



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

(Incorporated in Bermuda with limited liability)

Stock Code : 385

Interim Report 2012

^{*} 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 and
 Managing Director*)
 James Sing-Wai WONG
 Philip Bing-Lun LAM
 Wai-Hong LING

Non-Executive Directors

Herman Man-Hei FUNG
 Frank Kwok-Kit CHU

Independent Non-Executive Directors

Anthony Siu-Wing LAU
 Yuen-Tin NG
 Chi-Chiu WU
 Alexander Yan-Zau FANG

AUDIT COMMITTEE

Yuen-Tin NG (*Chairman*)
 Anthony Siu-Wing LAU
 Herman Man-Hei FUNG

REMUNERATION COMMITTEE

Anthony Siu-Wing LAU (*Chairman*)
 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
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 Hong Kong

REGISTERED OFFICE

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 Hamilton HM 11
 Bermuda

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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\$1,301 million for the six months ended 30 June 2012 (2011: HK\$963 million). The profit for the period was HK\$8.0 million (2011: HK\$10.8 million), which included fair value gain on equity investments of HK\$2.6 million (2011: loss of HK\$0.5 million). The profit contributed from the Group’s business operation, which was arrived by excluding the effect of fair value changes of the equity investments, was HK\$5.4 million (2011: HK\$11.3 million).

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemicals products

The plastic trading division contributed a turnover of HK\$216 million (2011: HK\$230 million) with operating profit of HK\$3.7 million (2011: HK\$6.2 million), principally from Jacobson van den Berg (Hong Kong) Limited. Although there is sign of recovery in the US, the sluggish demand in the Eurozone affects the sentiment of consumers and thus the demand for consumer goods. Since the division’s ultimate customers are the manufacturers in the Mainland, the sales and profitability for the period decreased followed the decrease in demand for raw materials. With close monitoring of the inventory level and customers’ performance, the division maintained sound liquidity with minimal bad debts. The division continues to expand the business presence in the Mainland China to enlarge market share and business opportunity.

Building related contracting services

Shun Cheong Investments Limited and its subsidiaries (“Shun Cheong”) contributed turnover of HK\$337 million (2011: HK\$194 million) and an operating profit of HK\$1.4 million (2011: HK\$3.4 million). The decrease in profit was partly due to some projects not yet reached the stage to recognise profit in accordance with the Group’s accounting policy, and partly due to the amounts received from certain completed projects were less than previous estimate. The division’s projects included electrical and mechanical works for residential and industrial development projects and maintenance contracts for both the public and private sectors. As at 30 June 2012, the division had outstanding contracts on hand of HK\$1,016 million. Subsequent to the end of the reporting period, the division was awarded new contracts amounting to HK\$61 million.

Building construction

The division recorded a turnover of HK\$300 million (2011: HK\$221 million) with an operating profit of HK\$4.8 million (2011: HK\$5.9 million) which was mainly contributed from its principal subsidiary Chinney Construction Company, Limited. The turnover and profit for the period were mainly contributed from a project at racecourse, a revitalisation of historic building project, a private residential project and a hotel project. Although turnover increased, the profit margin was affected by the increase in labour wages. As at 30 June 2012, the division had outstanding contracts on hand of HK\$383 million. There were additional HK\$147 million worth of contracts awarded after 30 June 2012 by the division.

REVIEW OF OPERATIONS

BUSINESS REVIEW AND PROSPECTS *(continued)*

Foundation piling and ground investigation

The principal subsidiaries of the division include Kin Wing Engineering Company Limited, Kin Wing Foundations Limited and DrillTech Ground Engineering Limited (collectively, "Kin Wing Group"). Turnover for the period was HK\$435 million (2011: HK\$312 million) and operating profit was HK\$8.9 million (2011: HK\$8.6 million). The turnover and profit were mainly contributed from several foundation piling projects for private residential development and a public housing project. As the newly awarded projects commenced during the period under review were not yet progressed to the stage to recognise profit, their contribution to the profitability of the division will be expected in the second half of the year. The outstanding contracts on hand were HK\$1,327 million as at 30 June 2012 with additional HK\$65 million worth of projects awarded after period end.

