on 20 September 2005 has certain deviations from the CG Code provisions that the Remuneration Committee should "review" as opposed to "determine" the specific remuneration packages of "all executive directors" as opposed to "directors and senior management".

CORPORATE GOVERNANCE REPORT *(continued)*

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 62 and 63 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	1/1

NOMINATION OF DIRECTORS

No directors were nominated into the Board during the year.

AUDITORS' REMUNERATION

For the year ended 31 December 2009, services provided to the Group by its auditors and the respective fees paid were:

Services rendered	Fees paid/payable *HK$'000*
Audit services	2,991
Non-audit services (Review and other services)	150

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 2009 and the annual results for the year ended 31 December 2009.

CORPORATE GOVERNANCE REPORT *(continued)*

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	1/2
Independent Non-Executive Directors	
Mr. David Chung-Shing Wu	2/2
Mr. Sou-Tung Chan	2/2
Mr. Anthony Ren-Da Fan	2/2

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

INTERNAL CONTROL

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

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 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 108.

The directors recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2009 (2008: HK2.5 cents) to the shareholders whose names appear on the Company's register of members on 3 June 2010. 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 22 June 2010. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

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$197.6 million as at 31 December 2009 (2008: HK$251.8 million), of which HK$70.3 million (2008: HK$156.1 million) were trust receipt loans. The decrease in trust receipt loans was mainly due to the reduction of inventory level. On the other hand, the Group acquired some plant and machinery of HK$23.2 million for the foundation piling division through finance leases arrangement. The Group raised bank loans amounted to HK$46.3 million for working capital and acquisition of office premises in Macau. Approximately 72% of the debts were due and repayable within one year. Current ratio of the Group as at 31 December 2009, measured by total current assets over total current liabilities, was 1.42 (2008: 1.28).

Total unpledged cash and bank balances as at 31 December 2009 was HK$240.4 million (2008: HK$135.6 million) which exceeded the total interest-bearing debts of the Group. The increase in cash and bank balances was mainly attributable to fund generated from operation as well as bank loans drawn during the year.

REPORT OF THE DIRECTORS *(continued)*

FINANCIAL REVIEW *(continued)*

Liquidity and financial resources *(continued)*

The Group had a total of HK$342 million undrawn banking facilities at year-end available for its working capital purpose. The gearing ratio of the Group, measured by total interest-bearing debts of HK$197.6 million over the equity attributable to the owners of the Company plus minority interests of HK$458.1 million, was 43.1% as at 31 December 2009 (2008: 65.5%).

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$95.8 million and HK$96.4 million respectively as at 31 December 2009 were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK$47.5 million were pledged to banks to secure the performance bonds issued in favour of the Group's clients on contracting works. Subsequent to 31 December 2009, pledged time deposits amounted to HK$23.2 million were released upon the expiry of certain performance bonds.

Contingent liability

The Group provides corporate guarantees and indemnities to certain banks and financial institution for an aggregate amount of HK$106.7 million for the performance bonds issued in favour of the Group's clients on contracting works.

Save as disclosed above, the Group has no other material contingent liabilities as at 31 December 2009.

Employees and remuneration policies

The Group employed approximately 740 staff in Hong Kong and other parts of the People's Republic of China as at 31 December 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.

REPORT OF THE DIRECTORS *(continued)*

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				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE	**2,106,488**	2,547,004	1,546,750	1,468,521	1,015,001
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**77,350**	44,771	64,720	17,031	5,412
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**–**	–	–	–	(1,960)
PROFIT FOR THE YEAR	**77,350**	44,771	64,720	17,031	3,452
Profit/(loss) attributable to:					
– Owners of the Company	**77,378**	45,532	66,452	16,997	3,411
– Minority interests	**(28)**	(761)	(1,732)	34	41

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,135,672**	1,230,790	1,038,671	846,862	438,573
TOTAL LIABILITIES	**(677,602)**	(846,599)	(738,455)	(604,100)	(281,105)
MINORITY INTERESTS	**–**	(28)	(789)	(10,804)	–
	458,070	384,163	299,427	231,958	157,468

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

REPORT OF THE DIRECTORS *(continued)*

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.

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 had 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$180,444,000 as at 31 December 2009, of which HK$17,847,000 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, sales to the Group's five largest customers accounted for approximately 39% of the total sales for the year. The sales to the Group's largest customer accounted for approximately 13% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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

REPORT OF THE DIRECTORS *(continued)*

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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Wai-Hong Ling and Mr. Yuen-Keung Chan will retire by rotation at the forthcoming annual general meeting. Mr. Wai-Hong Ling and Mr. Yuen-Keung Chan, 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 10 to 11 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.

REPORT OF THE DIRECTORS *(continued)*

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

As at 31 December 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 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
Name of director	Personal interest	Family interest	Corporate interest	Total	share capital
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%
	48,240	47,840	433,400,216	433,496,296	72.87%

Note: Amongst 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 have beneficial interests.

The Company has no outstanding share options and debentures.

Save as disclosed above, as at 31 December 2009, 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.

REPORT OF THE DIRECTORS *(continued)*

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

As at 31 December 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 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. 17,062,000 shares are held by Chinney Capital Limited, which is beneficially owned by Dr. James Sai-Wing Wong.

REPORT OF THE DIRECTORS *(continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Long positions in ordinary shares of the Company: *(continued)*

No share options of the Company were held by the above shareholders as at 31 December 2009.

Save as disclosed above, as at 31 December 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.

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, 9 April 2010

INDEPENDENT AUDITORS' REPORT

Ernst & Young
安 永

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

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

We have audited the financial statements of Chinney Alliance Group Limited set out on pages 27 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

INDEPENDENT AUDITORS' REPORT *(continued)*

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 2009 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
9 April 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	**2,106,488**	2,547,004
Cost of sales/services provided		**(1,842,680)**	(2,270,298)
Gross profit		**263,808**	276,706
Other income	5	**6,877**	7,641
Selling and distribution costs		**(8,062)**	(12,167)
Administrative expenses		**(196,264)**	(191,939)
Other operating expenses, net		**(3,123)**	(1,176)
Fair value gains/(losses) on equity investments at fair value through profit or loss, net		**15,068**	(9,445)
Surplus/(deficit) arising from revaluation of land and buildings	14	**8,630**	(10,592)
Changes in fair value of investment properties	15	**2,058**	(2,065)
Finance costs	6	**(5,408)**	(14,562)
Share of losses of:			
A jointly-controlled entity		**(11)**	(86)
An associate		**(194)**	(580)
PROFIT BEFORE TAX	7	**83,379**	41,735
Income tax credit/(expense)	10	**(6,029)**	3,036
PROFIT FOR THE YEAR		**77,350**	44,771
Attributable to:			
Owners of the Company	11	**77,378**	45,532
Minority interests		**(28)**	(761)
		77,350	44,771
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY	13		
Basic and diluted		**13.0 cents**	10.3 cents

