建業實業有限公司
Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

RESULTS

The directors (the "Directors") of Chinney Investments, Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2006 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September,	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**1,050,042**	1,243,153
Cost of sales		**(914,029)**	(1,025,556)
Gross profit		**136,013**	217,597
Other income		**17,921**	14,806
Selling and distribution costs		**(27,327)**	(26,186)
Administrative expenses		**(102,296)**	(84,385)
Increase in fair value changes of investment properties		**76,621**	–
Finance costs	*3*	**(57,414)**	(30,593)
Share of results of associates		**(2,070)**	227
Share of results of jointly-controlled entities		**4,434**	2,928
Discounts on acquisition of additional interests in subsidiaries		**82,190**	–
Profit before taxation	*4*	**128,072**	94,394
Taxation charge	*5*	**(33,453)**	(14,644)
Profit for the period		**94,619**	79,750
Attributable to:			
Equity holders of the parent		**53,917**	39,111
Minority interests		**40,702**	40,639
		94,619	79,750
Earnings per share	*6*		
Basic		**9.78 cents**	7.09 cents
Diluted		**8.76 cents**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30th September, 2006 (Unaudited) HK$'000	As at 31st March, 2006 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**211,344**	222,461
Properties under development		**1,352,155**	1,209,884
Prepaid lease payments		**15,092**	15,035
Investment properties		**2,071,709**	1,987,092
Interests in associates		**43,954**	45,841
Interests in jointly-controlled entities		**46,000**	43,934
Deferred taxation assets		**191**	6,760
Available-for-sale investments		**1,300**	1,300
		3,741,745	3,532,307
CURRENT ASSETS			
Inventories		**24,675**	16,881
Properties held for sale		**986,664**	1,012,275
Prepaid lease payments		**404**	397
Financial assets at fair value through profit and loss		**691**	733
Debtors and prepayments	*7*	**357,471**	326,755
Amounts due from customers for contract work		**58,308**	55,446
Retention monies receivable		**63,062**	61,255
Amounts due from jointly-controlled entities		**141,422**	129,483
Loans to minority shareholders of subsidiaries		**85,188**	86,114
Taxation recoverable		**338**	967
Pledged bank balances		**77,087**	65,948
Bank balances and cash		**425,363**	461,874
		2,220,673	2,218,128
Assets classified as held for sale		**133,922**	168,142
		2,354,595	2,386,270
CURRENT LIABILITIES			
Creditors and accrued charges	*8*	**368,982**	311,118
Customers' deposits		**19,030**	12,298
Sales deposits received		**126,281**	114,570
Amounts due to customers for contract work		**55,432**	63,172
Amounts due to minority shareholders of subsidiaries		**50,288**	99,930
Taxation payable		**64,553**	51,938
Dividend payable		**22,055**	–
Obligations under finance leases – amount due within one year		**2,304**	2,227
Bank borrowings – amount due within one year		**889,610**	570,589
		1,598,535	1,225,842
Liabilities associated with assets classified as held for sale		**127,966**	159,519
		1,726,501	1,385,361
NET CURRENT ASSETS		**628,094**	1,000,909
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,369,839**	4,533,216

	Notes	As at 30th September, 2006 (Unaudited) HK$'000	As at 31st March, 2006 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases – amount due after one year		**3,561**	4,732
Bank borrowings – amount due after one year		**1,429,865**	1,841,807
Convertible bonds	9	**254,397**	–
Deferred taxation liabilities		**138,468**	127,563
		1,826,291	1,974,102
		2,543,548	2,559,114
CAPITAL AND RESERVES			
Share capital		**137,842**	137,842
Reserves		**1,334,349**	1,270,298
Equity attributable to equity holders of the parent		**1,472,191**	1,408,140
Minority interests		**1,071,357**	1,150,974
Total equity		**2,543,548**	2,559,114

Notes:

1. Basis of preparation and accounting policies

Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30th September, 2006 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 interim condensed 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 31st March, 2006.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2006, except in relation to the following amendments to and interpretation of Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) issued by the HKICPA that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of these amendments and interpretation has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited interim condensed consolidated financial statements.

