



建聯集團有限公司*

Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

INTERIM REPORT 2010

** For identification purpose only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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
Anthony Siu-Wing LAU

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

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Tengis Limited
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REGISTERED OFFICE

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Bermuda

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Hong Kong

STOCK CODE

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CORPORATE INFORMATION

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REVIEW OF OPERATIONS

RESULTS

The board of directors (the "Board") of Chinney Alliance Group Limited (the "Company", collectively with its subsidiaries, the "Group") is pleased to announce that the Group recorded turnover of HK\$853 million for the six months ended 30 June 2010 (2009: HK\$1,220 million). The profit for the period was HK\$15.5 million (2009: HK\$42.7 million). The Group's profit for the current period included fair value loss on equity investments of HK\$6.2 million (2009: gain of HK\$5.2 million). Should this fair value gain or loss be excluded in both periods, the Group would have profit of HK\$21.7 million for the period under review compared to HK\$37.5 million of same period last year.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemicals products

Jacobson van den Berg (Hong Kong) Limited ("Jacobson") generated turnover of HK\$252 million for the current period (2009: HK\$198 million). The operating profit bounced back to HK\$11.0 million (2009: HK\$2.4 million). With stronger order book and tight supplies in plastics and chemicals, demand from our customers was brisk in the current period. Jacobson also reaped the benefits of operating efficiency improvement leading to stronger profit growth and better earnings quality for the period under review. With the economies of the US and Europe as the key markets of our customers being still in limbo, Jacobson strives to offer more value-added services and products to our customers and will cautiously build up its presence in the Mainland China.

Trading of industrial products and equipment

Chinney Alliance Engineering Limited ("CAE") and its subsidiaries recorded turnover of HK\$32 million for the six months ended 30 June 2010 (2009: HK\$37 million). The operating loss for the period was HK\$1.4 million (2009: profit of HK\$6 thousand). The loss was mainly attributable to reduced sales during the period. CAE is exploring new business strategies to enhance its profitability.

Building related contracting services

Shun Cheong Investments Limited ("Shun Cheong") contributed turnover of HK\$149 million for the period (2009: HK\$242 million) with operating profit of HK\$10.2 million (2009: HK\$0.9 million). Despite the decrease in turnover, profit margin increased as a result of the approval of variation orders for certain projects completed in last year as well as measures taken to control the operation of the building aluminium and glass business. More contracts have been awarded during the period under review from both public and private sectors. As at 30 June 2010, the division had outstanding contracts on hand of HK\$706 million and new contracts with an aggregate contract sum of HK\$160 million have been awarded subsequently.

Foundation piling and ground investigation

The Group's sub-structure works division operated by Kin Wing Chinney (BVI) Limited ("Kin Wing") under the name of Kin Wing (for foundation and piling works) and DrilTech (for drilling and ground investigation works) recorded turnover of HK\$332 million (2009: HK\$452 million) with operating profit of HK\$6.5 million (2009: HK\$37.4 million), which was mainly contributed from foundation for the residential development at Tsuen Wan West Rail Station and a Hong Kong Housing Authority residential project. The drop in the segment results was mainly attributable to delay in commencement of new projects which deferred the work progress and thus the turnover. As at 30 June 2010, the division had outstanding contracts on hand of HK\$479 million and more contracts have been awarded after the period end, which included projects from the Hong Kong Housing Authority as well as other private developers with aggregate contract sum of HK\$275 million.

REVIEW OF OPERATIONS

BUSINESS REVIEW AND PROSPECTS *(continued)*

Building construction

The Group's building construction division operated by Chinney Construction (BVI) Limited ("Chinney Construction") recorded turnover of HK\$89 million (2009: HK\$291 million) with operating profit of HK\$5.4 million (2009: HK\$10.2 million). Both turnover and operating profit decreased as projects running during the period, which included three school projects and a project at the University of Hong Kong, were still at early stage of construction. As at 30 June 2010, the division had outstanding contracts on hand of approximately HK\$529 million and new contract awarded after period end amounted to HK\$56 million.