Details of the proposed final dividend for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
PROFIT FOR THE YEAR		**77,350**	44,771
OTHER COMPREHENSIVE INCOME			
Surplus/(deficit) on revaluation of land and buildings	14	**13,843**	(4,686)
Income tax effect	34	**(1,157)**	324
		12,686	(4,362)
Exchange differences on translation of foreign operations		**(1,285)**	1,712
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**11,401**	(2,650)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**88,751**	42,121
Attributable to:			
Owners of the Company	11	**88,779**	42,882
Minority interests		**(28)**	(761)
		88,751	42,121

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**256,947**	197,017
Investment properties	15	**26,469**	28,261
Interest in an associate	17	**1,184**	1,378
Interests in jointly-controlled entities	18	**–**	11
Goodwill	19	**5,767**	6,970
Deferred tax assets	34	**415**	987
Other assets	20	**282**	282
Total non-current assets		**291,064**	234,906
CURRENT ASSETS			
Inventories	21	**51,290**	78,863
Gross amount due from contract customers	22	**115,725**	125,901
Trade receivables	23	**229,757**	436,695
Retention monies receivables	22	**98,233**	100,907
Amounts due from related companies	24	**–**	11,778
Amounts due from jointly-controlled entities	18	**637**	119
Prepayments, deposits and other receivables	25	**41,872**	62,870
Equity investments at fair value through profit or loss	26	**18,614**	5,319
Tax recoverable		**574**	743
Pledged time deposits	27	**47,519**	37,046
Cash and cash equivalents	27	**240,387**	135,643
Total current assets		**844,608**	995,884
CURRENT LIABILITIES			
Gross amount due to contract customers	22	**171,409**	138,889
Trade and bills payables	28	**157,778**	303,733
Trust receipt loans	29	**70,288**	156,111
Retention monies payables	22	**59,565**	61,786
Amounts due to related companies	24	**10,962**	11,241
Amount due to a jointly-controlled entity	18	**97**	–
Other payables and accruals	30	**51,504**	52,245
Tax payable		**2,279**	2,033
Obligations under finance leases	32	**8,208**	3,770
Interest-bearing bank borrowings	31	**24,122**	45,364
Promissory note	33	**39,652**	–
Total current liabilities		**595,864**	775,172
NET CURRENT ASSETS		**248,744**	220,712
TOTAL ASSETS LESS CURRENT LIABILITIES		**539,808**	455,618

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases	32	**21,763**	7,263
Interest-bearing bank borrowings	31	**33,559**	–
Promissory note	33	**–**	39,247
Deferred tax liabilities	34	**26,416**	24,917
Total non-current liabilities		**81,738**	71,427
Net assets		**458,070**	384,191
EQUITY			
Equity attributable to owners of the Company			
Issued capital	35	**59,490**	59,490
Reserves	37(a)	**380,733**	309,801
Proposed final dividends	12	**17,847**	14,872
		458,070	384,163
Minority interests		**–**	28
Total equity		**458,070**	384,191

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 2009

		Attributable to owners 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 2008		39,660	33,005	120,946	5,443	–	36	94,388	5,949	299,427	789	300,216
Total comprehensive income for the year		–	–	–	(4,362)	–	1,712	45,532	–	42,882	(761)	42,121
Transfer to legal reserve		–	–	–	–	49	–	(49)	–	–	–	–
Release of revaluation reserve on land and buildings to retained profits		–	–	–	(199)	–	–	199	–	–	–	–
Arising from Open Offer	*35*	19,830	29,745	–	–	–	–	–	–	49,575	–	49,575
Share issue expenses in relation to Open Offer	*37(b)*	–	(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 and 1 January 2009		59,490	60,978*	120,946*	882*	49*	1,748*	125,198*	14,872	384,163	28	384,191
Total comprehensive income for the year		–	–	–	12,686	–	(1,285)	77,378	–	88,779	(28)	88,751
Release of revaluation reserve on land and buildings to retained profits		–	–	–	(31)	–	–	31	–	–	–	–
Final 2008 dividend declared		–	–	–	–	–	–	–	(14,872)	(14,872)	–	(14,872)
Proposed 2009 final dividend	*12*	–	–	–	–	–	–	(17,847)	17,847	–	–	–
At 31 December 2009		**59,490**	**60,978***	**120,946***	**13,537***	**49***	**463***	**184,760***	**17,847**	**458,070**	**–**	**458,070**

* *These reserve accounts comprise the consolidated reserves of HK$380,733,000 (2008: HK$309,801,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**83,379**	41,735
Adjustments for:			
Finance costs	6	**5,408**	14,562
Share of losses of:			
A jointly-controlled entity		**11**	86
An associate		**194**	580
Deficit/(surplus) arising from revaluation of land and buildings	14	**(8,630)**	10,592
Changes in fair value of investment properties	15	**(2,058)**	2,065
Depreciation	7	**21,934**	23,752
Impairment of trade receivables	7	**3,524**	4,458
Write-back of impairment of trade receivables	7	**(738)**	(290)
Write-down of inventories to net realisable value	7	**153**	5,589
Fair value losses/(gains) on equity investments at fair value through profit or loss, net		**(15,068)**	9,445
Loss/(gain) on disposal of items of property, plant and equipment	7	**890**	(1,926)
Gain on disposal of equity investments at fair value through profit or loss	7	**(277)**	(859)
Reversal of goodwill	7	**1,203**	1,048
Interest income	5	**(148)**	(1,473)
Dividend income from a listed investment	5	**(29)**	(249)
		89,748	109,115
Decrease/(increase) in inventories		**27,420**	(23,861)
Decrease/(increase) in gross amount due from contract customers		**11,047**	(3,332)
Decrease/(increase) in trade receivables		**204,152**	(145,620)
Decrease/(increase) in retention monies receivables		**2,674**	(17,964)
Movement in balances with related companies, net		**11,499**	3,485
Movement in balances with jointly-controlled entities, net		**(421)**	130
Decrease/(increase) in prepayments, deposits and other receivables		**20,998**	(7,630)
Increase in gross amount due to contract customers		**32,520**	33,864
Increase/(decrease) in trade and bills payables		**(145,955)**	119,803
Increase/(decrease) in retention monies payables		**(2,221)**	27,020
Decrease in other payables and accruals		**(741)**	(3,701)
Cash generated from operations		**250,720**	91,309
Interest received		**148**	1,473
Interest paid		**(4,577)**	(13,558)
Interest element of finance lease rental payments		**(426)**	(611)
Dividend paid		**(14,872)**	(5,949)
Hong Kong profits tax refunded/(paid), net		**(4,132)**	1,191
Overseas taxes paid		**(568)**	(1,035)
Net cash flows from operating activities		**226,293**	72,820