2. Segment information

An analysis of the Group's turnover and contribution to profit from operations by business segments and turnover by geographical segments is as follows:

Business segments

	Construction activities		**Garment activities**		**Property development activities**		**Property investment activities**		**Others**		**Consolidated**	
	Six months ended 30th September,		**Six month ended 30th September,**		**Six months ended 30th September,**		**Six months ended 30th September,**		**Six months ended 30th September,**		**Six months ended 30th September,**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**440,560**	267,730	**348,333**	326,513	**207,971**	609,195	**39,388**	37,589	**13,790**	2,126	**1,050,042**	1,243,153
Segment results	**(44,514)**	(8,424)	**16,679**	17,242	**37,557**	88,856	**87,414**	23,910	**2,167**	998	**99,303**	122,582
Net income from investments											**5,161**	2,067
Unallocated corporate expenses											**(3,532)**	(2,817)
Finance costs											**(57,414)**	(30,593)
Share of results of associates	**–**	–	**(200)**	74	**–**	–	**–**	–	**(1,870)**	153	**(2,070)**	227
Share of results of jointly-controlled entities	**(3)**	(36)	**4,276**	2,811	**165**	161	**–**	–	**(4)**	(8)	**4,434**	2,928
Discounts on acquisition of additional interests in subsidiaries											**82,190**	–
Profit before taxation											**128,072**	94,394
Taxation charge											**(33,453)**	(14,644)
Profit for the period											**94,619**	79,750

Geographical segments

	Turnover Six months ended 30th September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**346,858**	348,167
North America	**198,163**	194,120
Europe	**139,041**	120,711
The People's Republic of China (other than Hong Kong)	**207,092**	565,224
Others	**158,888**	14,931
	1,050,042	1,243,153

3. Finance costs

	Six months ended 30th September, 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**66,978**	42,531
Bank borrowings wholly repayable after five years	**–**	1,354
Convertible bonds	**6,753**	–
Finance leases	**217**	199
Bank overdrafts	**101**	–
	74,049	44,084
Less: Amounts capitalised under property development projects	**16,040**	13,491
Amounts capitalised under construction contracts	**595**	–
	57,414	30,593

4. Profit before taxation

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

	Six months ended 30th September, 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Depreciation of property, plant and equipment		
Owned assets	**20,306**	21,176
Assets held under finance leases	**576**	683
	20,882	21,859
Less: Amount capitalised in contract costs	**2,065**	2,180
	18,817	19,679
Amortisation of prepaid lease payments	**202**	198
Staff costs (including directors' emoluments)	**100,398**	82,331
Less: Amount capitalised in contract costs	**34,612**	22,690
	65,786	59,641
Unrealised loss on investments in securities	**42**	–
and after crediting:		
Unrealised gain on investments in securities	**–**	(98)
Bank interest income	**(1,783)**	(1,955)
Gain on disposal of investment properties	**(2,341)**	–

5. Taxation charge

	Six months ended 30th September, 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
The charge for the period comprises:		
Hong Kong profits tax		
Current period	**3,576**	1,080
Over provision in prior periods	**–**	(39)
	3,576	1,041
Other jurisdictions	**12,206**	18,893
	15,782	19,934
Deferred taxation charge/(credit)	**17,671**	(5,290)
	33,453	14,644

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profits of the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the parent of HK$53,917,000 (2005: HK$39,111,000) and on 551,368,153 (2005: 551,368,153) shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30th September, 2006 is based on the following data:

	Six months ended 30th September, 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Earnings:		
Earnings for the purpose of calculating the basic earnings per share	**53,917**	39,111
Adjustment to earnings based on dilution effect of the earnings per share of subsidiaries	**(5,606)**	–
Earnings for the purpose of calculating the diluted earnings per share	**48,311**	39,111
Number of shares:		
Number of shares in issue during the six months ended 30th September, 2006 for the purpose of calculating the diluted earnings per share	**551,368,153**	551,368,153

The calculation of diluted earnings per share amounts is based on the net profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the after tax effect of effective interest on the liability component of convertible bonds and bond issue expenses written off in the subsidiary and the weighted average number of ordinary shares in the subsidiary assumed to have been issued at no consideration on the conversion of the convertible bonds into ordinary shares of the subsidiary.

No diluted earnings per share for the six months ended 30th September, 2005 was calculated, as there was no dilutive event in existence during that period.