Associate and jointly-controlled entities

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

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK\$212.0 million as at 30 June 2010 (31 December 2009: HK\$197.6 million), of which HK\$79.6 million (31 December 2009: HK\$70.3 million) were trust receipt loans. The increase in interest-bearing debts of the Group was mainly due to loans drawn during the period under review for purchase of plant and machinery for the sub-structure division and for the working capital of building services division of the Group. The Group's trust receipt loans were slightly increased to cater for the increase in inventory level for the Group's plastic trading division. Approximately 72% of the interest-bearing debts were due and repayable within one year, which includes the HK\$40 million promissory note due in October 2010. Current ratio of the Group at 30 June 2010, as measured by total current assets over total current liabilities, was 1.40 (31 December 2009: 1.42).

The unpledged cash and bank balances as at 30 June 2010 were HK\$229.5 million (31 December 2009: HK\$240.4 million). As at 30 June 2010, the Group had a total of HK\$337.4 million undrawn banking facilities available for issue of surety bond and working capital. The gearing ratio of the Group, as measured by total interest-bearing debts of HK\$212.0 million over the equity attributable to the owners of the Company plus non-controlling interests of HK\$456.0 million, was 46.5% as at 30 June 2010 (31 December 2009: 43.1%).

Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. Forward contracts of non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group whenever desirable.

Pledge of assets

As at 30 June 2010, certain properties and plant and machinery having aggregate book value of HK\$67.6 million and HK\$46.5 million, respectively, were pledged to banks to secure certain bank loans and general banking facilities extended to the Group. In addition, time deposits of HK\$13.7 million were pledged to banks to secure the performance bonds issued in favour of the Group's clients on contracting works.

REVIEW OF OPERATIONS

FINANCIAL REVIEW *(continued)*

Contingent liabilities

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

Capital Commitments

Details of the Group's capital commitments are set out in note 14 to the condensed consolidated interim financial statements.

Employees and remuneration policies

The Group employed approximately 890 staff in Hong Kong and other parts of the People's Republic of China as at 30 June 2010. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