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from a listed investment		**29**	249
Purchases of items of property, plant and equipment	*14*	**(34,124)**	(10,128)
Purchase of an investment property	*15*	**–**	(4,901)
Proceeds from disposal of items of property, plant and equipment		**27**	16,294
Proceeds from disposal of equity investments at fair value through profit or loss		**2,050**	2,929
Investment in a jointly-controlled entity		**–**	(97)
Net cash flows from/(used in) investing activities		**(32,018)**	4,346
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		**(85,823)**	25,161
New bank loans		**46,272**	–
Repayment of bank loans		**(29,591)**	(20,000)
Increase in pledged time deposits		**(10,473)**	(10,621)
Loan repayment to a minority shareholder of a subsidiary		**–**	(5,980)
Capital element of finance lease rental payments		**(4,267)**	(6,574)
Net cash flows from/(used in) financing activities		**(83,882)**	29,789
NET INCREASE IN CASH AND CASH EQUIVALENTS		**110,393**	106,955
Cash and cash equivalents at beginning of year		**131,279**	23,134
Effect of foreign exchange rate changes, net		**(1,285)**	1,190
CASH AND CASH EQUIVALENTS AT END OF YEAR		**240,387**	131,279
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*27*	**171,176**	116,672
Non-pledged time deposits with original maturity of less than three months when acquired	*27*	**69,211**	18,971
Cash and cash equivalents as stated in the statement of financial position		**240,387**	135,643
Bank overdrafts	*31*	**–**	(4,364)
Cash and cash equivalents as stated in the statement of cash flows		**240,387**	131,279

STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**38**	100
Interests in subsidiaries	16	**200,985**	198,915
Other assets	20	**282**	282
Total non-current assets		**201,305**	199,297
CURRENT ASSETS			
Amounts due from subsidiaries	16	**77,309**	66,142
Prepayments, deposits and other receivables	25	**232**	232
Equity investments at fair value through profit or loss	26	**18,614**	4,991
Cash and cash equivalents	27	**7,797**	32,884
Total current assets		**103,952**	104,249
CURRENT LIABILITIES			
Other payables and accruals	30	**4,345**	3,409
Interest-bearing bank borrowings	31	**–**	4,000
Total current liabilities		**4,345**	7,409
NET CURRENT ASSETS		**99,607**	96,840
Net assets		**300,912**	296,137
EQUITY			
Issued capital	35	**59,490**	59,490
Reserves	37(b)	**223,575**	221,775
Proposed final dividend	12	**17,847**	14,872
Total equity		**300,912**	296,137

On behalf of the Board
James Sai-Wing Wong
Director

On behalf of the Board
Sek-Kee Yu
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

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 2009. 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
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*
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*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* *Included in Improvements to HKFRS 2009 (as issued in May 2009)*

** *The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary, which is effective for annual periods beginning on or after 1 July 2009.*

Other than as further explained below regarding the impact of the HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs 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.

(a) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosure is presented in note 44 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

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, this 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.

2.3 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 Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that 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 subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures *(continued)*

(c) 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; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

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 statement of financial position 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 or a jointly-controlled entity, 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 interest in an associate is stated in the consolidated statement of financial position 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 statement of financial position as an asset, initially measured at cost and 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 in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

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.

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 the end of each reporting period 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 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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);

(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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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% – 33⅓%
Plant and machinery	6% – 35%
Furniture, fixtures and equipment	10% – 33⅓%
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 financial year end.

An item of property, plant and equipment and any significant part initially recognised 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.

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 end of the reporting period.

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.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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 or sell 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.

The Group's financial assets include pledged time deposits, cash and cash equivalents, trade receivables, retention monies receivable, amounts due from related companies and jointly-controlled entities, other receivables and equity investments at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, trust receipt loans, retention monies payables, amounts due to related companies, amount due to a jointly-controlled entity, obligations under finance leases, other payables, interest-bearing bank borrowings and promissory note.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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; and a discounted cash flow analysis.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts

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

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

Revenue from cost plus construction contracts is recognised on the percentage of completion method, 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 statement of cash flows, 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 statement of financial position, 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 end of the reporting period 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Income tax** (continued)*

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.

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 for grants after 7 November 2002 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.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, 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 cancellations, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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

Other employee benefits

Pension schemes

The Group operates two types of 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
31 December 2009

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 statement of financial position, 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 recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. 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, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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 end of the reporting period. 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 end of the reporting period, 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 2009 was HK$5,767,000 (2008: HK$6,970,000). 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$12,038,656,000 at 31 December 2009 (2008: HK$11,456,390,000). Further details are contained in note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments 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.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted operating profit/(loss) before tax.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2009

	Plastic and chemical products HK$'000	Building supplies, electrical and mechanical products HK$'000	Building related contracting services HK$'000	Foundation piling HK$'000	Building construction HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	420,605	73,576	417,237	780,532	414,538	2,106,488
Intersegment sales	20,769	7,898	28,344	–	–	57,011
Other revenue	2,014	1,074	92	4	396	3,580
	443,388	82,548	445,673	780,536	414,934	2,167,079
Reconciliation:						
Elimination of intersegment sales						(57,011)
Revenue						2,110,068
Segment results						
Operating profit/(loss)	8,087	(627)	(3,886)	51,817	13,185	68,576
Reconciliation:						
Interest income and unallocated gains						3,297
Unallocated expenses						(11,890)
Fair value gains on equity investments at fair value through profit or loss, net						15,068
Gain on disposal of equity investments at fair value through profit or loss						277
Surplus arising from revaluation of land and buildings						8,630
Changes in fair value of investment properties						2,058
Finance costs						(2,432)
Share of loss of a jointly-controlled entity	–	–	–	–	(11)	(11)
Share of loss of an associate						(194)
Profit before tax						83,379

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2009

	Plastic and chemical products HK$'000	Building supplies, electrical and mechanical products HK$'000	Building related contracting services HK$'000	Foundation piling HK$'000	Building construction HK$'000	Total HK$'000
Segment assets	231,237	44,345	250,427	484,047	179,198	1,189,254
Reconciliation:						
Elimination of intersegment receivables						(85,328)
Interest in an associate						1,184
Corporate and other unallocated assets						30,562
Total assets						1,135,672
Segment liabilities	99,629	33,778	173,924	223,146	159,606	690,083
Reconciliation:						
Elimination of intersegment payables						(85,328)
Corporate and other unallocated liabilities						72,847
Total liabilities						677,602
Other segment information:						
Impairment of trade receivables	3,488	24	12	–	–	3,524
Write-back of impairment of trade receivables	(88)	–	(650)	–	–	(738)
Write-down/(write-back) of inventories to net realisable value included in cost of inventories sold/services provided	(81)	(306)	–	540	–	153
Surplus arising from revaluation of land and buildings	(507)	–	–	–	(8,123)	(8,630)
Changes in fair value of investment properties	(2,051)	(7)	–	–	–	(2,058)
Depreciation	1,126	69	374	18,946	1,419	21,934
Capital expenditure	112	–	133	44,690	12,394	57,329*

* *Capital expenditure represents additions to property, plant and equipment.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2008

	Plastic and chemical products HK$'000	Building supplies, electrical and mechanical products HK$'000	Building related contracting services HK$'000	Foundation piling HK$'000	Building construction HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	701,223	96,391	558,605	640,373	550,412	2,547,004
Intersegment sales	13,609	735	31,090	–	–	45,434
Other revenue	3,301	983	269	179	1,082	5,814
	718,133	98,109	589,964	640,552	551,494	2,598,252
Reconciliation:						
Elimination of intersegment sales						(45,434)
Revenue						2,552,818
Segment results						
Operating profit	5,288	1,969	12,696	26,002	27,546	73,501
Reconciliation:						
Interest income and unallocated gains						1,827
Unallocated expenses						(8,990)
Fair value losses on equity investments at fair value through profit or loss, net						(9,445)
Gain on disposal of equity investments at fair value through profit or loss						859
Deficit arising from revaluation of land and buildings						(10,592)
Changes in fair value of investment properties						(2,065)
Finance costs						(2,694)
Share of loss of a jointly-controlled entity	–	–	–	–	(86)	(86)
Share of loss of an associate						(580)
Profit before tax						41,735