7. **Debtors and prepayments**

Included in debtors and prepayments are trade debtors of HK$166,156,000 (as at 31st March, 2006: HK$255,059,000). The aging analysis of trade debtors is as follows:

	As at 30th September, 2006 (Unaudited) *HK$'000*	As at 31st March, 2006 (Audited) *HK$'000*
Current to 30 days	**107,923**	217,385
31 to 60 days	**33,449**	8,791
61 to 90 days	**11,859**	10,554
Over 90 days	**12,925**	18,329
Total	**166,156**	255,059

The Group allows an average credit period of 30 days to its trade customers.

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and are provided in full in case of non-recoverability.

8. **Creditors and accrued charges**

Included in creditors and accrued charges are trade creditors of HK$131,002,000 (as at 31st March, 2006: HK$91,464,000). The aging analysis of trade creditors is as follows:

	As at 30th September, 2006 (Unaudited) *HK$'000*	As at 31st March, 2006 (Audited) *HK$'000*
Current to 30 days	**54,176**	55,478
31 to 60 days	**33,193**	18,879
61 to 90 days	**24,850**	6,026
Over 90 days	**18,783**	11,081
Total	**131,002**	91,464

9. **Convertible bonds**

On 27th June, 2006, a wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok") issued convertible bonds due June 2011 at par for a principal sum of HK$280 million (the "Bonds"). The Bonds are guaranteed by Hon Kwok and bear interest at the rate of 3.5% per annum, payable semi-annually. The bondholders have the rights, at any time on or after 27th July, 2006 up to and including the seventh business date prior to 27th June, 2011 to convert the Bonds into equity shares of Hon Kwok with a nominal value of HK$1.00 each at an initial conversion price of HK$4.00 per share, subject to adjustments in certain events. There was no movement in the number of Bonds during the period. Any Bonds not converted will be redeemed at 124.5481% of their principal amount upon maturity on 27th June, 2011. Upon full conversion, the Bonds shall be converted into 70 million ordinary shares of Hon Kwok.

The Bonds, net of issue expenses, were split into liability and equity components of HK$247,645,000 and HK$24,826,000, respectively upon initial recognition by recognising the liability component at its fair value using an equivalent market interest rate for a similar bond without conversion option and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost and the equity component is recognised in the other reserve.

10. **Post balance sheet event**

On 15th November, 2006, Hon Kwok entered into a top-up placement arrangement for an issue of 80,047,700 new shares of Hon Kwok at a price of HK$4.05 each. The top-up placement was completed on 29th November, 2006, generating net proceeds of HK$315 million to Hon Kwok for general working capital use. The Company's shareholding in Hon Kwok was diluted to 52.44% following completion of the top-up placement.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2006 (2005: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September, 2006, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's shares.

CORPORATE GOVERNANCE

Compliance with 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") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code during the six months ended 30th September, 2006.

Compliance with 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 for the six months ended 30th September, 2006, except for the following deviations:

1. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

   The Chairman and Managing Director will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2. as the Board considered that the continuity of office of the Chairman and Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

   All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

2. CG 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 adopted the terms of reference of the remuneration committee on 16th December, 2005 with certain deviations from the CG Code provisions. Pursuant to the terms of reference, the remuneration committee should review (as opposed to determine) and make recommendations to the Board on the remuneration of directors (as opposed to directors and senior management).

3. CG Code provisions B.1.4 and C.3.4 stipulate that the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website.

At present, the Company does not maintain a website. However, the terms of reference of the two committees are available from the Company Secretary on request.

Audit committee

Regular meetings have been held by the Audit Committee of the Company since its 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 30th September, 2006 has not been audited, but has been reviewed by the Audit Committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$2,669 million as at 30th September, 2006 (as at 31st March, 2006: HK$2,419 million), of which approximately 37% of the debts were due and repayable within one year. Total cash on hand was approximately HK$504 million as at 30th September, 2006 (as at 31st March, 2006: HK$528 million). Total shareholders' fund as at 30th September, 2006 was approximately HK$1,472 million (as at 31st March, 2006: HK$1,408 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK$2,165 million over the total shareholders' fund plus minority interests of approximately HK$2,544 million, was 85% as at 30th September, 2006 (as at 31st March, 2006: 74%). The Group's apparent high gearing is primarily due to consolidating all debts of Hon Kwok (Hon Kwok together with its subsidiaries, the "Hon Kwok Group"), a 62.70% owned but separately listed subsidiary of the Group as at 30th September, 2006. Had Hon Kwok been equity accounted for as an associate in previous years, the pro forma gearing of the Group at period end would have been 12%.