Other businesses

Other businesses include the holding of properties for the Group's own use and Chinney Alliance Engineering Limited which engages in the distribution of aviation system and energy saving products. These businesses contributed a turnover of HK\$12.9 million (2011: HK\$6.8 million) and an operating loss of HK\$2.9 million (2011: HK\$2.9 million). With the income from the Hong Kong International Airport projects in the second half of the year, it is expected that the performance of the segment will be improved for the year as a whole.

The Group's share of the profits and losses of associates recorded a profit of HK\$0.6 million. The two associates of the Group are Jiangxi Kaitong New Materials Company Limited which is engaged in the manufacturing of stainless steel and plastic compound pipes in the Mainland China, and Fineshade Investments Limited ("Fineshade") which has an investment in a real estate property consisting of three buildings known as Binjiang Intelligence Port located in Hangzhou, the People's Republic of China for rental income.

FINANCIAL REVIEW

Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK\$256.5 million as at 30 June 2012 (31 December 2011: HK\$231.8 million), of which HK\$239.5 million or 93% (31 December 2011: HK\$210.8 million or 91%) were classified as current liabilities, which included bank and other borrowings with repayment on demand clause amounted to HK\$41.4 million (31 December 2011: HK\$42.2 million) which will be repaid after one year according to the lenders' repayment schedules. The current portion of interest-bearing debts would be HK\$198.1 million or 77% (31 December 2011: HK\$168.6 million or 73%) based on lenders' repayment schedules. Also included in the current portion of bank and other borrowings were trust receipt loans of HK\$149.2 million (31 December 2011: HK\$103.6 million). The increase in trust receipt loans was mainly due to increase in utilisation of trade finance facilities by Shun Cheong for the purchase of building services materials and equipment for project use. Current ratio of the Group as at 30 June 2012, measured by total current assets over total current liabilities, was 1.1 (31 December 2011: 1.1). Total unpledged cash and bank balances as at 30 June 2012 was HK\$142.4 million (31 December 2011: HK\$112.0 million). During the period under review, the Group generated cash of HK\$51.8 million from operating activities (after deduction for payment of 2011 final dividend of HK\$17.8 million), used HK\$45.6 million in investing activities which were mainly for the purchases of plant and machinery for the Kin Wing Group, and generated HK\$22.8 million from financing activities.

The Group had a total of HK\$352.9 million undrawn banking facilities at period-end available for its working capital, trade finance and issue of performance/surety bonds. The gearing ratio of the Group, measured by total interest-bearing borrowings of HK\$256.5 million over the equity attributable to the holders of the Company of HK\$521.1 million, was 49.2% as at 30 June 2012 (31 December 2011: 43.7%).

REVIEW OF OPERATIONS

FINANCIAL REVIEW *(continued)*

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\$165.0 million and HK\$41.0 million respectively as at 30 June 2012 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\$17.1 million were pledged to banks to secure the performance/surety bonds issued in favour of the Group's clients on contracting works.

Contingent liability

Details of the contingent liabilities of the Group are set out in note 12 to the condensed consolidated interim financial statements.

Employees and remuneration policies

The Group employed approximately 1,160 staff in Hong Kong and other parts of the People's Republic of China as at 30 June 2012. 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 unsettling Euro debts crisis remains the major obstacle of the recovery of the world's economy. The Greek government has to strive to meet the stringent bailout requirements and the risk of Greece's exit from the Eurozone is heightened. While the EU leaders made some progress towards tackling the debt crisis at the EU Summit in June, it failed to reassure the markets due to its conditionality and lack of details. The economy of the US shows some improvements. There are better than expected rise in retail sales and increase in factory output in July with inflation contained. It appeared that the US consumers are gaining some confidence. In Hong Kong, despite the difficult external environment, the domestic sector continued to display resilience, with contribution from private consumption expenditure and investment spending in private building activity and public sector infrastructure. The local unemployment rate came down to 3.2% in the second quarter of the year which was in a state of full employment. While wages remain elevated, price pressures from import sources ease amid softer global food and commodity prices and slower inflation in the region. But the price of residential flats rose to around 11% in the first half of the year. Nevertheless, the Hong Kong Government has introduced a series of measures to ease the housing issue since 2010 and new residential developments in both public and private sectors will continue. In Macau, new projects for residential development and hotel/recreation facilities are under way for tender. These will provide more business opportunity for the Group's construction business. Although the export market remains weak and the Group's plastic trading division will face a difficult year, the contribution from the construction business on projects awarded will be more substantial in the second half of the year. The Board is cautiously optimistic on the performance of the Group for the year.

