建聯集團有限公司
**Chinney Alliance Group Limited**
*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 385)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of directors (the "Board") of Chinney Alliance Group Limited (the "Company") announces that the unaudited condensed consolidated income statement of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 and the condensed consolidated balance sheet of the Group as at 30 June 2007 together with comparative figures in 2006 are as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2007** | 2006 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | | (Restated) |
| **REVENUE** | 2 | **761,555** | 518,684 |
| Cost of sales/services provided | | **(709,241)** | (476,945) |
| Gross profit | | **52,314** | 41,739 |
| Other income | 3 | **4,982** | 3,169 |
| Selling and distribution costs | | **(8,154)** | (7,959) |
| Administrative expenses | | **(38,770)** | (31,855) |
| Other operating income, net | | **12,310** | 2,602 |
| Loss on disposal of an associate | | **-** | (6,180) |
| Finance costs | 4 | **(5,557)** | (5,825) |
| Share of losses of associates | | **(164)** | (1,242) |
| Profit/(loss) before tax | 5 | **16,961** | (5,551) |
| Tax | 6 | **(867)** | (1,049) |
| **PROFIT/(LOSS) FOR THE PERIOD** | | **16,094** | (6,600) |
| **ATTRIBUTABLE TO:** | | | |
| Equity holders of the parent | | **16,439** | (6,577) |
| Minority interests | | **(345)** | (23) |
| | | **16,094** | (6,600) |
| **EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | 7 | | |
| **— Basic** | | **4.15 cents** | (4.00 cents) |
| **— Diluted** | | **N/A** | N/A |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | **30 June 2007 (Unaudited) *HK$'000*** | 31 December 2006 (Audited) *HK$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **28,051** | 26,988 |
| Investment properties | | **19,830** | 19,830 |
| Interests in an associate | | **1,265** | 1,429 |
| Goodwill | | **8,922** | 8,922 |
| Deferred tax assets | | **679** | 679 |
| Other assets | | **282** | 282 |
| Retention monies receivable over one year | | **20,490** | 17,548 |
| Total non-current assets | | **79,519** | 75,678 |
| **CURRENT ASSETS** | | | |
| Inventories | | **60,113** | 66,813 |
| Gross amount due from contract customers | | **61,027** | 41,508 |
| Trade and bills receivables | *8* | **289,442** | 388,523 |
| Retention monies receivable | | **17,788** | 13,818 |
| Amounts due from related companies | | **14,436** | 8,381 |
| Prepayments, deposits and other receivables | | **40,831** | 31,223 |
| Equity investments at fair value through profit or loss | | **23,967** | 12,030 |
| Tax recoverable | | **2,897** | 3,223 |
| Pledged time deposits | | **33,192** | 26,800 |
| Cash and cash equivalents | | **111,800** | 178,865 |
| Total current assets | | **655,493** | 771,184 |
| **CURRENT LIABILITIES** | | | |
| Gross amount due to contract customers | | **98,920** | 76,067 |
| Trade and bills payables | *9* | **100,787** | 115,195 |
| Trust receipt loans | | **162,460** | 209,400 |
| Retention monies payable | | **24,290** | 24,126 |
| Amounts due to related companies | | **1,951** | 531 |
| Other payables and accruals | | **37,562** | 119,655 |
| Tax payable | | **2,167** | 1,418 |
| Interest-bearing bank loans and overdrafts | | **35,923** | 39,208 |
| Total current liabilities | | **464,060** | 585,600 |
| **NET CURRENT ASSETS** | | **191,433** | 185,584 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **270,952** | 261,262 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank loans | | **6,000** | 8,000 |
| Loan from a minority shareholder of a subsidiary | | **6,900** | 6,900 |
| Provision | | **944** | 1,028 |
| Deferred tax liabilities | | **2,607** | 2,572 |
| Total non-current liabilities | | **16,451** | 18,500 |
| Net assets | | **254,501** | 242,762 |

## CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

| | Notes | 30 June 2007 (Unaudited) HK$'000 | 31 December 2006 (Audited) HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | | **39,660** | 39,660 |
| Reserves | | **204,382** | 188,332 |
| Proposed final dividend | | **-** | 3,966 |
| | | **244,042** | 231,958 |
| **Minority interests** | | **10,459** | 10,804 |
| Total equity | | **254,501** | 242,762 |

**NOTES:**

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**Basis of preparation**

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2007 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed interim consolidated 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 2006.