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2008

	Plastic and chemical products HK$'000	Building supplies, electrical and mechanical products HK$'000	Building related contracting services HK$'000	Foundation piling HK$'000	Building construction HK$'000	Total HK$'000
Segment assets	246,299	55,757	327,623	467,660	195,032	1,292,371
Reconciliation:						
Elimination of intersegment receivables						(105,892)
Interests in jointly-controlled entities	–	–	–	–	11	11
Interest in an associate						1,378
Corporate and other unallocated assets						42,922
Total assets						1,230,790
Segment liabilities	134,985	41,277	245,513	253,765	203,098	878,638
Reconciliation:						
Elimination of intersegment payables						(105,892)
Corporate and other unallocated liabilities						73,853
Total liabilities						846,599
Other segment information:						
Impairment of trade receivables	4,006	386	66	–	–	4,458
Write-back of impairment of trade receivables	(32)	(20)	(238)	–	–	(290)
Write-down/(write-back) of inventories to net net realisable value included in cost of inventories sold/services provided	803	(1,163)	(14)	5,963	–	5,589
Deficit arising from revaluation of land and buildings	2,251	–	–	–	8,341	10,592
Changes in fair value of investment properties	1,735	330	–	–	–	2,065
Depreciation	1,232	132	1,008	19,657	1,723	23,752
Capital expenditure	5,432	11	119	8,678	789	15,029*

* *Capital expenditure consists of additions to property, plant and equipment and investment properties.*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

	2009 HK$'000	2008 HK$'000
Hong Kong	**1,931,849**	2,131,421
Mainland China and Macau	**174,639**	415,583
	2,106,488	2,547,004

The revenue information above is based on the location of the customers.

(b) *Non-current assets*

	2009 HK$'000	2008 HK$'000
Hong Kong	**243,338**	195,524
Mainland China and Macau	**40,078**	29,754
	283,416	225,278

The non-current asset information above is based on the location of assets and excludes interest in an associate, interests in jointly-controlled entities, goodwill, deferred tax assets and other assets.

Information about a major customer

Revenue of approximately HK$264,071,000 (2008: Nil) was derived from construction contracts services to a single customer (2008: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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	
	2009	2008
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**456,128**	744,528
Construction contracts	**1,650,360**	1,802,476
	2,106,488	2,547,004

	Group	
	2009	2008
	HK$'000	*HK$'000*
Other income		
Interest income	**148**	1,473
Commission income	**1,648**	1,761
Dividend income from a listed investment	**29**	249
Gross rental income	**1,315**	1,303
Others	**3,737**	2,855
	6,877	7,641

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**2,577**	11,556
Interest on a promissory note	**2,405**	2,395
Interest on obligations under finance leases	**426**	611
	5,408	14,562

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

7. PROFIT BEFORE TAX

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

	Notes	2009 HK$'000	2008 HK$'000
Auditors' remuneration:			
Current year provision		**2,991**	2,995
Underprovision/(overprovision) in prior years		**(3)**	87
		2,988	3,082
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**185,746**	172,451
Pension scheme contributions		**7,787**	8,525
Less: Forfeited contributions		**(8)**	(2,938)
Net pension scheme contributions*		**7,779**	5,587
		193,525	178,038
Less: Amount capitalised in contract costs		**(90,785)**	(80,888)
		102,740	97,150
Depreciation	*14*	**22,805**	24,607
Less: Amount capitalised in contract costs		**(871)**	(855)
		21,934	23,752
Cost of inventories sold		**409,916**	689,190
Cost of services provided		**1,432,764**	1,581,108
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)		**225**	215
Minimum lease payments under operating leases in respect of land and buildings		**7,460**	8,839
Impairment of trade receivables#	*23*	**3,524**	4,458
Write-back of impairment of trade receivables#	*23*	**(738)**	(290)
Write-down of inventories to net realisable value included in cost of inventories sold/services provided		**153**	5,589
Loss/(gain) on disposal of items of property, plant and equipment#		**890**	(1,926)
Gain on disposal of equity investments at fair value through profit or loss#		**(277)**	(859)
Rental income on investment properties less direct operating expenses		**(1,090)**	(1,088)
Reversal of goodwill#	*19*	**1,203**	1,048
Foreign exchange differences, net#		**(1,479)**	(1,255)

* *As at 31 December 2009, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2008: Nil).*

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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:

	2009	2008
	HK$'000	*HK$'000*
Fees	**150**	146
Other emoluments:		
Salaries, allowances and benefits in kind	**2,971**	4,723
Performance related bonuses*	**1,680**	1,140
Pension scheme contributions	**268**	372
	4,919	6,235
	5,069	6,381

* *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:

	2009	2008
	HK$'000	*HK$'000*
David Chung-Shing Wu	**50**	50
Sou-Tung Chan	**50**	50
Anthony Ren-Da Fan (appointed on 4 July 2008)	**50**	25
William Gage McAfee (retired on 3 June 2008)	**–**	21
	150	146

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009					
Executive directors:					
James Sai-Wing Wong	–	–	–	–	–
Sek-Kee Yu	–	1,726	1,500	156	3,382
Yuen-Keung Chan	–	–	–	–	–
Wai-Hong Ling	–	1,170	180	108	1,458
	–	2,896	1,680	264	4,840
Non-executive directors:					
Herman Man-Hei Fung	–	–	–	–	–
Frank Kwok-Kit Chu*	–	75	–	4	79
	–	2,971	1,680	268	4,919
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

* *Frank Kwok-Kit Chu was re-designated as non-executive director on 16 April 2009.*

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 end of the reporting period are set out in note 36 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two (2008: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2008: two) non-director, highest paid employees for the year are as follows:

	2009 *HK$'000*	2008 *HK$'000*
Basic salaries, housing allowances and other benefits in kind	**2,302**	1,898
Bonuses paid and payable	**1,645**	500
Pension scheme contributions	**1,186**	100
	5,133	2,498

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

	Number of employees 2009	2008
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
	3	2

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 end of the reporting period are included in the disclosures in note 36 to the financial statements.