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, 23 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2012	2011
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	3	1,300,754	963,479
Cost of sales/services provided		<u>(1,171,097)</u>	<u>(844,579)</u>
Gross profit		129,657	118,900
Other income	3	5,195	2,787
Selling and distribution costs		(4,095)	(4,030)
Administrative expenses		(117,456)	(106,369)
Other operating income, net		127	5,427
Fair value gains/(losses) on equity investments at fair value through profit or loss, net		2,638	(513)
Finance costs	4	(2,497)	(2,361)
Share of profits and losses of associates		<u>583</u>	<u>(32)</u>
PROFIT BEFORE TAX	5	14,152	13,809
Income tax expense	6	<u>(6,074)</u>	<u>(3,035)</u>
PROFIT FOR THE PERIOD		<u>8,078</u>	<u>10,774</u>
Attributable to:			
Owners of the Company		8,078	10,774
Non-controlling interests		<u>-</u>	<u>-</u>
		<u>8,078</u>	<u>10,774</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		<u>1.36 cents</u>	<u>1.81 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>8,078</u>	<u>10,774</u>
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<u>10</u>	<u>(40)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>8,088</u>	<u>10,734</u>
Attributable to:		
Owners of the Company	<u>8,088</u>	10,734
Non-controlling interests	<u>–</u>	<u>–</u>
	<u>8,088</u>	<u>10,734</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		432,608	407,376
Investment properties		31,960	31,960
Investments in associates		43,854	42,189
Investment in a jointly-controlled entity		–	–
Goodwill		5,767	5,767
Deferred tax assets		317	317
Other assets		2,345	2,345
Total non-current assets		<u>516,851</u>	<u>489,954</u>
CURRENT ASSETS			
Inventories		71,190	76,826
Gross amount due from contract customers		166,190	159,683
Trade receivables	8	348,938	360,463
Retention monies receivable		145,791	128,219
Amount due from a jointly-controlled entity		967	967
Prepayments, deposits and other receivables		46,473	42,992
Equity investments at fair value through profit or loss		14,324	9,411
Tax recoverable		1,041	2,908
Pledged time deposits		17,133	16,663
Cash and cash equivalents		142,403	111,962
Total current assets		<u>954,450</u>	<u>910,094</u>
CURRENT LIABILITIES			
Gross amount due to contract customers		234,080	209,686
Trade and bills payables	9	295,864	272,903
Trust receipt loans		149,224	103,606
Retention monies payable		61,488	58,345
Other payables and accruals		56,739	56,848
Tax payable		6,706	2,886
Obligations under finance leases		14,714	15,997
Interest-bearing bank borrowings		75,532	91,204
Total current liabilities		<u>894,347</u>	<u>811,475</u>
NET CURRENT ASSETS		<u>60,103</u>	<u>98,619</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>576,954</u>	<u>588,573</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2012 (Unaudited) <i>HK\$'000</i>	31 December 2011 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES	576,954	588,573
NON-CURRENT LIABILITIES		
Obligations under finance leases	11,398	14,958
Interest-bearing bank borrowings	5,672	6,051
Deferred tax liabilities	38,767	36,688
Total non-current liabilities	55,837	57,697
Net assets	521,117	530,876
EQUITY		
Equity attributable to owners of the Company		
Issued capital	59,490	59,490
Reserves	461,627	453,539
Proposed final dividend	–	17,847
	521,117	530,876
Non-controlling interests	–	–
Total equity	521,117	530,876