**Accounting policies**

The accounting policies and methods of computation used in the preparation of this unaudited condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that are adopted for the first time for the current period's financial information.

| | |
|---|---|
| HKAS 1 Amendment | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |

The adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements.

**2. SEGMENT INFORMATION**

The Group is principally engaged in the trading of plastics and chemicals, distribution and installation of building supplies, electrical and mechanical products and building related contracting services for both public and private sectors, including engineering contracting services in the air-conditioning industry and the provision of maintenance services. An analysis of the Group's revenue and results by business segments and revenue by geographical segments is as follows:

### (a) Business segments

| | Plastic and chemical products Six months ended 30 June | | Building supplies, electrical and mechanical products Six months ended 30 June | | Building related contracting services Six months ended 30 June | | Consolidated Six months ended 30 June | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* (Restated) |
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | **372,570** | 384,508 | **16,333** | 28,452 | **372,652** | 105,724 | **761,555** | 518,684 |
| Other revenue | **1,058** | 840 | **380** | 525 | **26** | 6 | **1,464** | 1,371 |
| Total | **373,628** | 385,348 | **16,713** | 28,977 | **372,678** | 105,730 | **763,019** | 520,055 |
| **Segment results:** | **10,930** | 13,127 | **(1,951)** | (1,598) | **5,354** | (557) | **14,333** | 10,972 |
| Interest income and unallocated gains | | | | | | | **1,748** | 1,177 |
| Unallocated expenses | | | | | | | **(5,336)** | (4,021) |
| Fair value gains/(losses) on equity investments at fair value through profit or loss, net | | | | | | | **11,937** | (92) |
| Impairment of available-for-sale investments | | | | | | | **-** | (340) |
| Loss on disposal of an associate | | | | | | | **-** | (6,180) |
| Finance costs | | | | | | | **(5,557)** | (5,825) |
| Share of losses of associates | | | | | | | **(164)** | (1,242) |
| Profit/(loss) before tax | | | | | | | **16,961** | (5,551) |
| Tax | | | | | | | **(867)** | (1,049) |
| Profit/(loss) for the period | | | | | | | **16,094** | (6,600) |
| Attributable to: | | | | | | | | |
| Equity holders of the parent | | | | | | | **16,439** | (6,577) |
| Minority interests | | | | | | | **(345)** | (23) |
| | | | | | | | **16,094** | (6,600) |

There were no significant sales between the business segments during the period.

### (b) Geographical segments

| | Hong Kong Six months ended 30 June | | Macau and Mainland China Six months ended 30 June | | Consolidated Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue:** | | | | | | |
| Sales to external customers | **608,385** | 498,147 | **153,170** | 20,537 | **761,555** | 518,684 |
| Other income | **1,084** | 1,115 | **380** | 256 | **1,464** | 1,371 |
| | **609,469** | 499,262 | **153,550** | 20,793 | **763,019** | 520,055 |

There were no significant sales between the geographical segments during the period.

## 3. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2007** | 2006 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest income | **3,012** | 1,275 |
| Commission income | **784** | 1,065 |
| Dividend income from listed investments | **47** | - |
| Gross rental income | **560** | 266 |
| Others | **579** | 563 |
| | **4,982** | 3,169 |

## 4. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2007** | 2006 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans and overdrafts wholly repayable within five years | **5,557** | 5,825 |

No interest was capitalised by the Group in both periods.

## 5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting):

| | Six months ended 30 June | |
|---|---|---|
| | **2007** | 2006 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Depreciation | **931** | 787 |
| Impairment of available-for-sale investments * | **-** | 340 |
| Staff costs (including directors' emoluments) | **27,666** | 21,242 |
| Fair value (gains)/losses on equity investments at fair value through profit or loss, net * | **(11,937)** | 92 |
| Foreign exchange difference, net * | **(285)** | (1,784) |
| Gain on disposal of available-for-sale investments * | **-** | (499) |
| Gain on disposals of items of properties, plant and equipment * | **(2)** | (19) |
| Negative goodwill recognised * | **(182)** | - |
| Write-back of impairment of accounts receivable * | **(77)** | (733) |

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

## 6. TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2007** | 2006 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Group: | | |
| Current – Hong Kong | **758** | 853 |
| Current – Elsewhere | **109** | 91 |
| Deferred | **-** | 105 |
| Total tax charge for the period | **867** | 1,049 |

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

## 7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share is based on the profit for the period attributable to ordinary equity holders of the parent of HK$16,439,000 (2006: loss of HK$6,577,000 (restated)) and the weighted average number of 396,599,497 (2006: 164,525,336 (restated)) ordinary shares in issue during the period.