The Group had a total of HK$572 million committed but undrawn banking facilities at period end available for its working capital purpose.

Funding and treasury policies

The Group adopts 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, Renminbi and United States dollars and bear interest at floating rates, except for the Renminni loan facilities.

Pledge of assets

Inventories, trade debts, bank balances, properties and shares of an associate with an aggregate book value of HK$3,909 million as at 30th September, 2006 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

Contingent liabilities

Contingent liabilities of material importance to the Group have been set out in the annual report of the Group for the year ended 31st March, 2006. Apart from the litigation in relation to a subsidiary of the Group which has ceased to be of any effect following the dissolution of the plaintiff, there was no significant change to the contingent liabilities of the Group.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 2,800 people as at 30th September, 2006. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

CONSOLIDATED RESULTS

The Group's turnover and profit attributable to shareholders of the Company for the six months ended 30th September, 2006 were HK$1,050 million (2005: HK$1,243 million) and HK$54 million (2005: HK$39 million), respectively. Earnings per share were 9.78 cents (2005: 7.09 cents).

REVIEW OF OPERATIONS

Property

During the period, the Company acquired additional shares of Hon Kwok from the market and increased its shareholding in Hon Kwok from 58.81% as at 1st April, 2006 to 62.70% as at 30th September, 2006. These shares were acquired at a discount to the net asset per share of Hon Kwok, thus contributing a credit of HK$29 million to the income statement. Since the beginning of this financial year, Hon Kwok raised funds by means of an issue of convertible bonds for a principal amount of HK$280 million at par (the "Bonds") in June 2006 and an issue of 80,047,700 new shares at a price of HK$4.05 each in November 2006. As a result of the share placement, the Company's shareholding in Hon Kwok was diluted to 52.44% as of the date hereof. The bondholders have the right to convert the Bonds into Hon Kwok shares at a price of HK$4.00 each, subject to adjustment. Assuming full conversion of the Bonds, the Company's interest in Hon Kwok would have been further diluted to 45.77%.

Hon Kwok reported turnover of HK$261 million (2005: HK$649 million) and a net profit of HK$109 million (2005: HK$91 million). The decrease in turnover was mainly attributable to fewer residential units sold in Mainland China. Hon Kwok has chosen to revalue its investment properties to their fair values as at 30th September, 2006 in compliance with the accounting standard. This resulted in a fair value gain of HK$57 million, net of deferred tax, in the period. Hon Kwok's investment properties had not been revalued as at 30th September, 2005. During the period, Hon Kwok bought out the minority interest in a subsidiary at a consideration below net asset value and resulted in a further credit of HK$51 million to the income statement.

Apart from the issue of Bonds and new shares, Hon Kwok also completed the disposal of an investment property in Malaysia for MYR70 million in December 2006 and, pending for completion, disposed a 50% interest in a Guangzhou project for RMB245 million. These events have improved the financial position of Hon Kwok and provided additional cash resources for Hon Kwok's property activities in Hong Kong and Mainland China.

Interested shareholders may refer to the Hon Kwok's results announcement for further details.

Construction

The Group's Construction Division continues to engage in sub-structure and superstructure building construction. The Construction Division, in which the Group has an 86.05% interest, reported turnover of HK$440 million (2005: HK$268 million) and a net loss of HK$53.8 million (2005: HK$10.7 million) in the period. The loss has widened, as there was margin pressure in our substructure business, write-off of deferred tax assets and operating loss of our superstructure business in Hong Kong and Macau. Excluding the depreciation charges of HK$14 million relating to plant and machinery, the net loss of the Construction Division would have been HK$40 million.

The local construction industry continues to suffer from insufficient jobs in both the private and public sectors. Going forward, the Group will tighten its project tendering and cost controls to achieve a better profitability and remain diversified outside Hong Kong to Macau.

Garment

The Garment Division comprises two distinct operations, (i) the J.L. Group, which produces fashionable garment in Mainland China for customers mainly in Europe; and (ii) the Gateway Group, which produces woven and knitted garment mainly in Indonesia for customers in the United States. The Gateway Group has a 50% interest in SGA Group, which produces outerwear, suits and pants in Mainland China for customers in North America. The Garment Division reported turnover of HK$348 million (2005: HK$327 million) and a net profit of HK$14 million (2005: HK$15 million) in the period.