OUTLOOK

The local economy continued to show recovery in the first half of 2010 with GDP growth at 6.5% on a year-on-year basis. Total exports of goods grew by 23.1% which was benefited by strong growth in Asian markets and recovery of demand in the United States. However, with the economic outlook for the US and Europe remaining murky, the Group's plastic trading business may slow down in the second half of the year. On the other hand, the local construction activity was stimulated by surge in public sector works. In the private sector, despite new measures introduced by the Hong Kong Government to stabilise the property market, the recent land auction indicates that property developers are willing to replenish land bank at good location with premium price. With the continued low interest rate, it is expected that there will be more property development projects to meet the demand. The Board is therefore optimistic about the Group's performance for the second half of the year.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 27 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2010	2009
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	3	852,717	1,220,293
Cost of sales/services provided		<u>(724,418)</u>	<u>(1,079,584)</u>
Gross profit		128,299	140,709
Other income	3	3,935	2,755
Selling and distribution costs		(3,874)	(3,735)
Administrative expenses		(101,697)	(95,253)
Other operating income, net		1,031	1,033
Fair value gains/(losses) on equity investments at fair value through profit or loss, net		(6,160)	5,169
Finance costs	4	(3,127)	(3,079)
Share of losses of:			
A jointly-controlled entity		–	(11)
An associate		<u>(14)</u>	<u>(141)</u>
PROFIT BEFORE TAX	5	18,393	47,447
Income tax expense	6	<u>(2,860)</u>	<u>(4,731)</u>
PROFIT FOR THE PERIOD		<u>15,533</u>	<u>42,716</u>
Attributable to:			
Owners of the Company		15,533	42,744
Non-controlling interests		<u>–</u>	<u>(28)</u>
		<u>15,533</u>	<u>42,716</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic and diluted		<u>2.61 cents</u>	<u>7.19 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>15,533</u>	<u>42,716</u>
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<u>261</u>	<u>(543)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>15,794</u>	<u>42,173</u>
Attributable to:		
Owners of the Company	<u>15,794</u>	42,201
Non-controlling interests	<u>-</u>	<u>(28)</u>
	<u>15,794</u>	<u>42,173</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	272,860	256,947
Investment properties	26,469	26,469
Interest in an associate	1,170	1,184
Interests in jointly-controlled entities	–	–
Goodwill	5,767	5,767
Deferred tax assets	415	415
Other assets	282	282
Total non-current assets	<u>306,963</u>	<u>291,064</u>
CURRENT ASSETS		
Inventories	56,154	51,290
Gross amount due from contract customers	103,050	115,725
Trade receivables	8 241,586	229,757
Retention monies receivables	107,894	98,233
Amounts due from related companies	9 1,000	–
Amounts due from jointly-controlled entities	973	637
Prepayments, deposits and other receivables	44,448	41,872
Equity investments at fair value through profit or loss	11,977	18,614
Tax recoverable	577	574
Pledged time deposits	13,670	47,519
Cash and cash equivalents	229,457	240,387
Total current assets	<u>810,786</u>	<u>844,608</u>
CURRENT LIABILITIES		
Gross amount due to contract customers	159,985	171,409
Trade and bills payables	10 158,600	157,778
Trust receipt loans	79,584	70,288
Retention monies payables	55,755	59,565
Amounts due to related companies	9 2,442	10,962
Amount due to a jointly-controlled entity	97	97
Other payables and accruals	41,531	51,504
Tax payable	7,020	2,279
Obligations under finance leases	9,363	8,208
Interest-bearing bank borrowings	23,078	24,122
Promissory note	39,857	39,652
Total current liabilities	<u>577,312</u>	<u>595,864</u>
NET CURRENT ASSETS	<u>233,474</u>	<u>248,744</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>540,437</u>	<u>539,808</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Obligations under finance leases		24,367	21,763
Interest-bearing bank borrowings		35,755	33,559
Deferred tax liabilities		24,298	26,416
		<hr/>	<hr/>
Total non-current liabilities		84,420	81,738
		<hr/>	<hr/>
Net assets		456,017	458,070
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	59,490	59,490
Reserves		396,527	380,733
Proposed final dividends		–	17,847
		<hr/>	<hr/>
		456,017	458,070
		<hr/>	<hr/>
Non-controlling interests		–	–
		<hr/>	<hr/>
Total equity		456,017	458,070
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued capital	Share premium account	Contributed surplus	Asset revaluation reserve	Legal reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividends	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	59,490	60,978	120,946	13,537	49	463	184,760	17,847	458,070	-	458,070
Total comprehensive income for the period	-	-	-	-	-	261	15,533	-	15,794	-	15,794
Release of revaluation reserve on land and buildings to retained profits	-	-	-	(203)	-	-	203	-	-	-	-
Final 2009 dividend declared	-	-	-	-	-	-	-	(17,847)	(17,847)	-	(17,847)
At 30 June 2010	59,490	60,978*	120,946*	13,334*	49*	724*	200,496*	-	456,017	-	456,017
At 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 period	-	-	-	-	-	(543)	42,744	-	42,201	(28)	42,173
Release of revaluation reserve on land and buildings to retained profits	-	-	-	(16)	-	-	16	-	-	-	-
Final 2008 dividend declared	-	-	-	-	-	-	-	(14,872)	(14,872)	-	(14,872)
At 30 June 2009	59,490	60,978	120,946	866	49	1,205	167,958	-	411,492	-	411,492

* These reserve accounts comprise the consolidated reserves of HK\$396,527,000 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010	2009
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash flows from/(used in) operating activities	(29,520)	108,136
Net cash flows used in investing activities	(21,531)	(2,521)
Net cash flows from/(used in) financing activities	39,860	(82,171)
Net increase/(decrease) in cash and cash equivalents	(11,191)	23,444
Cash and cash equivalents at beginning of period	240,387	131,279
Effect of foreign exchange rate changes, net	261	(543)
Cash and cash equivalents at end of period	229,457	154,180
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	173,537	125,032
Non-pledged time deposits with original maturity of less than three months when acquired	55,920	30,891
Bank overdrafts	–	(1,743)
	229,457	154,180

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2009.

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2009 except that the Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by the HKICPA which are effective for the Group’s financial years beginning on or after 1 January 2010.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-Time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs 2009** which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Amendments are effective for annual periods beginning on or after 1 January 2010 although there is separate transitional provision for each standard.