10. INCOME TAX

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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2009 *HK$'000*	2008 *HK$'000*
Group:		
Current – Hong Kong:		
Charge for the year	**4,978**	1,326
Underprovision in prior years	**19**	22
Current – Elsewhere	**118**	840
Deferred *(note 34)*	**914**	(5,224)
Total tax charge/(credit) for the year	**6,029**	(3,036)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

10. INCOME TAX *(continued)*

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Profit before tax	**83,379**	41,735
Tax at Hong Kong profits tax rate of 16.5% (2008: 16.5%)	**13,758**	6,886
Effect of different rates for companies operating in other jurisdictions	**(318)**	(677)
Effect on opening deferred tax of decrease in rate	**–**	(295)
Underprovision in prior years	**19**	22
Income not subject to tax	**(225)**	(933)
Expenses not deductible for tax	**1,339**	1,834
Tax losses utilised from previous periods	**(9,069)**	(9,695)
Tax losses not recognised	**2,928**	456
Loss attributable to a jointly-controlled entity	**–**	14
Loss attributable to an associate	**32**	96
Others	**(2,435)**	(744)
Tax charge/(credit) for the year	**6,029**	(3,036)

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2009 includes a profit of HK$19,647,000 (2008: HK$44,641,000) which has been dealt with in the financial statements of the Company *(note 37(b))*.

12. DIVIDEND

	2009	2008
	HK$'000	*HK$'000*
Proposed final – HK3.0 cents (2008: HK2.5 cents) per ordinary share	**17,847**	14,872

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculation of basic earnings per share is based on:

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary owners of the Company	**77,378**	45,532

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year	**594,899,245**	442,652,717

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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 2009						
At 31 December 2008 and 1 January 2009:						
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
At 1 January 2009, net of accumulated depreciation	70,603	337	122,478	2,131	1,468	197,017
Additions	12,245	87	43,516	402	1,079	57,329
Disposals	–	(31)	(820)	(31)	(35)	(917)
Transfer from investment properties *(note 15)*	3,850	–	–	–	–	3,850
Surplus on revaluation credited to other comprehensive income	13,843	–	–	–	–	13,843
Surplus on revaluation credited to the income statement	8,630	–	–	–	–	8,630
Depreciation provided during the year	(1,933)	(201)	(19,237)	(836)	(598)	(22,805)
At 31 December 2009, net of accumulated depreciation	107,238	192	145,937	1,666	1,914	256,947
At 31 December 2009						
Cost or valuation	107,258	2,976	188,111	6,911	2,977	308,233
Accumulated depreciation	(20)	(2,784)	(42,174)	(5,245)	(1,063)	(51,286)
Net carrying amount	107,238	192	145,937	1,666	1,914	256,947
Analysis of cost or valuation:						
At cost	12,245	2,976	188,111	6,911	2,977	213,220
At 31 December 2009 valuation	95,013	–	–	–	–	95,013
	107,258	2,976	188,111	6,911	2,977	308,233

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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

Group *(continued)*

	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 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 other comprehensive income	(4,686)	–	–	–	–	(4,686)
Deficit on revaluation debited to the 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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
31 December 2009

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

The Group's land and buildings, except for a property located in Macau with a net carrying value of HK$12,225,000 as at 31 December 2009 (the "Property"), were revalued individually on 31 December 2009 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an open market value of HK$95,013,000 based on their existing use. In the opinion of the directors, the carrying value of the Property approximated to its fair value as at 31 December 2009. Revaluation surplus of HK$8,630,000 and HK$13,843,000, resulting from the above valuations, have been credited to the income statement and other comprehensive income, respectively.

Details of the land and buildings are as follows:

	2009	2008
	HK$'000	*HK$'000*
Medium term leases:		
Hong Kong	**93,980**	69,740
Mainland China and Macau	**13,258**	863
	107,238	70,603

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$92,358,000 (2008: HK$78,401,000).

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 2009 amounted to HK$39,643,000 (2008: HK$15,713,000) *(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$95,775,000 (2008: HK$65,220,000) and HK$56,725,000 (2008: HK$65,565,000), respectively *(note 31)*.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 December 2009			
At 31 December 2008 and at 1 January 2009:			
Cost	**232**	**56**	**288**
Accumulated depreciation	**(155)**	**(33)**	**(188)**
Net carrying amount	**77**	**23**	**100**
At 1 January 2009, net of accumulated depreciation	**77**	**23**	**100**
Additions	**–**	**26**	**26**
Depreciation provided during the year	**(77)**	**(11)**	**(88)**
At 31 December 2009, net of accumulated depreciation	**–**	**38**	**38**
At 31 December 2009:			
Cost	**232**	**82**	**314**
Accumulated depreciation	**(232)**	**(44)**	**(276)**
Net carrying amount	**–**	**38**	**38**
31 December 2008			
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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

15. INVESTMENT PROPERTIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	**28,261**	25,425
Addition	**–**	4,901
Net profit/(loss) from a fair value adjustment	**2,058**	(2,065)
Transfer to owner-occupied property *(note 14)*	**(3,850)**	–
Carrying amount at 31 December	**26,469**	28,261

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2009 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$26,469,000 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	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**185,600**	185,600
Due from subsidiaries	**850,536**	848,515
Due to subsidiaries	**(9,547)**	(9,596)
	1,026,589	1,024,519
Impairment	**(825,604)**	(825,604)
	200,985	198,915

The balances with 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$77,309,000 (2008: HK$66,142,000) are unsecured, interest-free and are repayable on demand or within one year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

16. INTERESTS IN SUBSIDIARIES *(continued)*

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

	Company	
	2009	2008
	HK$'000	*HK$'000*
At 1 January	**825,604**	846,139
Impairment losses reversed	**–**	(20,535)
At 31 December	**825,604**	825,604

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) (2008: HK$825,604,000) because these subsidiaries have been loss-making for some time.

Particulars of the principal subsidiaries 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 Direct	Percentage of equity interest attributable to the Group Indirect	Principal activities
Apex Curtain Wall and Windows Company Limited	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	Hong Kong	HK$2	–	100%	Building construction
Chinney Construction (BVI) Limited	British Virgin Islands	US$10,000	–	100%	Investment holding
Chinney Construction Company, Limited	Hong Kong	HK$18,000,000	–	100%	Building construction

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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	
Chinney Construction Group Limited ("CCG")	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%	Property holding
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
DrilTech Geotechnical Engineering Limited	Hong Kong	HK$10,000	–	100%	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering Limited	Hong Kong	HK$12,500,000	–	100%	Drilling, site investigation and related ground engineering construction
DrilTech Ground Engineering (Macau) Limited	Macau	MOP1,000,000	–	100%	Drilling, site investigation and related ground engineering construction
Gina Enterprises Limited	Hong Kong	HK$2	–	100%	Property holding
Jackson Mercantile Trading Company Limited	Hong Kong	Ordinary HK$2,000; Non-voting deferred HK$5,000,000	–	100%	Property holding

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Jacobson van den Berg (China) Limited*	Hong Kong	HK$1,000,000	–	100%	Trading of electrical and mechanical products
Jacobson van den Berg (Hong Kong) Limited	Hong Kong	Ordinary HK$1,000; Non-voting deferred HK$35,486,600	–	100%	Investment holding and agency trading of industrial products
Kin Wing Chinney (BVI) Limited	British Virgin Islands	US$208	–	100%	Investment holding
Kin Wing Engineering Company Limited	Hong Kong	HK$20,000,000	–	100%	Foundation piling
Kin Wing Foundations Limited	Hong Kong	HK$10,000	–	100%	Foundation piling
Kin Wing Machinery & Transportation Limited	Hong Kong	HK$100	–	100%	Equipment and machinery leasing
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$700,000; Non-voting deferred HK$4,000,000	–	100%	Design, installation, repair and maintenance of electrical and mechanical systems