The loss per share and the weighted average number of ordinary shares in issue for the six months ended 30 June 2006 have been adjusted for the effect of the open offer of new shares of the Company on the basis of three offer shares for every two shares held at a subscription price of HK$0.25 per share effective on 4 October 2006.

Diluted earnings per share for the six months ended 30 June 2007 has not been disclosed as the outstanding share options had an anti-dilutive effect on the basic earnings per share since their exercise prices were higher than the average market price of the Company's ordinary shares during the period.

Diluted loss per share for the six months ended 30 June 2006 has not been disclosed as the share options outstanding during that period had an anti-dilutive effect on the basic loss per share for that period.

## 8. TRADE AND BILLS RECEIVABLES

| | **30 June 2007 (Unaudited)** ***HK$'000*** | 31 December 2006 (Audited) *HK$'000* |
|---|---|---|
| Trade and bills receivables | **289,442** | 388,523 |

The Group grants credit periods to its customers ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with good business relationships. 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 and bills receivables as at the balance sheet date, based on payment due date, is as follows:

| | **30 June 2007 (Unaudited)** ***HK$'000*** | 31 December 2006 (Audited) *HK$'000* |
|---|---|---|
| Current to 30 days | **195,251** | 253,139 |
| 31 to 60 days | **35,914** | 67,628 |
| 61 to 90 days | **12,573** | 15,751 |
| Over 90 days | **45,704** | 52,005 |
| | **289,442** | 388,523 |

## 9. TRADE AND BILLS PAYABLES

| | **30 June 2007 (Unaudited)** ***HK$'000*** | 31 December 2006 (Audited) *HK$'000* |
|---|---|---|
| Trade payables | **72,515** | 72,722 |
| Bills payables | **28,272** | 42,473 |
| | **100,787** | 115,195 |

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

| | **30 June 2007 (Unaudited)** *HK$'000* | 31 December 2006 (Audited) *HK$'000* |
|---|---|---|
| Current to 30 days | **63,243** | 62,510 |
| 31 to 60 days | **5,404** | 5,642 |
| 61 to 90 days | **409** | 861 |
| Over 90 days | **3,459** | 3,709 |
| | **72,515** | 72,722 |

**10. POST BALANCE SHEET EVENT**

As announced on 4 September 2007, Chinney Alliance Trading (BVI) Limited (a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor), Chinney Contractors Company Limited ("Chinney Contractors", as vendor), Chinney Investments, Limited ("CIL") and Mr. Yuen-Keung Chan (as vendor's guarantors) entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Victory Leap Limited at a consideration of HK$92.865 million. Chinney Contractors is owned as to 86.05% by CIL, a substantial shareholder of the Company, and 13.95% by Mr. Yuen-Keung Chan, a director of the Company. A refundable deposit of HK$8 million was paid by the Group upon the signing of the sale and purchase agreement on 4 September 2007. The acquisition constitutes a major and connected transaction for the Company under the Listing Rules and is conditional to, among others, the approval by the independent shareholders of the Company by poll at general meeting to be held. Further details of the acquisition, the recommendations from the independent board committee of the Company and the independent financial advisor in respect of the acquisition and other information required by the Listing Rules will be included in a circular to all shareholders of the Company to be dispatched soon.

**11. COMPARATIVE AMOUNTS**

Certain comparative amounts in relation to goodwill arising from the acquisition of Shun Cheong Investments Limited ("SCIL") have been restated to present consistently with the Company's audited financial statements for year ended 31 December 2006.

## RESULTS

The Group recorded turnover of HK$762 million for the six months ended 30 June 2007 (2006: HK$519 million), an increase of 46.8% over last year. The increase was mainly attributable to the contribution of SCIL acquired on 31 March 2006. The profit for the period was HK$16.4 million, compared to the loss of HK$6.6 million for the same period of last year.