* *Improvements to HKFRSs 2009 contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int16.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The adoption of the above new or revised standards, interpretations and amendments did not have significant effect on the unaudited condensed consolidated interim financial statements or result in any significant changes in the Group's significant accounting policies except as described below.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1 January 2010. The Group has not early adopted these new and revised HKFRSs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION

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

Six months ended 30 June 2010

	Plastic and chemical products (unaudited) HK\$'000	Building supplies, electrical and mechanical products (unaudited) HK\$'000	Building related contracting services (unaudited) HK\$'000	Foundation piling and ground investigation (unaudited) HK\$'000	Building construction (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue:						
Sales to external customers	251,539	32,323	148,681	331,589	88,585	852,717
Intersegment sales	11,804	609	2,737	–	–	15,150
Other revenue	974	546	1,002	327	110	2,959
	<u>264,317</u>	<u>33,478</u>	<u>152,420</u>	<u>331,916</u>	<u>88,695</u>	<u>870,826</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(15,150)</u>
Revenue						<u>855,676</u>
Segment results:						
Operating profit/(loss)	10,994	(1,370)	10,182	6,516	5,374	31,696
<i>Reconciliation:</i>						
Interest income and unallocated gains						976
Unallocated expenses						(6,977)
Fair value losses on equity investments at fair value through profit or loss, net						(6,160)
Gain on disposal of equity investments at fair value through profit or loss						79
Finance costs						(1,207)
Share of loss of an associate						<u>(14)</u>
Profit before tax						<u>18,393</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2009

	Plastic and chemical products (unaudited) <i>HK\$'000</i>	Building supplies, electrical and mechanical products (unaudited) <i>HK\$'000</i>	Building related contracting services (unaudited) <i>HK\$'000</i>	Foundation piling and ground investigation (unaudited) <i>HK\$'000</i>	Building construction (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	197,978	37,416	242,231	451,583	291,085	1,220,293
Intersegment sales	7,108	5,286	14,395	–	–	26,789
Other revenue	982	535	72	1	231	1,821
	206,068	43,237	256,698	451,584	291,316	1,248,903
<i>Reconciliation:</i>						
Elimination of intersegment sales						(26,789)
Revenue						1,222,114
Segment results:						
Operating profit	2,391	6	854	37,424	10,237	50,912
<i>Reconciliation:</i>						
Interest income and unallocated gains						934
Unallocated expenses						(8,323)
Fair value gains on equity investments at fair value through profit or loss, net						5,169
Gain on disposal of equity investments at fair value through profit or loss						125
Finance costs						(1,218)
Share of loss of a jointly-controlled entity	–	–	–	–	(11)	(11)
Share of loss of an associate						(141)
Profit before tax						47,447

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sale of goods	271,917	211,793
Construction contracts	580,800	1,008,500
	<u>852,717</u>	<u>1,220,293</u>
Other income		
Interest income	355	106
Commission income	945	693
Dividend income from a listed investment	–	29
Gross rental income	547	713
Management fee income from a related company	1,000	–
Others	1,088	1,214
	<u>3,935</u>	<u>2,755</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	1,157	1,708
Interest on bank loans wholly repayable after five years	126	–
Interest on a promissory note	1,207	1,192
Interest on obligations under finance leases	637	179
	<u>3,127</u>	<u>3,079</u>

No interest was capitalised by the Group in both periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	13,615	10,528
Employee benefits expense (including directors' remuneration)	55,211	49,334
Foreign exchange differences, net *	(1,023)	(601)
Gain on disposal of equity investments at fair value through profit or loss *	(79)	(125)
Loss on disposal of items of property, plant and equipment *	171	170
Impairment of trade receivables *	1	23
Write-back of impairment of trade receivables *	(100)	(500)

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

6. INCOME TAX

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong:		
Charge for the period	3,563	4,584
Overprovision in prior years	(1)	–
Current – Elsewhere:		
Charge for the period	1,266	493
Underprovision in prior years	150	–
Deferred	(2,118)	(346)
Total tax charge for the period	2,860	4,731

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$15,533,000 (2009: HK\$42,744,000) and the weighted average number of 594,899,245 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2010 and 2009 in respect of a dilution as the Group has no dilutive ordinary shares in issue during the period ended 30 June 2010 and the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented for the period ended 30 June 2009, respectively.