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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 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
Tegan Holdings Limited	Hong Kong	HK$2	–	100%	Property holding
Westco Airconditioning Limited	Hong Kong	HK$4,700,000	–	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	
	2009	2008
	HK$'000	*HK$'000*
Share of net assets	**8,384**	8,578
Impairment#	**(7,200)**	(7,200)
	1,184	1,378

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

17. INTEREST IN AN ASSOCIATE *(continued)*

Particulars of the associate 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 associates are coterminous with those of the Group. The following table illustrates the summarised financial information of Jiangxi Kaitong extracted from its financial statements:

	2009	2008
	HK$'000	*HK$'000*
Assets	**29,610**	30,130
Liabilities	**(761)**	(507)
Revenue	**165**	678
Loss for the year	**(779)**	(2,330)

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Share of net assets	**–**	11

The balances with jointly-controlled entities are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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:

	2009 **HK$'000**	2008 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**596**	844
Non-current assets	**35**	52
Current liabilities	**(1,257)**	(1,198)
Net liabilities	**(626)**	(302)
Share of the jointly-controlled entities' results:		
Total revenue	**1,256**	5,969
Total expenses	**(1,580)**	(6,089)
Loss after tax	**(324)**	(120)

The Group has discontinued the recognition of its share of losses of jointly-controlled entities because they exceeded the Group's interests in these jointly-controlled entities. In the opinion of the directors, the Group will not continue to provide further financial support or capital injection to these jointly-controlled entities. The Group's aggregate unrecognised share of losses of these jointly-controlled entities for the current year and cumulatively amounted to HK$313,000 (2008: HK$34,000) and HK$626,000 (2008: HK$313,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

19. GOODWILL

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	**6,970**	8,018
Amount charged to the income statement# *(note 7)*	**(1,203)**	(1,048)
Carrying amount at 31 December	**5,767**	6,970

\# *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% (2008: 6%).

Key assumptions used in the value in use calculation for 31 December 2009 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	
	2009	2008
	HK$'000	*HK$'000*
Club memberships, at cost	**1,220**	1,220
Provision for impairment	**(938)**	(938)
	282	282

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

21. INVENTORIES

	Group 2009 HK$'000	2008 HK$'000
Raw materials	**44,538**	71,754
Finished goods	**6,752**	7,109
	51,290	78,863

22. CONSTRUCTION CONTRACTS

	Group 2009 HK$'000	2008 HK$'000
Gross amount due from contract customers	**115,725**	125,901
Gross amount due to contract customers	**(171,409)**	(138,889)
	(55,684)	(12,988)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**12,038,656**	11,456,390
Less: Progress billings	**(12,094,340)**	(11,469,378)
	(55,684)	(12,988)

At 31 December 2009, 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$98,233,000 (2008: HK$100,907,000).

At 31 December 2009, 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$59,565,000 (2008: HK$61,786,000).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

23. TRADE RECEIVABLES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**247,070**	452,561
Impairment	**(17,313)**	(15,866)
	229,757	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 the end of the reporting period, based on the payment due date and net of provisions, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current to 30 days	**191,729**	355,755
31 to 60 days	**23,124**	48,514
61 to 90 days	**5,617**	11,891
Over 90 days	**9,287**	20,535
	229,757	436,695

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

23. TRADE RECEIVABLES *(continued)*

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 January	**15,866**	19,947
Impairment losses recognised *(note 7)*	**3,524**	4,458
Amount written off as uncollectible	**(1,339)**	(8,249)
Impairment losses reversed *(note 7)*	**(738)**	(290)
	17,313	15,866

The above provision for impairment of trade receivables represented provision for individually impaired trade receivables with a carrying amount before provision of HK$17,313,000 (2008: HK$15,866,000) 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 receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**146,888**	288,809
Less than 30 days past due	**44,841**	66,946
31 to 90 days past due	**28,741**	60,405
Past due over 90 days	**9,287**	20,535
	229,757	436,695

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Chinney Contractors Company Limited ("Chinney Contractors")	*(i)*	–	3,814
Chinney Property Management Limited ("Chinney Property")	*(ii)*	–	23
CNN Industrial Limited ("CNN")	*(iii)*	–	2,722
Ever Billion Engineering Limited ("Ever Billion")	*(iv)*	–	3,862
Guangzhou Honkwok Fuqiang Land Development Ltd. ("Fuqiang")	*(v)*	–	44
Hon Kwok Land Investment (Shenzhen) Co., Ltd. ("Hon Kwok Shenzhen")	*(ii)*	–	692
Tinhawk Company Limited ("Tinhawk")	*(iv)*	–	621
		–	11,778

Notes:

(i) Chinney Contractors is wholly-owned by Mr. Yuen-Keung Chan, a director of the Company.

(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.

(iii) Mr. Wai-Hong Ling was 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.

Except for the amounts due from Tinhawk and CNN of HK$618,000 and HK$564,000, respectively, as at 31 December 2008 which were interest-bearing at prevailing market rate, the balances with the related companies are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**1,851**	2,978	**227**	227
Deposits and other receivables	**40,021**	59,892	**5**	5
	41,872	62,870	**232**	232

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 THROUGH PROFIT OR LOSS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments in Hong Kong, at market value	**18,614**	5,319	**18,614**	4,991

The above equity investments at 31 December 2008 and 2009 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$20,018,000.

27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**171,176**	116,672	**7,797**	32,884
Time deposits	**69,211**	18,971	**–**	–
Pledged time deposits	**47,519**	37,046	**–**	–
	287,906	172,689	**7,797**	32,884
Less: Pledged time deposits for letters of guarantee and performance bonds	**(47,519)**	(37,046)	**–**	–
Cash and cash equivalents	**240,387**	135,643	**7,797**	32,884

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$3,542,000 (2008: HK$2,623,000). 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	
	2009	2008
	HK$'000	*HK$'000*
Trade payables	**150,021**	289,991
Bills payables	**7,757**	13,742
	157,778	303,733

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current to 30 days	**118,241**	255,159
31 to 60 days	**21,068**	23,633
61 to 90 days	**3,589**	5,302
Over 90 days	**7,123**	5,897
	150,021	289,991

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 2009, 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**6,794**	4,924	**149**	145
Accruals	**44,710**	47,321	**4,196**	3,264
	51,504	52,245	**4,345**	3,409

