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 2012

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 2012 and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012 together with comparative figures in 2011 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	2	**1,300,754**	963,479
Cost of sales/services provided		**(1,171,097)**	(844,579)
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		**583**	(32)
PROFIT BEFORE TAX	5	**14,152**	13,809
Income tax expense	6	**(6,074)**	(3,035)
PROFIT FOR THE PERIOD		**8,078**	10,774
Attributable to:			
Owners of the Company		**8,078**	10,774
Non-controlling interests		**-**	-
		8,078	10,774
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		**1.36 cents**	1.81 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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		**516,851**	489,954
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		**954,450**	910,094
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		**894,347**	811,475
NET CURRENT ASSETS		**60,103**	98,619
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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Notes	**30 June 2012 (Unaudited)** ***HK$'000***	31 December 2011 (Audited) *HK$'000*
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

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

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.

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) *HK$'000*	Building related contracting services (unaudited) *HK$'000*	Foundation piling and ground investigation (unaudited) *HK$'000*	Building construction (unaudited) *HK$'000*	Others (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Segment revenue:						
Sales to external customers	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
	216,378	350,686	434,591	300,103	14,568	1,316,326
Reconciliation:						
Elimination of intersegment sales						(14,023)
Revenue						1,302,303
Segment results	3,733	1,398	8,877	4,849	(2,943)	15,914
Reconciliation:						
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						583
Profit before tax						14,152

2. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2011

	Plastic and chemical products (unaudited) *HK$'000*	Building related contracting services (unaudited) *HK$'000*	Foundation piling and ground investigation (unaudited) *HK$'000*	Building construction (unaudited) *HK$'000*	Others (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Segment revenue:						
Sales to external customers	229,731	193,936	311,905	221,114	6,793	963,479
Intersegment sales	-	4,479	-	-	373	4,852
Other revenue	1,102	13	-	9	569	1,693
	230,833	198,428	311,905	221,123	7,735	970,024
Reconciliation:						
Elimination of intersegment sales						(4,852)
Revenue						965,172
Segment results	6,165	3,388	8,618	5,914	(2,948)	21,137
Reconciliation:						
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

3. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**1,428**	82
Commission income	**613**	1,030
Gross rental income	**590**	570
Others	**2,564**	1,105
	5,195	2,787

4. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
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	**559**	723
	2,497	2,361

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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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.

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	31 December
	2012	2011
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**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. Trade receivables are non-interest bearing.

8. TRADE RECEIVABLES *(continued)*

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 for impairment, 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

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.

RESULTS

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.

Foundation piling and ground investigation

The principal subsidiaries of the division include Kin Wing Engineering Company Limited, Kin Wing Foundations Limited and DrilTech 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 project 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.

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.

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%).

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

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.

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.

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, Limited, Enhancement Investments Limited 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 ("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.

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.

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

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 June 2012.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 23 August 2012

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. Yuen-Keung Chan, Mr. James Sing-Wai Wong, Mr. Philip Bing-Lun Lam and Mr. Wai-Hong Ling; 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. Anthony Siu-Wing Lau, Mr. Yuen-Tin Ng, Mr. Chi-Chiu Wu and Mr. Alexander Yan-Zau Fang.

** For identification purpose only*