The Group's profit of the current period included the fair value gains on equity investments at fair value through profit or loss of HK$11.9 million, while last year's results included the loss on disposal of Shun Cheong Holdings Limited ("Shun Cheong"), a former associate of the Group, of HK$6.2 million and the share of loss of Shun Cheong as an associate up to the date of disposal of HK$1 million. The Group would have a profit of HK$4.5 million for the period under review compared to the profit of HK$0.6 million of last year if such fair value gains as well as the loss attributable to Shun Cheong were excluded in both periods.

## INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

## CONNECTED TRANSACTION

As announced on 23 May 2007, SCIL (a wholly-owned subsidiary of the Company, as purchaser), the Company (as purchaser's guarantor), Chinney Construction Company, Limited (a 86.05% subsidiary of CIL, as vendor) and Chinney Contractors (as vendor's guarantor) entered into a sale and purchase agreement on 22 May 2007 for the acquisition of entire issued share capital of Apex Curtain Wall and Windows Company Limited ("Apex") for a cash consideration of approximately HK$298,000. Dr. James Sai-Wing Wong is a director of and has beneficial interest in CIL and the transaction constituted a discloseable and connected transaction of the Company, which was subject to the announcement and reporting requirements and was exempt from the approval by the independent shareholders of the Company pursuant to Rule 14A.32 of the Listing Rules. The transaction was completed on 1 June 2007. Details of the transaction has been included in a circular dated 15 June 2007 to all shareholders of the Company.

## BUSINESS REVIEW AND PROSPECTS

### Trading of plastics and chemicals

DMT International Hong Kong Limited ("DMT") and Jacobson van den Berg (Hong Kong) Limited ("Jacobson") recorded aggregate turnover of HK$373 million for the period under review (2006: HK$385 million), a decrease of 3.1% from last year. The operating profit decreased from HK$13.1 million to HK$10.9 million. The oil price remained high which resulted in persistently high plastic resin prices. However, the increase in prices could not be fully passed on to the customers, thus gross profit margin slipped. DMT and Jacobson continue to build on quality customer and supplier bases with close monitoring on trade receivable, inventories and overhead to ensure profitability.

### Trading of industrial products and equipment

Chinney Alliance Engineering Limited and its subsidiaries ("CAEL") recorded turnover of HK$16 million for the six months ended 30 June 2007 (2006: HK$28 million). The decrease was mainly due to deferral of certain awarded contracts to the second half of the year. The loss for the period amounted to HK$1.9 million (2006: HK$1.6 million) with the effort in control of overhead despite the decrease in gross profit as a result of the decrease in turnover. The result, however, is expected to improve when the deferred contracts materialise and sales increase later on in 2007.

### Building related contracting services

The building service businesses included Westco Chinney Limited, SCIL (acquired on 31 March 2006) and Apex (acquired on 1 June 2007). The operation contributed turnover of HK$373 million for the period (2006: HK$106 million). Operating profit for the period was HK$5.4 million (2006: loss of HK$0.6 million). Such increase was partly due to the consolidation of six months results of SCIL compared to only three months results of 2006 since acquisition and partly resulted from increasing contribution from the projects in Macau.

### Associate

The share of losses of an associate for the period represented the share of the results of Jiangxi Kaitong New Materials Company Limited. The results of the same period of last year included share of loss of Shun Cheong HK$1 million, which ceased to be an associate of the Group in March 2006.

## OUTLOOK

The economy of Hong Kong continues to improve. In the second quarter of 2007, the GDP increased by 6.9% in real terms over a year earlier, compared with the 5.7% growth in the first quarter. The unemployment rate declined to 4.2% in the second quarter of 2007, which is the lowest level since 1998. Although the prolonged correction of the housing market and the turmoil arising from the sub-prime mortgages in the US will remain a concern, the continued vibrant growth of the mainland China economy will nevertheless help the strong performance of the local economy. Your directors are optimistic for satisfactory results in the second half of the year.

Lastly, I would like to express my appreciation to my fellow directors and all staff for their dedication and hard work during this period.

## FINANCIAL REVIEW

### Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK$204 million as at 30 June 2007 (31 December 2006: HK$257 million), of which HK$162 million (31 December 2006: HK$209 million) were trust receipt loans. Such interest-bearing debts was predominately due and repayable within one year. Current ratio of the Group at 30 June 2007, as measured by total current assets over total current liabilities, was 1.41.