8. TRADE RECEIVABLES

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Trade receivables	256,244	247,070
Impairment	(14,658)	(17,313)
	241,586	229,757

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 allowances for impairment, is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Current to 30 days	211,468	191,729
31 to 60 days	10,034	23,124
61 to 90 days	3,742	5,617
Over 90 days	16,342	9,287
	241,586	229,757

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. AMOUNTS DUE FROM/TO RELATED COMPANIES

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

10. TRADE AND BILLS PAYABLES

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Trade payables	146,343	150,021
Bills payables	12,257	7,757
	158,600	157,778

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

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Current to 30 days	97,066	118,241
31 to 60 days	28,930	21,068
61 to 90 days	7,795	3,589
Over 90 days	12,552	7,123
	146,343	150,021

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

11. SHARE CAPITAL

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Authorised:		
2,500,000,000 ordinary shares of HK\$0.10 each	250,000	250,000
Issued and fully paid:		
594,899,245 ordinary shares of HK\$0.10 each	59,490	59,490

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Management fee to a major shareholder	(i)	1,500	1,000
Share of rental and office expenses with a related company	(ii)	511	297
Subcontracting fees to related companies	(iii)	645	21,035
Interest expenses on a promissory note paid to a major shareholder	(iv)	1,207	1,192
Interest income from a related company	(v)	–	13
Rental income from a related company	(vi)	7	14
Office management fee income from jointly-controlled entities	(vii)	103	206
Purchases from a related company	(viii)	–	171
Rental expenses paid to a related company	(ix)	–	54
Construction contract income from related companies	(x)	898	92
Management fee income from a related company	(xi)	1,000	–

Notes:

- (i) The management fee was charged by Chinney Investments, Limited (“Chinney Investments”) based on the time involvement of the personnel providing services. Dr. James Sai-Wing Wong, a director of the Company, is also a director of and has a beneficial interest in Chinney Investments. Mr. Herman Man-Hei Fung is a director of the Company and Chinney Investments.
- (ii) The rental and office expenses were charged by Hon Kwok Land Investment Company, Limited (“Hon Kwok”), a subsidiary of Chinney Investments, on an actual basis. Dr. James Sai-Wing Wong is a director of and has a beneficial interest in Hon Kwok. Mr. Herman Man-Hei Fung and Mr. Yuen-Keung Chan are common directors of the Company and Hon Kwok.
- (iii) The subcontracting fees were paid to Tinhawk Company Limited (“Tinhawk”) and Ever Billion Engineering Limited (“Ever Billion”) for the completion of work orders of certain building maintenance contracts for the Group. Mr. Sek-Kee Yu and Mr. Yuen-Keung Chan are common directors of the Company, Tinhawk and Ever Billion.
- (iv) The interest expenses were charged by Chinney Investments on the promissory note at 5% per annum.
- (v) The interest income received from Tinhawk based on the prevailing market rate.
- (vi) The rental income was paid by Ever Billion at rates agreed by both parties.
- (vii) Office management fee income was charged to Chinney Double Mechanic Engineering Company Limited and Chinney P & H Studio Co., Ltd. based on the time involvement of the personnel providing services.
- (viii) Purchases from Tinhawk for certain building maintenance contracts of the Group were conducted at mutually agreed rates and on basis determined by both parties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes: (continued)

- (ix) Rental expenses were charged by Shun Cheong Real Estates limited ("SCRE") at rates agreed by both parties. Mr. Sek-Kee Yu and Mr. Yuen-Keung Chan are common directors of the Company and SCRE.
- (x) Construction contract income represented the value of building maintenance works and building services installation works certified during the period from Honour Well Development Limited ("Honour Well"), The Bauhinia Hotel Management Limited ("The Bauhinia Hotel") and Hon Kwok. Honour Well and The Bauhinia Hotel are wholly-owned subsidiaries of Hon Kwok.
- (xi) Management fee income was charged to Tinhawk based on the time involvement of the personnel providing services.