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 2012	59,490	60,978	120,946	73,885	49	360	197,321	17,847	530,876	-	530,876
Profit for the period	-	-	-	-	-	-	8,078	-	8,078	-	8,078
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	-	-	10	-	-	10	-	10
Total comprehensive income for the period	-	-	-	-	-	10	8,078	-	8,088	-	8,088
Release of revaluation reserve on land and buildings to retained profits	-	-	-	(1,225)	-	-	1,225	-	-	-	-
Final 2011 dividend declared	-	-	-	-	-	-	-	(17,847)	(17,847)	-	(17,847)
At 30 June 2012	59,490	60,978*	120,946*	72,660*	49*	370*	206,624*	-	521,117	-	521,117
At 1 January 2011	59,490	60,978	120,946	37,970	49	131	190,982	17,847	488,393	-	488,393
Profit for the period	-	-	-	-	-	-	10,774	-	10,774	-	10,774
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(40)	-	-	(40)	-	(40)
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

* These reserve accounts comprise the consolidated reserves of HK\$461,627,000 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	51,757	(69,690)
Net cash flows used in investing activities	(45,580)	(9,380)
Net cash flows from/(used in) financing activities	22,836	(13,922)
Net increase/(decrease) in cash and cash equivalents	29,013	(92,992)
Cash and cash equivalents at beginning of period	107,807	218,603
Effect of foreign exchange rate changes, net	10	(220)
Cash and cash equivalents at end of period	136,830	125,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	114,650	111,506
Non-pledged time deposits with original maturity of less than three months when acquired	27,753	27,597
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	142,403	139,103
Bank overdrafts	(5,573)	(13,712)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	136,830	125,391

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 2012 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 2011.

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 2011 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 2012.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the above new and revised HKFRSs has had no significant effect on the accounting policies of the Group and on these unaudited condensed consolidated interim financial statements.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The adoption of HKAS 12 Amendments has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1 January 2012. 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.

Six months ended 30 June 2012

	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	215,690	337,445	434,575	300,103	12,941	1,300,754
Intersegment sales	–	12,986	–	–	1,037	14,023
Other revenue	688	255	16	–	590	1,549
	<u>216,378</u>	<u>350,686</u>	<u>434,591</u>	<u>300,103</u>	<u>14,568</u>	<u>1,316,326</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(14,023)</u>
Revenue						<u>1,302,303</u>
Segment results	3,733	1,398	8,877	4,849	(2,943)	15,914
<i>Reconciliation:</i>						
Interest income and unallocated gains						3,646
Unallocated expenses						(8,629)
Fair value gains on equity investments at fair value through profit or loss, net						2,638
Share of profits and losses of associates						<u>583</u>
Profit before tax						<u>14,152</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2011

	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	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

3. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sale of goods	228,632	236,232
Construction contracts	<u>1,072,122</u>	<u>727,247</u>
	<u>1,300,754</u>	<u>963,479</u>
Other Income		
Interest income	1,428	82
Commission income	613	1,030
Gross rental income	590	570
Others	<u>2,564</u>	<u>1,105</u>
	<u>5,195</u>	<u>2,787</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	1,835	1,524
Interest on bank loans wholly repayable after five years	103	114
Interest on obligations under finance leases	<u>559</u>	<u>723</u>
	<u>2,497</u>	<u>2,361</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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Depreciation	17,449	14,368
Employee benefit expense (including directors' remuneration)	65,844	66,775
Impairment of trade receivables*	278	2,118
Write-back of impairment of trade receivables*	–	(7,700)
Loss/(gain) on disposal of items of property, plant and equipment*	(10)	767
Foreign exchange differences, net*	(395)	(612)

* 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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Group:		
Current – Hong Kong	3,913	1,171
Current – Elsewhere	82	1,001
Deferred	2,079	863
Total tax charge for the period	6,074	3,035

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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\$8,078,000 (2011: HK\$10,774,000) 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 2012 and 2011 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. TRADE RECEIVABLES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade receivables	351,160	362,458
Impairment	(2,222)	(1,995)
	348,938	360,463

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Current to 30 days	319,350	334,414
31 to 60 days	16,198	9,330
61 to 90 days	3,554	5,683
Over 90 days	9,836	11,036
	348,938	360,463

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. TRADE AND BILLS PAYABLES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade payables	274,603	251,825
Bills payable	21,261	21,078
	295,864	272,903