Total cash at bank and on hand as at 30 June 2007 was HK$145 million, which included HK$33 million pledged time deposits. Within which HK$27 million time deposits were pledged to a bank to secure the overdraft facilities extended to certain subsidiaries of the Company and HK$6 million were pledged to certain banks to secure the issue of performance bonds for certain contracting works of the Group. The Group had a total of HK$375 million committed but undrawn banking facilities at period-end available for its working capital purpose.

The gearing ratio of the Group, as measured by the net interest-bearing debts of HK$66 million over the shareholders' funds of HK$244 million, was 27% as at 30 June 2007.

### 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.

### Pledge of assets

Certain properties having an aggregate book value of HK$23 million as at 30 June 2007 and time deposits of HK$33 million were pledged to secure the borrowings of the Group and the issue of performance bonds for certain contracting works of the Group.

### Contingent liability

On 26 October 2005, Best Treasure Limited, a wholly-owned subsidiary of the Company as vendor, the Company as vendor's guarantor and Chinney Construction (BVI) Limited ("Chinney Construction BVI"), an 86.05% owned subsidiary of CIL, as purchaser entered into an agreement in relation to the sale and purchase of the entire issued share capital of Jackson Mercantile Trading Company Limited for a cash consideration of HK$7,800,000. The Company as the vendor's guarantor and Best Treasure Limited as the vendor have undertaken to indemnify Chinney Construction BVI up to a maximum amount of HK$7,800,000 until 8 November 2007, being two years after the completion date, in case there are valid claims against the Company and/or Best Treasure Limited under the agreement.

In its ordinary course of business, the Group provided corporate guarantees and indemnities to certain banks and a financial institution for the issue of performance bonds to clients on contracting works of an aggregate amount of approximately HK$15,019,000.

Upon completion of the acquisition of Apex on 1 June 2007, the Company, SCIL and Apex executed a deed of indemnity to indemnify unconditionally and irrevocably all liabilities and obligations in respect of certain corporate guarantees provided by certain subsidiaries of CIL, namely Chinney Contractors, Chinney Construction BVI, Kin Wing Chinney (BVI) Limited and Kin Wing Machinery & Transportation Limited and cash collateral of HK$13,600,000 provided by Kin Wing Engineering Company Limited in favour of certain banks for general banking facilities extended to Apex. As at 30 June 2007, these banking facilities were utilized by Apex of approximately HK$18,236,000.

Save as disclosed above, the Group has no other material contingent liabilities as at 30 June 2007.

**Employees and remuneration policies**

The Group employed approximately 240 staff in Hong Kong and other parts of the People's Republic of China as at 30 June 2007. 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.

**Capital commitment**

As at 30 June 2007, the Group had authorised and contracted capital commitments in respect of acquisition of properties amounting to approximately HK$4,443,000.

## 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 2007.

**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 since Mr. Sek-Kee Yu is the managing director of CAEL and the building related contracting services and Mr. Frank Kwok-Kit Chu is the managing director of DMT and Jacobson. DMT, Jacobson, CAEL and the building related contracting services already comprise a substantial portion of the Group's business. 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 CIL and Enhancement Investments Limited, both are substantial shareholders of the Company, is the Chairman of the Board to represent their interests in the Company and to provide the Group with consistent leadership. As a result, the Board concurred that the Chairman of the Board need not be subject to retirement by rotation. The Company currently has no Managing Director.

3. Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted its terms of reference in September 2005, which deviates from the CG Code where the duties of the Remuneration Committee are to review (as opposed to determine) and to make recommendation to the Board on the remuneration of the specific remuneration packages of all executive directors (as opposed to the remuneration of 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 annually during which the existing remuneration packages of all executive directors have been reviewed individually.

The above deviations from the code provisions were discussed in the corporate governance report included in the Company's 2006 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 2007 has not been audited, but has been reviewed by the Audit Committee.

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

During the six months ended 30 June 2007, 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.

By Order of the Board
**James Sai-Wing Wong**
*Chairman*

Hong Kong, 20 September 2007

*At the date of this announcement, the Board comprises of nine directors, of which five are executive directors, namely Dr. James Sai-Wing Wong, Mr. Sek-Kee Yu, Mr. Frank Kwok-Kit Chu, Mr. Yuen-Keung Chan and Mr. Wai-Hong Ling; and one is a non-executive director, namely Mr. Herman Man-Hei Fung; and three are independent non-executive directors, namely Mr. William Gage McAfee, Mr. David Chung-Shing Wu and Mr. Sou-Tung Chan.*