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

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2009			2008		
	Contractual interest rate %	**Maturity**	***HK$'000***	Contractual interest rate %	Maturity	*HK$'000*
Current						
Finance lease payables *(note 32)*	**3.50 – 4.25**	**2010**	**8,208**	3.50	2009	3,770
Trust receipt loans *(note 29)*	**1.51 – 3.32**	**2010**	**70,288**	1.35 – 6.49	2009	156,111
Bank overdrafts – unsecured			**–**	5.25 – 7.00	On demand	2,250
Bank overdrafts – secured			**–**	5.88	On demand	2,114
Bank loans – unsecured	**2.31 – 3.13**	**2010**	**6,640**	2.20 – 2.07	2009	17,000
Bank loans – secured	**1.82**	**2010**	**10,000**	2.05	2009	10,000
Current portion of long-term bank loans – unsecured	**2.10 – 2.33**	**2010**	**6,765**			–
Current portion of long-term bank loans – secured	**3.10**	**2010**	**717**	2.70 – 3.49	2009	14,000
			24,122			45,364
Promissory note *(note 33)*	**5.00**	**2010**	**39,652**			–
Total current			**142,270**			205,245
Non-current						
Finance lease payables *(note 32)*	**3.50 – 4.25**	**2014**	**21,763**	3.50	2011	7,263
Bank loans – unsecured	**2.10 – 2.33**	**2012 – 2014**	**26,004**			–
Bank loans – secured	**3.10**	**2019**	**7,555**			–
			33,559			–
Promissory note *(note 33)*			**–**	5.00	2010	39,247
Total non-current			**55,322**			46,510
Total			**197,592**			251,755

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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

Company

	2009			2008		
	Contractual interest rate %	**Maturity**	***HK$'000***	Contractual interest rate %	Maturity	*HK$'000*
Current						
Current portion of long-term bank loans – secured			**–**	2.70	2009	4,000

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

	Group		**Company**	
	2009 ***HK$'000***	2008 *HK$'000*	**2009** ***HK$'000***	2008 *HK$'000*
Analysed into:				
Bank loans and overdrafts and trust receipt loans repayable:				
Within one year or on demand	**94,410**	201,475	**–**	4,000
In the second year	**10,268**	–	**–**	–
In the third to fifth year, inclusive	**18,836**	–	**–**	–
Beyond five years	**4,455**	–	**–**	–
	127,969	201,475	**–**	4,000
Other borrowings repayable:				
Within one year	**47,860**	3,770	**–**	–
In the second year	**7,838**	43,151	**–**	–
In the third to fifth years, inclusive	**13,925**	3,359	**–**	–
	69,623	50,280	**–**	–
	197,592	251,755	**–**	4,000

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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 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 at the end of the reporting period of approximately HK$95,775,000 (2008: HK$65,220,000) *(note 14)*; and

(iii) the pledge of the Group's plant and machinery at the end of the reporting period of approximately HK$56,725,000 (2008: HK$65,565,000) *(note 14)*.

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

32. OBLIGATIONS UNDER FINANCE LEASES

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

At 31 December 2009, 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**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**9,234**	4,096	**8,208**	3,770
In the second year	**8,551**	4,096	**7,838**	3,904
In the third to fifth years, inclusive	**14,774**	3,413	**13,925**	3,359
Total minimum finance lease payments	**32,559**	11,605	**29,971**	11,033
Future finance charges	**(2,588)**	(572)		
Total net finance lease payables	**29,971**	11,033		
Portion classified as current liabilities *(note 31)*	**(8,208)**	(3,770)		
Non-current portion *(note 31)*	**21,763**	7,263		

The leases are secured by certain plant and machinery with an aggregate carrying value of HK$39,643,000 (2008: HK$15,713,000) and corporate guarantees given by certain subsidiaries *(note 14)*.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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. 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**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**20,657**	24,691	**4,260**	5,422	**24,917**	30,113
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	**(923)**	(4,034)	**1,265**	(838)	**342**	(4,872)
Deferred tax charged/(credited) to other comprehensive income	**343**	–	**814**	(324)	**1,157**	(324)
Gross deferred tax liabilities at 31 December	**20,077**	20,657	**6,339**	4,260	**26,416**	24,917

Deferred tax assets

Group

	Depreciation allowance less than related depreciation	
	2009	2008
	HK$'000	*HK$'000*
At beginning of year	**987**	635
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	**(572)**	352
Gross deferred tax assets at 31 December	**415**	987

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

34. DEFERRED TAX *(continued)*

The Group has tax losses arising in Hong Kong of HK$251,000,000 (2008: HK$283,000,000) 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

	2009 **HK$'000**	2008 *HK$'000*
Authorised:		
2,500,000,000 (2008: 2,500,000,000) ordinary shares of HK$0.10 (2008: HK$0.10) each	**250,000**	250,000
Issued and fully paid:		
594,899,245 (2008: 594,899,245) ordinary shares of HK$0.10 (2008: HK$0.10) each	**59,490**	59,490

	Number of shares	*HK$'000*
At 1 January 2008	396,599,497	39,660
New shares issued pursuant to Open Offer	198,299,748	19,830
At 31 December 2008, 1 January 2009 and 31 December 2009	594,899,245	59,490

During the prior 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").

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

36. SHARE OPTION SCHEME

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

Summary of the Scheme

(a) *Purposes of the Scheme*

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

(b) *Participants of the Scheme*

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

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

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

(d) *Maximum entitlement to any participant*

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

36. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

(g) Basis of determining the exercise price

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

(h) Expiration of the Scheme

The Scheme expired on 23 September 2003.

Particulars of the outstanding options

At the end of the reporting period, no share options were outstanding under the Scheme.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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 31 of these financial statements.

(b) *Company*

	Share premium account HK$'000	Contributed surplus* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	33,005	120,946	10,082	164,033
Arising from Open Offer *(note 35)*	29,745	–	–	29,745
Share issue expenses in relation to Open Offer	(1,772)	–	–	(1,772)
Total comprehensive income for the year	–	–	44,641	44,641
Proposed final dividend *(note 12)*	–	–	(14,872)	(14,872)
At 31 December 2008 and 1 January 2009	60,978	120,946	39,851	221,775
Total comprehensive income for the year	–	–	19,647	19,647
Proposed final dividend *(note 12)*	–	–	(17,847)	(17,847)
At 31 December 2009	**60,978**	**120,946**	**41,651**	**223,575**

* *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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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	2009 HK$'000	2008 HK$'000
Management fee to a major shareholder	(i)	**3,000**	2,000
Share of rental and office expenses with a related company	(ii)	**605**	628
Rental expense paid to a related company	(iii)	**162**	–
Subcontracting fees to related companies	(iv)	**32,068**	68,648
Construction contract income from related companies	(v)	**(897)**	(557)
Sale of goods to a related company	(vi)	**–**	(12,532)
Office management fee income from jointly-controlled entities	(vii)	**(358)**	(775)
Purchases from a related company	(viii)	**–**	357
Interest expenses on a promissory note paid to:			
A related company	(ix)	**–**	1,393
A major shareholder	(ix)	**2,405**	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) The rental expense was paid to Shun Cheong Real Estates Limited. Mr. Sek-Kee Yu and Mr. Yuen-Keung Chan are common directors of the Company and Shun Cheong Real Estates Limited.

(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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

38. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: (continued)

(v) Construction contract income in the current year represented the value of building maintenance work and building services installation work certified during the year from Honour Well Development Limited, King Champion Limited and The Bauhinia Hotel Management Limited (Formerly known as "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.

(vi) In the prior year, sale of goods represented goods sold to CNN.

(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 were for certain building maintenance contracts of the Group and were conducted at mutually agreed rates on basis determined by both parties. Mr. Sek-Kee 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:

Details of the Group's outstanding balances with related companies as at the end of the reporting period are included in note 24 to the financial statements.