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 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Current to 30 days	232,665	201,829
31 to 60 days	16,327	28,653
61 to 90 days	13,571	9,515
Over 90 days	12,040	11,828
	274,603	251,825

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

10. SHARE CAPITAL

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Authorised: 2,500,000,000 (31 December 2011: 2,500,000,000) ordinary shares of HK\$0.10 each	250,000	250,000
Issued and fully paid: 594,899,245 (31 December 2011: 594,899,245) ordinary shares of HK\$0.10 each	59,490	59,490

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (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)	847	529
Subcontracting fees to related companies	(iii)	–	370
Rental expenses paid to a related company	(iv)	–	108
Construction contract income from related companies	(v)	900	925
Interest income from an associate	(vi)	1,378	–

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 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”) for the completion of work orders of certain building maintenance contracts for the Group. Mr. Yuen-Keung Chan and Mr. Sek-Kee Yu (retired on 1 August 2012), directors of the Company, were also directors of Tinhawk up to 31 May 2011.
- (iv) 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 (retired on 1 August 2012), directors of the Company, were also directors of SCRE up to 31 May 2011.
- (v) Construction contract income represented the value of building maintenance works and building services installation works certified during the period from certain subsidiaries of Hon Kwok.
- (vi) The interest income was charged on a loan to an associate, Fineshade Investments Limited, at 9.7% per annum.
- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short-term employee benefits	17,351	15,552
Post-employment benefits	789	644
Total compensation paid to key management personnel	18,140	16,196

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. CONTINGENT LIABILITY

As at 30 June 2012, the Group provided corporate guarantees and indemnities to certain banks for an aggregate amount of HK\$133.8 million for the issue of surety/performance bonds in favour of the Group's clients on contracting works.

Save as disclosed above, the Group had no other material contingent liabilities as at 30 June 2012.

13. 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 2011: one year). The terms of the leases generally also require the tenants to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants due as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	<u>692</u>	<u>97</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 2011: 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 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	997	1,608
In the second to fifth years, inclusive	<u>1,068</u>	<u>1,564</u>
	<u>2,065</u>	<u>3,172</u>

OTHER INFORMATION

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

Compliance with the Corporate Governance Code

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Former CG Code") as set out in Appendix 14 to the Listing Rules during the period from 1 January to 31 March 2012, except A.4.1, A.4.2 and B.1.3, which are explained below.

On April 1, 2012, the Former CG Code was amended and renamed as the Corporate Governance Code (the "New CG Code"). The Company has also complied with all relevant code provisions of the New CG Code during the period from 1 April to 30 June 2012, except A.4.1, A.4.2, A.5.1 to A.5.4 and A.6.7, which are explained below.

1. Code provision A.4.1 of Former CG Code and New CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election and that code provision A.4.2 of Former CG Code and New CG Code 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 Former CG Code and New 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 72.87% 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 of Former CG Code 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 of the Company (the "Remuneration Committee") adopted by the Company on 20 September 2005 has certain deviations from the Former 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 is held once each year, during which the remuneration packages of all executive directors for the year are reviewed individually.

OTHER INFORMATION

CORPORATE GOVERNANCE *(continued)*

Compliance with the Corporate Governance Code *(continued)*

3. Code provisions A.5.1 to A.5.4 of the New CG Code in respect of the establishment, terms of reference and resources of a nomination committee. The Company has not established a nomination committee. The Board collectively reviews and approves the appointment of any new director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.
4. Code provision A.6.7 of the New CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Herman Man-Hei Fung, Mr. Frank Kwok-Kit Chu and Mr. Anthony Siu-Wing Lau, being non-executive directors of the Company, did not attend the 2012 annual general meeting of the Company held on 1 June 2012 due to their engagement in their own official business.

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 2012 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 2012, 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 (the "Stock Exchange") pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
James Sai-Wing Wong	–	–	433,500,216 (Note)	433,500,216	72.87%
Frank Kwok-Kit Chu	48,240	47,840	–	96,080	0.02%

Note: Amongst these shares, 17,162,000 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 2012, 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 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 2012 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 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 2012, 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	433,500,216	72.87%
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. 17,162,000 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 2012, 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 2012.