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 2010

The board of directors (the "Board") of Chinney Alliance Group Limited (the "Company") is pleased to announce that the unaudited condensed consolidated income statement and the unaudited condensed consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2010 together with comparative figures in 2009 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**272,860**	256,947
Investment properties		**26,469**	26,469
Interest in an associate		**1,170**	1,184
Interests in jointly-controlled entities		**-**	-
Goodwill		**5,767**	5,767
Deferred tax assets		**415**	415
Other assets		**282**	282
Total non-current assets		**306,963**	291,064
CURRENT ASSETS			
Inventories		**56,154**	51,290
Gross amount due from contract customers		**103,050**	115,725
Trade receivables	*8*	**241,586**	229,757
Retention monies receivables		**107,894**	98,233
Amounts due from related companies		**1,000**	-
Amounts due from jointly-controlled entities		**973**	637
Prepayments, deposits and other receivables		**44,448**	41,872
Equity investments at fair value through profit or loss		**11,977**	18,614
Tax recoverable		**577**	574
Pledged time deposits		**13,670**	47,519
Cash and cash equivalents		**229,457**	240,387
Total current assets		**810,786**	844,608
CURRENT LIABILITIES			
Gross amount due to contract customers		**159,985**	171,409
Trade and bills payables	*9*	**158,600**	157,778
Trust receipt loans		**79,584**	70,288
Retention monies payables		**55,755**	59,565
Amounts due to related companies		**2,442**	10,962
Amount due to a jointly-controlled entity		**97**	97
Other payables and accruals		**41,531**	51,504
Tax payable		**7,020**	2,279
Obligations under finance leases		**9,363**	8,208
Interest-bearing bank borrowings		**23,078**	24,122
Promissory note		**39,857**	39,652
Total current liabilities		**577,312**	595,864
NET CURRENT ASSETS		**233,474**	248,744
TOTAL ASSETS LESS CURRENT LIABILITIES		**540,437**	539,808
NON-CURRENT LIABILITIES			
Obligations under finance leases		**24,367**	21,763
Interest-bearing bank borrowings		**35,755**	33,559
Deferred tax liabilities		**24,298**	26,416
Total non-current liabilities		**84,420**	81,738
Net assets		**456,017**	458,070

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**30 June 2010 (Unaudited)** ***HK$'000***	31 December 2009 (Audited) *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**59,490**	59,490
Reserves		**396,527**	380,733
Proposed final dividends		**-**	17,847
		456,017	458,070
Non-controlling interests		**-**	-
Total equity		**456,017**	458,070

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINACIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

2. OPERATING SEGMENT INFORMATION

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

Six months ended 30 June 2010

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

Six months ended 30 June 2009

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

3. OTHER INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**355**	106
Commission income	**945**	693
Dividend income from a listed investment	**-**	29
Gross rental income	**547**	713
Management fee income from a related company	**1,000**	-
Others	**1,088**	1,214
	3,935	2,755

4. FINANCE COSTS

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

No interest was capitalised by the Group in both periods.

5. PROFIT BEFORE TAX

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

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

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

6. INCOME TAX

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

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

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

8. TRADE RECEIVABLES

	30 June	31 December
	2010	2009
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**241,586**	229,757

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with good business relationships. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date and net of allowances for impairment, is as follows:

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

9. TRADE AND BILLS PAYABLES

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

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

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

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

RESULTS

The Group recorded turnover of HK$853 million for the six months ended 30 June 2010 (2009: HK$1,220 million). The profit for the period was HK$15.5 million (2009: HK$42.7 million). The Group's profit for the current period included fair value loss on equity investments of HK$6.2 million (2009: gain of HK$5.2 million). Should this fair value gain or loss be excluded in both periods, the Group would have profit of HK$21.7 million for the period under review compared to HK$37.5 million of same period last year.

INTERIM DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

Trading of plastics and chemicals products

Jacobson van den Berg (Hong Kong) Limited ("Jacobson") generated turnover of HK$252 million for the current period (2009: HK$198 million). The operating profit bounced back to HK$11 million (2009: HK$2.4 million). With stronger order book and tight supplies in plastics and chemicals, demand from our customers was brisk in the current period. Jacobson also reaped the benefits of operating efficiency improvement leading to stronger profit growth and better earnings quality for the period under review. With the economies of the US and Europe as the key markets of our customers being still in limbo, Jacobson strives to offer more value-added services and products to our customers and will cautiously build up its presence in the Mainland China.

Trading of industrial products and equipment

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

Building related contracting services

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

Foundation piling and ground investigation

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

Building construction

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

Associate and jointly-controlled entities

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

OUTLOOK

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

FINANCIAL REVIEW

Liquidity and financial resources

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

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

Funding and treasury policy

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

Pledge of assets

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

Contingent liabilities

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

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

Capital commitments

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

Employees and remuneration policies

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

CORPORATE GOVERNANCE

Model Code for Securities Transactions by Directors

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

Compliance with the Code on Corporate Governance Practices

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

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

The Company has not appointed a chief executive officer. Each division of the Group's business namely Jacobson, CAE, Kin Wing, Chinney Construction and Shun Cheong is managed by its divisional managing directors. Dr. James Sai-Wing Wong, Chairman of the Company, is responsible for the management of the Board. In view of the size of the Group, it is considered unnecessary to appoint a chief executive officer of the Company.

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

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

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

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

3. Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The terms of reference of the Remuneration Committee adopted by the Company on 20 September 2005 has certain deviations from the CG Code provisions that the Remuneration Committee should "review" as opposed to "determine" the specific remuneration packages of "all executive directors" as opposed to "directors and senior management".

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

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

Audit Committee

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

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

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

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 27 August 2010

At the date of this announcement, the Board comprises of eleven directors, of which five are executive directors, namely Dr. James Sai-Wing Wong, Mr. Sek-Kee Yu, Mr. Yuen-Keung Chan, Mr. Wai-Hong Ling and Mr. James Sing-Wai Wong; and two are non-executive directors, namely Mr. Herman Man-Hei Fung and Mr. Frank Kwok-Kit Chu; and four are independent non-executive directors, namely Mr. David Chung-Shing Wu, Mr. Sou-Tung Chan, Mr. Anthony Ren-Da Fan and Mr. Anthony Siu-Wing Lau.

* *For identification purpose only*