The turnover of J.L. Group was HK$191 million (2005: HK$161 million) with a net profit of HK$17 million (2005: HK$12 million) in the period. Over the past years, J.L. Group has been diversifying its customer base from Germany to the United States and other European countries including Italy and the Netherlands. The growth in sales volume together with a tight control of overhead contributed to the better results of J.L. Group.

The turnover of Gateway Group was HK$157 million (2005: HK$166 million) with a net loss of HK$2.5 million (2005: net profit of HK$3 million) in the period. The results included a 50% share of the net profit of SGA Group amounting to HK$4.3 million (2005: HK$2.8 million). The Gateway Group suffered continuous losses since 1st April, 2003 despite a complete overhaul involving job cuts, factory consolidation and management re-shuffle. In view of the gloomy outlook of the Indonesian operation following abolishment of quota system and the stringent labour law requirements, the Board resolved to dispose the Gateway Group (including Royal Treasure Limited) to Grow Ahead Enterprises Limited for a cash consideration of HK$8.6 million. The transaction was completed in October 2006. For full details, please refer to the Company's announcement dated 25th July, 2006 and circular to the shareholders dated 15th August, 2006.

Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a 29.1% owned associate of the Group, is engaged in the trading of plastics and chemicals, trading of industrial products and equipment, and building related contracting business. The building related contracting business was acquired from Shun Cheong Holdings Limited in March 2006 and being integrated into the air-conditioning engineering business of Chinney Alliance.

Chinney Alliance reported a net loss of HK$6.4 million (2005: net profit of HK$0.5 million) against a slight drop in turnover to HK$519 million (2005: HK$535 million) for the six months ended 30th June, 2006. Revenue from the newly acquired contracting business offset the decrease in revenue from the plastic trade caused by the soaring oil prices. Customers have seen to reduce their purchases, as plastic prices grow in tandem with the oil prices. Net loss for the period was mainly attributable to the loss of HK$6.2 million arising from the disposal of Shun Cheong Holdings Limited, a former 29.93% owned associate of Chinney Alliance, in April 2006. For details of the disposal, please refer to the announcement of Chinney Alliance dated 13th April, 2006 and circular to the shareholders of Chinney Alliance dated 8th May, 2006.

Subsequent to 30th June, 2006, Chinney Alliance announced, amongst others, an open offer of new shares on the basis of three offer shares for every two shares at a price of HK$0.25 each. The open offer raised net proceeds of about HK$57 million for general working capital use. The Company took up its entitlement under the open offer for about HK$17.3 million and maintained its shareholding in Chinney Alliance at 29.1%. For details of the open offer, please refer to the announcement of Chinney Alliance dated 21st August, 2006 and circulars to the shareholders of Chinney Alliance dated 8th September, 2006 and 6th October, 2006.

OVERVIEW

The Hong Kong economy continues its growth momentum, with a third quarter GDP growth of 6.8% over the previous year. Unemployment rate declined further to 4.4%, the lowest level in the past six years. Across the border, the Mainland economy remains prosperous, with the third quarter GDP grew by 10.7% from a year earlier. Looking ahead, the Mainland China will likely remain as the focal point amongst investors, as there are no other places in the world the economy of which are enjoying such unprecedented growth.

During the period, the Group has streamlined its operation by disposing the non-profitable garment business in Indonesia. Hon Kwok, a major subsidiary of the Group, is being transformed into a property developer in Mainland China, which shall stand to benefit from the continuous economic growth in Mainland China. Hopefully, the current ebb in the local construction industry will soon be over as the Hong Kong Government has pledged in its recent Policy Address to increase public investment. Pending recovery of the construction sector, the Group will remain active in seeking job opportunities in Macau and exercise a tighter control on job tendering, costing and project monitoring. In view of all these, your directors are optimistic on the future prospects of the Group.

James Sai-Wing Wong
Chairman

Hong Kong, 19th December, 2006

As at the date hereof, the board of directors of the Company comprises Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Mr. William Chung-Yue Fan and Mr. Herman Man-Hei Fung and the independent non-executive directors of the Company are Mr. Clement Kwok-Hung Young, Mr. Johnny Chung-Ah Wong and Mr. Peter Man-Kong Wong.

"Please also refer to the published version of this announcement in The Standard"