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

	2009	2008
	HK$'000	*HK$'000*
Short-term employee benefits	**20,503**	16,273
Post-employment benefits	**964**	850
Total compensation paid to key management personnel	**21,467**	17,123

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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 a term of three years (2008: two to three years). The terms of the leases generally also require the tenants to pay security deposits.

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**89**	1,402
In the second to fifth years, inclusive	**–**	89
	89	1,491

(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 (2008: one to three years).

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**3,721**	4,346
In the second to fifth years, inclusive	**3,663**	1,065
	7,384	5,411

The Company had no operating lease commitments at the end of the reporting period (2008: Nil).

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$23,205,000 (2008: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

41. CONTINGENT LIABILITIES

(i) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**765,791**	1,073,000
Guarantee given to Chinney Investments in connection with the promissory note issued by a subsidiary	**–**	–	**40,000**	40,000
	–	–	**805,791**	1,113,000

As at 31 December 2009, the total banking facilities utilised by the subsidiaries amounted to HK$291,105,000 (2008: HK$362,601,000).

(ii) The Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of HK$106,675,000 (2008: HK$129,142,000) for the issue of performance bonds in its ordinary course of business.

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 end of the reporting period:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted, but not provided for:				
Plant and machinery	**8,196**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

2009

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
Trade receivables	–	229,757	–	229,757
Retention monies receivables	–	98,233	–	98,233
Amounts due from jointly-controlled entities	–	637	–	637
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	40,021	–	40,021
Equity investments at fair value through profit or loss	18,614	–	–	18,614
Pledged time deposits	–	47,519	–	47,519
Cash and cash equivalents	–	240,387	–	240,387
	18,614	656,554	282	675,450

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	157,778
Trust receipt loans	70,288
Retention monies payables	59,565
Amounts due to related companies	10,962
Amount due to a jointly-controlled entity	97
Financial liabilities included in other payables and accruals *(note 30)*	6,794
Obligations under finance leases *(note 32)*	29,971
Interest-bearing bank borrowings *(note 31)*	57,681
Promissory note	39,652
	432,788

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group *(continued)*

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
Trade receivables	–	436,695	–	436,695
Retention monies receivables	–	100,907	–	100,907
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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

2009

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
Amounts due from subsidiaries	–	77,309	–	77,309
Financial assets included in prepayments, deposits and other receivables *(note 25)*	–	5	–	5
Equity investments at fair value through profit or loss	18,614	–	–	18,614
Cash and cash equivalents	–	7,797	–	7,797
	18,614	85,111	282	104,007

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Amounts due to subsidiaries	9,547
Financial liabilities included in other payables and accruals *(note 30)*	149
	9,696

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company *(continued)*

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
Amounts due from subsidiaries	–	274,653	–	274,653
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*
Amounts due to subsidiaries	9,596
Financial liabilities included in other payables and accruals *(note 30)*	145
Interest-bearing bank borrowings *(note 31)*	4,000
	13,741

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

44. FAIR VALUE HIERARCHY

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the financial instruments measured at fair value held by the Company comprised of equity investments at fair value through profit or loss and was classified as Level 1.

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

45. 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 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, 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 credited or charged to the income statement as incurred.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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

Interest rate risk *(continued)*

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 equity.

		Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
		HK$'000	*HK$'000*
2009			
Hong Kong dollar	**50**	**(845)**	**–**
Hong Kong dollar	**(50)**	**845**	**–**
2008			
Hong Kong dollar	50	(988)	–
Hong Kong dollar	(50)	988	–

* *Excluding retained profits*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

45. 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 end of the reporting period to a reasonably possible change in the United States dollar and Renminbi exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2009			
If Hong Kong dollar weakens against United States dollar	**1**	**54**	**–**
If Hong Kong dollar strengthens against United States dollar	**(1)**	**(54)**	**–**
If Hong Kong dollar weakens against Renminbi	**5**	**276**	**–**
If Hong Kong dollar strengthens against Renminbi	**(5)**	**(276)**	**–**
2008			
If Hong Kong dollar weakens against United States dollar	1	392	–
If Hong Kong dollar strengthens against United States dollar	(1)	(392)	–
If Hong Kong dollar weakens against Renminbi	5	136	–
If Hong Kong dollar strengthens against Renminbi	(5)	(136)	–

* *Excluding retained profits*

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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

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.

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's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, are as follows:

Group

2009

	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	157,778	–	–	–	157,778
Trust receipt loans	–	70,485	–	–	–	70,485
Retention monies payables	–	59,565	–	–	–	59,565
Amounts due to related companies	10,962	–	–	–	–	10,962
Amount due to a jointly-controlled entity	97	–	–	–	–	97
Other payables	6,794	–	–	–	–	6,794
Obligations under finance leases	–	9,234	8,551	14,774	–	32,559
Interest-bearing bank borrowings	–	25,082	10,965	19,868	4,815	60,730
Promissory note	–	40,000	–	–	–	40,000
	17,853	362,144	19,516	34,642	4,815	438,970

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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

Liquidity risk *(continued)*

Group *(continued)*

2008

	On demand	Less than 12 months	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	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

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

2009

	On demand	**Less than 12 months**	**More than 1 year but less than 2 years**	**More than 2 year but less than 5 years**	**Over 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Amounts due to subsidiaries	**–**	**–**	**–**	**–**	**9,547**	**9,547**
Other payables	**149**	**–**	**–**	**–**	**–**	**149**
	149	**–**	**–**	**–**	**9,547**	**9,696**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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

Liquidity risk *(continued)*

Company *(continued)*

2008

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

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 2009. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2009	**High/low 2009**	31 December 2008	High/low 2008
Hong Kong – Hang Seng Index	**21,873**	**23,100/ 11,345**	14,387	27,854/ 10,676

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
31 December 2009

45. 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 end of the reporting period.

	Carrying amount of equity investments *HK$'000*	Change in profit before tax *HK$'000*
2009		
Investments listed in:		
Hong Kong – Held for trading	**18,614**	**1,861**
2008		
Investments listed in:		
Hong Kong – Held for trading	5,319	532

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 2009 and 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

31 December 2009

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

Capital management *(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 and a jointly-controlled entity, other payables and accruals, obligations under finances leases, interest-bearing bank borrowings and a promissory note, less cash and cash equivalents. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2009	2008
	HK$'000	*HK$'000*
Trade and bills payables	**157,778**	303,733
Trust receipt loans	**70,288**	156,111
Retention monies payables	**59,565**	61,786
Amounts due to related companies	**10,962**	11,241
Amount due to a jointly-controlled entity	**97**	–
Other payables and accruals	**51,504**	52,245
Obligations under finance leases	**29,971**	11,033
Interest-bearing bank borrowings	**57,681**	45,364
Promissory note	**39,652**	39,247
Less: Cash and cash equivalents	**(240,387)**	(135,643)
Net debt	**237,111**	545,117
Equity attributable to owners of the Company	**458,070**	384,163
Capital and net debt	**695,181**	929,280
Gearing ratio	**34%**	59%

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 April 2010.