(b) Outstanding balances with related parties:

Details of the Group's outstanding balances with related companies as at 30 June 2010 are disclosed in note 9 to the condensed consolidated interim financial statements.

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	13,709	11,157
Post-employment benefits	502	467
Total compensation paid to key management personnel	14,211	11,624

13. CONTINGENT LIABILITIES

As at 30 June 2010, the Group provided corporate guarantees and indemnities to certain banks of an aggregate amount of approximately HK\$60.7 million for the issue of performance bonds to the Group's clients on contracting works.

Save as disclosed above, the Group has no material contingent liabilities as at 30 June 2010.

14. CAPITAL COMMITMENTS

As at 30 June 2010, the Group has capital commitments in respect of the acquisition of land and buildings and plant and machinery contracted but not provided for of HK\$50.4 million and HK\$3.6 million, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. OPERATING LEASE ARRANGEMENTS

(a) *As lessor*

During the period, the Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of one year (31 December 2009: three years). The terms of the leases generally also require the tenants to pay security deposits.

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	<u>630</u>	<u>89</u>

(b) *As lessee*

The Group leases certain of its office properties under operation lease arrangements. Leases for properties are negotiated for terms ranging from one year to three years (31 December 2009: one year to three years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	3,496	3,721
In the second to fifth years, inclusive	<u>1,911</u>	<u>3,663</u>
	<u>5,407</u>	<u>7,384</u>

OTHER INFORMATION

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

Compliance with the Code on Corporate Governance Practices

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

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

The Company has not appointed a chief executive officer. Each division of the Group's business namely Jacobson, 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.

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

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

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

Dr. James Sai-Wing Wong, the beneficial owner of Chinney Investments, Enhancement Investments Limited ("EIL") and Chinney Capital Limited, which collectively holds approximately 72.85% interest in the Company, is the Chairman of the Board to safeguard their investments in the Company. As a result, the Board concurred that the Chairman of the Board need not be subject to retirement by rotation. The Company currently has no Managing Director.

OTHER INFORMATION

CORPORATE GOVERNANCE *(continued)*

3. Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The 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”.

The Chairman of the Board receives no remuneration and determines the remuneration of all other executive directors, taking reference to market pay, individual performance and a bonus scheme, which has been in place prior to the establishment of the Remuneration Committee. A Remuneration Committee meeting was held once during the year, during which the remuneration packages of all executive directors for the year have been reviewed individually.

The above deviations from the code provisions were discussed in the corporate governance report included in the Company’s 2009 annual report.

Audit Committee

Regular meetings have been held by the audit committee of the Company (the “Audit Committee”) since establishment and it meets at least twice each year to review and supervise the Group’s financial reporting process and internal control. The Company’s interim results for the six months ended 30 June 2010 has not been audited, but has been reviewed by the Audit Committee.

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

As at 30 June 2010, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to the Model Code in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

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

Note: Among these shares, 17,062,000 shares are held by Chinney Capital Limited, 173,093,695 shares are held by Multi-Investment Group Limited and 243,244,521 shares are held by EIL, all of which Dr. James Sai-Wing Wong is a director and has beneficial interests.

Save as disclosed above, as at 30 June 2010, none of the directors had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six-month period ended 30 June 2010 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company; or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 30 June 2010, 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	<i>Notes</i>	Capacity and nature of interest	Number of ordinary shares held	Percentage of the issued share capital
James Sai-Wing Wong	1, 2 & 3	Interest through controlled corporations	433,400,216	72.85%
Madeline May-Lung Wong	1	Interest through a controlled corporation	173,093,695	29.10%
Lucky Year Finance Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Chinney Holdings Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Chinney Investments	1	Interest through a controlled corporation	173,093,695	29.10%
Newsworthy Resources Limited	1	Interest through a controlled corporation	173,093,695	29.10%
Multi-Investment Group Limited	1	Beneficial owner	173,093,695	29.10%
EIL	2	Beneficial owner	243,244,521	40.89%

Notes:

1. Dr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of 173,093,695 shares by virtue of section 316 of the SFO;
2. EIL is beneficially owned by Dr. James Sai-Wing Wong solely; and
3. 17,062,000 shares are held by Chinney Capital Limited which is beneficially wholly owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at 30 June 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2010, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares.