



建聯集團有限公司^{*}
Chinney Alliance Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 385

INTERIM REPORT 2011

^{*} For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

James Sai-Wing WONG (*Chairman*)
 Yuen-Keung CHAN (*Vice Chairman*)
 Sek-Kee YU (*Managing Director*)
 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
 Anthony Siu-Wing LAU
 Yuen-Tin NG

AUDIT COMMITTEE

David Chung-Shing WU
 Anthony Siu-Wing LAU
 Yuen-Tin NG
 Herman Man-Hei FUNG

REMUNERATION COMMITTEE

Anthony Siu-Wing LAU
 David Chung-Shing WU
 Yuen-Tin NG
 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 Securities Services (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

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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 a turnover of HK\$963 million for the six months ended 30 June 2011 (2010: HK\$853 million). The profit for the period under review was HK\$10.8 million (2010: HK\$15.5 million), which included fair value losses on equity investments of HK\$0.5 million (2010: HK\$6.2 million). The profit contributed from the Group's business operations, which was arrived by excluding the effect of fair value losses on equity investments from the profit for the period, was HK\$11.3 million (2010: HK\$21.7 million).

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

BUSINESS REVIEW

Trading of plastics and chemicals products

The plastic trading division, which consists of Jacobson van den Berg (Hong Kong) Limited and other companies, contributed a turnover of HK\$230 million (2010: HK\$267 million) with operating profit of HK\$6.2 million (2010: HK\$11.0 million). The economies of the US and Europe have been sluggish which affected the consumer spending and thus the demand of consumer goods. As the division's customers are mainly manufacturers for the export market, the sales for the period were reduced. However, the management keeps on identifying new business opportunities, maintaining a healthy financial position, and continuing to expand the Mainland China market to prepare ourselves for the recovery of the economy.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries ("Shun Cheong") contributed turnover of HK\$194 million (2010: HK\$161 million) and an operating profit of HK\$3.4 million (2010: HK\$10.5 million). The commencement of some large projects was delayed which deferred the recognition of profit. As at 30 June 2011, the division had outstanding contracts on hand of HK\$833 million.

Foundation piling and ground investigation

Kin Wing Chinney (BVI) Limited recorded a turnover for the period of HK\$312 million (2010: HK\$332 million) and operating profit was HK\$8.6 million (2010: HK\$6.5 million). During the period, the division completed the Tsuen Wan West Rail station project, and commenced foundation piling works of a Housing Authority project in Shatin and a private residential development project in Hunghom. The outstanding contracts on hand were HK\$631 million as at 30 June 2011 and additional HK\$136 million worth projects were awarded from private sector after the end of the reporting period.

Building construction

The division recorded a turnover of HK\$221 million (2010: HK\$89 million) with an operating profit of HK\$5.9 million (2010: HK\$5.4 million) which was mainly contributed from its principal subsidiary, Chinney Construction Company, Limited. The division currently runs several projects which include a hotel development project in Tsimshatsui, a private residential project in Shamshuipo, a government school project in Aberdeen and a project for the Hong Kong University. As at 30 June 2011, the division had outstanding contracts on hand of HK\$500 million. Additional HK\$255 million worth projects were awarded after the end of the reporting period.

REVIEW OF OPERATIONS

BUSINESS REVIEW *(continued)*

Other businesses

Other businesses include holding of properties for the Group's own use and the distribution of aviation system and energy saving products carried out by Chinney Alliance Engineering Limited ("CAE"). CAE recorded a turnover of HK\$7 million (2010: HK\$5 million) and an operating loss of HK\$1.8 million (2010: HK\$1.8 million). With the awards of two major projects from Hong Kong International Airport, CAE is expected to show substantive improvement in its profit for the full year of 2011.

The Group's share of the profits and losses of an associate arose from the results of Jiangxi Kaitong New Materials Company Limited, a company operated in China.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK\$232.0 million as at 30 June 2011 (31 December 2010: HK\$227.0 million), of which HK\$207.1 million or 89% (31 December 2010: HK\$198.3 million or 87%) were classified as current liabilities. Bank and other borrowings with repayment on demand clause amounted to HK\$43.0 million (31 December 2010: HK\$59.1 million) which will be repaid after one year according to the lenders' repayment schedule were classified as current liabilities. The current portion of the interest-bearing debts would become HK\$164.1 million or 71% (31 December 2010: HK\$139.2 million or 61%) based on lenders' repayment schedules. The balance of interest-bearing debts was slightly increased due to the increase in trust receipt loans from HK\$85.5 million as at 31 December 2010 to HK\$97.8 million as at 30 June 2011. The increase was mainly due to purchases of equipment for the projects of Shun Cheong. Total unpledged cash and bank balances as at 30 June 2011 was HK\$139.1 million (31 December 2010: HK\$218.6 million). The decrease in unpledged cash and bank balances was mainly due to deferral of the commencement of new projects. Current ratio of the Group as at 30 June 2011, measured by total current assets over total current liabilities, was 1.2 (31 December 2010: 1.2).

The Group had a total of HK\$386 million undrawn banking facilities at the end of the reporting period available for its working capital purpose and issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK\$232.0 million over the equity attributable to owners of the Company of HK\$481.3 million, was 48.2% as at 30 June 2011 (31 December 2010: 46.5%).

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\$138.7 million and HK\$55.5 million respectively as at 30 June 2011 were pledged to banks to secure certain bank loans, obligations under finance leases and general banking facilities extended to the Group. In addition, time deposits of HK\$17.5 million were pledged to banks to secure the performance bonds issued in favour of the Group's clients for ongoing contracting works.

Contingent liability

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

REVIEW OF OPERATIONS

FINANCIAL REVIEW *(continued)*

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 940 staff in Hong Kong and other parts of the People's Republic of China as at 30 June 2011. 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, provident fund and educational subsidies to eligible staff.

OUTLOOK

The Hong Kong economy has recorded growth for the past six consecutive quarters with slower pace in the second quarter of 2011 than the first quarter, which was mainly due to the sluggish economic environment of the US and Europe and the disruption in global supply chains caused by the earthquake and nuclear incident in Japan. The Consumer Price Index rose to 7.9% in July 2011 on a year-on-year basis, mainly due to the waiving of public housing rentals by the Government in last year. It still went up to 5.8% if the effect of such one-off relief was netted off, mainly driven by higher food prices and private residential rentals. In early August, the global stock market dropped significantly as the economic outlook is uncertain: the intensification of the European sovereignty debt problem with downgrading of the credit rating of Portugal and Ireland to junk status and trimmed outlook on Italy, the downgrading of the credit rating of the US for her poor economy with no solid solution to cut the deficit, and the recovery of the Japan's economy from the earthquake. The US Federal Reserve decided to maintain the federal funds rate below 0.25% at least through mid-2013 to promote the US economy and suppress inflation. With the low interest rate environment, the worry of further quantitative easing measures and imported prices rising, the inflation in Hong Kong will inevitably keep going up. Nevertheless, the central government continues to support Hong Kong as a financial hub with the introduction of exchange-trade fund based on Hong Kong equities to investors in the Mainland China and a RMB20 billion quota for qualified companies to invest in domestic Chinese securities to relax restrictions on investment flows and promote the role of Renminbi.

As there is no solid plan to cut the deficit in the US and to overcome the sovereignty debts problem in Europe, the recovery of world's economy is still slow and demand for consumer goods remains soft. These will affect the export of goods from Hong Kong and thus the performance of the Group's plastic trading business. On the other hand, the Hong Kong Government intends to substantively increase both the building of public housing and land supply for development. The increase in flat supply and the launch of large-scale infrastructure projects will provide more job opportunity for the Group's construction business as reflected in the increase in the Group's value of contracts on hand. The Group is cautiously monitoring the awarded projects in light of continued inflationary environment.

APPRECIATION

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

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 26 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	3	963,479	852,717
Cost of sales/services provided		<u>(844,579)</u>	<u>(724,418)</u>
Gross profit		118,900	128,299
Other income	3	2,787	3,935
Selling and distribution costs		(4,030)	(3,874)
Administrative expenses		(106,369)	(101,697)
Other operating income, net		5,427	1,031
Fair value losses on equity investments at fair value through profit or loss, net		(513)	(6,160)
Finance costs	4	(2,361)	(3,127)
Share of profits and losses of:			
A jointly-controlled entity		–	–
An associate		<u>(32)</u>	<u>(14)</u>
PROFIT BEFORE TAX	5	13,809	18,393
Income tax expense	6	<u>(3,035)</u>	<u>(2,860)</u>
PROFIT FOR THE PERIOD		<u>10,774</u>	<u>15,533</u>
Attributable to:			
Owners of the Company		10,774	15,533
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>10,774</u>	<u>15,533</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		<u>1.81 cents</u>	<u>2.61 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>10,774</u>	<u>15,533</u>
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<u>(40)</u>	<u>261</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>10,734</u>	<u>15,794</u>
Attributable to:		
Owners of the Company	<u>10,734</u>	<u>15,794</u>
Non-controlling interests	<u>–</u>	<u>–</u>
	<u>10,734</u>	<u>15,794</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		351,630	358,515
Investment properties		29,560	29,560
Investment in an associate		1,513	1,381
Investment in a jointly-controlled entity		–	–
Goodwill		5,767	5,767
Deferred tax assets		372	372
Other assets		282	282
Total non-current assets		<u>389,124</u>	<u>395,877</u>
CURRENT ASSETS			
Inventories		74,266	73,890
Gross amount due from contract customers		134,920	125,047
Trade receivables	8	239,264	330,507
Retention monies receivable		108,596	110,145
Amount due from a jointly-controlled entity		967	967
Prepayments, deposits and other receivables		49,602	38,158
Equity investments at fair value through profit or loss		11,293	11,806
Tax recoverable		6,409	6,634
Pledged time deposits		17,541	12,414
Cash and cash equivalents		139,103	218,603
Total current assets		<u>781,961</u>	<u>928,171</u>
CURRENT LIABILITIES			
Gross amount due to contract customers		163,632	167,656
Trade and bills payables	9	147,380	291,245
Trust receipt loans		97,835	85,539
Retention monies payable		58,777	60,451
Amounts due to related companies	10	3,696	3,709
Other payables and accruals		48,602	51,926
Tax payable		4,621	3,351
Obligations under finance leases		15,089	18,028
Interest-bearing bank borrowings		94,156	94,778
Total current liabilities		<u>633,788</u>	<u>776,683</u>
NET CURRENT ASSETS		<u>148,173</u>	<u>151,488</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>537,297</u>	<u>547,365</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2011	2010
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases		18,448	21,875
Interest-bearing bank borrowings		6,425	6,816
Deferred tax liabilities		31,144	30,281
		<hr/>	<hr/>
Total non-current liabilities		56,017	58,972
		<hr/>	<hr/>
Net assets		481,280	488,393
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	59,490	59,490
Reserves		421,790	411,056
Proposed final dividend		–	17,847
		<hr/>	<hr/>
		481,280	488,393
		<hr/>	<hr/>
Non-controlling interests		–	–
		<hr/>	<hr/>
Total equity		481,280	488,393
		<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 dividend	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 2011	59,490	60,978	120,946	37,970	49	131	190,982	17,847	488,393	-	488,393
Total comprehensive income for the period	-	-	-	-	-	(40)	10,774	-	10,734	-	10,734
Release of revaluation reserve on land and buildings to retained profits	-	-	-	(608)	-	-	608	-	-	-	-
Final 2010 dividend declared	-	-	-	-	-	-	-	(17,847)	(17,847)	-	(17,847)
At 30 June 2011	59,490	60,978*	120,946*	37,362*	49*	91*	202,364*	-	481,280	-	481,280
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

* These reserve accounts comprise the consolidated reserves of HK\$421,790,000 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash flows used in operating activities	(69,690)	(29,520)
Net cash flows used in investing activities	(9,380)	(21,531)
Net cash flows from/(used in) financing activities	(13,922)	39,860
Net decrease in cash and cash equivalents	(92,992)	(11,191)
Cash and cash equivalents at beginning of period	218,603	240,387
Effect of foreign exchange rate changes, net	(220)	261
Cash and cash equivalents at end of period	125,391	229,457
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	111,506	173,537
Non-pledged time deposits with original maturity of less than three months when acquired	27,597	55,920
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	139,103	229,457
Bank overdrafts	(13,712)	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	125,391	229,457

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 2011 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 of 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 2010.

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 2010 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 2011.

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s unaudited condensed consolidated interim financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

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.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group has adopted the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have a significant financial impact on the Group.

The principal effects of adopting these amendments to HKFRSs are as follows:

- (a) *HKFRS 3 Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- (b) *HKAS 1 Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.
- (c) *HKAS 27 Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1 January 2011. 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, provision of building related contracting services, provision of foundation piling works and sub-structure works, building construction works for both public and private sectors and others, which include distribution of aviation system and energy saving products and property holding. 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.

During the period, the Group's operating segments changed as a result of the change in Group's internal organisation structure. The corresponding information for the period ended 30 June 2010 has been re-presented accordingly.

Six months ended 30 June 2011

	Plastic and chemical products (unaudited) HK\$'000	Building related contracting services (unaudited) HK\$'000	Foundation piling and ground investigation (unaudited) HK\$'000	Building construction (unaudited) HK\$'000	Others (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue:						
Sales to external customers	229,731	193,936	311,905	221,114	6,793	963,479
Intersegment sales	–	4,479	–	–	373	4,852
Other revenue	1,102	13	–	9	569	1,693
	230,833	198,428	311,905	221,123	7,735	970,024
<i>Reconciliation:</i>						
Elimination of intersegment sales						(4,852)
Revenue						965,172
Segment results	6,165	3,388	8,618	5,914	(2,948)	21,137
<i>Reconciliation:</i>						
Interest income and unallocated gains						1,094
Unallocated expenses						(7,877)
Fair value losses on equity investments at fair value through profit or loss, net						(513)
Share of profits and losses of an associate						(32)
Profit before tax						13,809

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2010

	Plastic and chemical 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>	Others (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	266,839	160,627	331,589	88,585	5,077	852,717
Intersegment sales	–	2,737	–	–	609	3,346
Other revenue	980	1,002	327	110	540	2,959
	267,819	164,366	331,916	88,695	6,226	859,022
<i>Reconciliation:</i>						
Elimination of intersegment sales						(3,346)
Revenue						855,676
Segment results	11,026	10,549	6,516	5,374	(1,769)	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 profits and losses of an associate						(14)
Profit before tax						18,393

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sale of goods	236,232	271,917
Construction contracts	<u>727,247</u>	<u>580,800</u>
	<u>963,479</u>	<u>852,717</u>
Other Income		
Interest income	82	355
Commission income	1,030	945
Gross rental income	570	547
Management fee income from a related company	–	1,000
Others	<u>1,105</u>	<u>1,088</u>
	<u>2,787</u>	<u>3,935</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	1,524	1,157
Interest on bank loans wholly repayable after five years	114	126
Interest on a promissory note	–	1,207
Interest on obligations under finance leases	<u>723</u>	<u>637</u>
	<u>2,361</u>	<u>3,127</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	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	14,368	13,615
Employee benefit expense (including directors' remuneration)	66,775	55,211
Impairment of trade receivables *	2,118	1
Write-back of impairment of trade receivables *	(7,700)	(100)
Loss on disposal of items of property, plant and equipment *	767	171
Gain on disposal of equity investments at fair value through profit or loss *	–	(79)
Foreign exchange differences, net *	(612)	(1,023)

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

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong		
Charge for the period	1,171	3,563
Overprovision in prior years	–	(1)
Current – Elsewhere		
Charge for the period	1,001	1,266
Underprovision in prior years	–	150
Deferred	863	(2,118)
Total tax charge for the period	3,035	2,860

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 jurisdictions in which the Group operates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$10,774,000 (2010: HK\$15,533,000) 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 periods ended 30 June 2011 and 2010 in respect of a dilution as the Group has no dilutive ordinary shares in issue during both periods.

8. TRADE RECEIVABLES

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Trade receivables	244,373	344,658
Impairment	(5,109)	(14,151)
	239,264	330,507

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:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Current to 30 days	193,497	297,195
31 to 60 days	19,073	15,983
61 to 90 days	2,520	2,921
Over 90 days	24,174	14,408
	239,264	330,507

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. TRADE AND BILLS PAYABLES

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Trade payables	128,036	278,885
Bills payable	19,344	12,360
	147,380	291,245

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 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Current to 30 days	106,639	237,287
31 to 60 days	7,024	20,237
61 to 90 days	7,077	7,285
Over 90 days	7,296	14,076
	128,036	278,885

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

10. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand.

11. SHARE CAPITAL

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Authorised:		
2,500,000,000 (31 December 2010: 2,500,000,000) ordinary shares of HK\$0.10 each	250,000	250,000
Issued and fully paid:		
594,899,245 (31 December 2010: 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	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Management fee to a major shareholder	(i)	1,500	1,500
Share of rental and office expenses with a related company	(ii)	529	511
Subcontracting fees to related companies	(iii)	370	645
Interest expenses on a promissory note to a major shareholder	(iv)	–	1,207
Rental income from a related company	(v)	3	7
Office management fee income from jointly-controlled entities	(vi)	–	103
Rental expenses to a related company	(vii)	108	–
Construction contract income from related companies	(viii)	925	898
Management fee income from a related company	(ix)	–	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 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 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 beneficial interests 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. Yuen-Keung Chan and Mr. Sek-Kee Yu, directors of the Company, were also directors of Tinhawk and Ever Billion up to 31 May 2011.
- (iv) In the prior period, the interest expenses were charged by Chinney Investments on the promissory note at 5% per annum.
- (v) The rental income was paid by Ever Billion at rates agreed by both parties.
- (vi) 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.
- (vii) The rental expenses were charged by Shun Cheong Real Estates Limited (“SCRE”) at rates agreed by both parties. Mr. Yuen-Keung Chan and Mr. Sek-Kee Yu, directors of the Company, were also directors of SCRE up to 31 May 2011.
- (viii) Construction contract income represented the value of building maintenance works and building services installation works certified during the period from Hon Kwok and certain of its subsidiaries.
- (ix) In the prior period, management fee income was charged to Tinhawk based on the time involvement of the personnel providing services.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. RELATED PARTY TRANSACTIONS *(continued)*

- (b) Outstanding balances with related parties:

Details of the Group's outstanding balances with related companies as at 30 June 2011 are disclosed in note 10 to the condensed consolidated interim financial statements.

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	15,552	13,709
Post-employment benefits	644	502
Total compensation paid to key management personnel	16,196	14,211

13. CONTINGENT LIABILITY

As at 30 June 2011, the Group provided corporate guarantees and indemnities to certain banks of an aggregate amount of approximately HK\$85 million for the issue of performance bonds to the Group's clients for ongoing contracting works.

Save as disclosed above, the Group has no material contingent liability as at 30 June 2011.

14. CAPITAL COMMITMENTS

As at 30 June 2011, the Group has capital commitments in respect of the acquisition of plant and machinery contracted but not provided for of HK\$3.1 million.

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 2010: one year). The terms of the leases generally also require the tenants to pay security deposits.

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	<u>662</u>	<u>93</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 four years (31 December 2010: one to four 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 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	2,365	3,525
In the second to fifth years, inclusive	<u>853</u>	<u>895</u>
	<u>3,218</u>	<u>4,420</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 2011.

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.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. In addition, the Board considers that the continuity of the office of the Chairman and Managing Director provide the Group with a strong and consistent leadership for the smooth operation of the businesses of the Group. As a result, the Board concurred that the Chairman and the Managing Director need not be subject to retirement by rotation.

2. 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 2010 annual report.

OTHER INFORMATION

CORPORATE GOVERNANCE *(continued)*

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 2011 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 2011, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Total	
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: 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 2011, none of the directors had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2011 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.

OTHER INFORMATION

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

As at 30 June 2011, 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.
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 2011, 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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 June 2011.