



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 30 SEPTEMBER 2007

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 30 September 2007 together with comparative figures for the corresponding period in the prior year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
Revenue	2	269,169	609,482
Cost of sales		(185,371)	(465,011)
Gross profit		83,798	144,471
Other income and gains	3	9,919	16,512
Fair value gains of investment properties, net		115,576	69,471
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries		-	82,190
Selling and distribution costs		(19,667)	(27,327)
Administrative and other operating expenses		(42,256)	(58,036)
Finance costs	4	(48,057)	(54,731)
Share of profits and losses of:			
Associates		4,784	(2,070)
Jointly-controlled entities		283	4,437
Profit before tax	5	104,380	174,917
Tax	6	(32,510)	(26,470)
Profit for the period from continuing operations		71,870	148,447
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	7	(6,095)	(53,828)
PROFIT FOR THE PERIOD		65,775	94,619
Attributable to:			
Equity holders of the Company		39,689	53,917
Minority interests		26,086	40,702
		65,775	94,619
Earnings per share attributable to ordinary equity holders of the Company			
Basic			
- For profit for the period		7.20 cents	9.78 cents
- For profit from continuing operations		8.15 cents	18.18 cents
Diluted			
- For profit for the period		N/A	8.76 cents
- For profit from continuing operations		N/A	17.16 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		96,709	202,549
Properties under development		1,764,408	1,533,280
Prepaid land lease payments		15,418	15,276
Investment properties		2,165,957	2,059,491
Investment deposits		54,356	187,847
Interests in associates		71,040	67,517
Interests in jointly-controlled entities		62,471	48,765
Deferred tax assets		155	155
Total non-current assets		4,230,514	4,114,880
CURRENT ASSETS			
Inventories		21,145	16,945
Properties held for sale		1,107,366	1,023,537
Prepaid land lease payments		428	410
Equity investments at fair value through profit and loss		45,790	681
Trade and bills receivables	9	62,973	107,875
Prepayments, deposits and other receivables		168,365	69,047
Gross amounts due from customers for contract work		-	45,228
Retention monies receivable		-	58,007
Amounts due from jointly-controlled entities		151,687	141,744
Tax recoverable		58	1,288
Pledged deposits		-	78,172
Cash and cash equivalents		326,455	489,515
		1,884,267	2,032,449
Assets of a disposal group classified as held for sale	7	333,192	-
Total current assets		2,217,459	2,032,449
CURRENT LIABILITIES			
Trade payables and accrued liabilities	10	224,017	312,590
Customer deposits		300,384	195,825
Retention monies payable		-	19,286
Amounts due to related companies		47	10,028
Gross amounts due to customers for contract work		-	64,705
Amounts due to minority shareholders of subsidiaries		29,659	39,532
Dividend payable		22,055	-
Tax payable		60,778	73,562
Obligations under finance leases		-	2,376
Interest-bearing bank borrowings		1,054,615	796,797
		1,691,555	1,514,701
Liabilities directly associated with the assets classified as held for sale	7	267,618	-
Total current liabilities		1,959,173	1,514,701

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
NET CURRENT ASSETS	<u>258,286</u>	<u>517,748</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,488,800</u>	<u>4,632,628</u>
NON-CURRENT LIABILITIES		
Obligations under finance leases	-	2,354
Interest-bearing bank borrowings	1,102,632	1,386,195
Convertible bonds	270,948	262,361
Deferred tax liabilities	<u>182,632</u>	<u>167,837</u>
Total non-current liabilities	<u>1,556,212</u>	<u>1,818,747</u>
Net assets	<u>2,932,588</u>	<u>2,813,881</u>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	137,842	137,842
Reserves	1,373,267	1,295,859
Proposed final dividend	<u>-</u>	<u>22,055</u>
	<u>1,511,109</u>	<u>1,455,756</u>
Minority interests	<u>1,421,479</u>	<u>1,358,125</u>
Total equity	<u>2,932,588</u>	<u>2,813,881</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**Basis of preparation**

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2007 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed 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 March 2007.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2007, except in relation to the following new and revised 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 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

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

2. SEGMENT INFORMATION

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

Business segments

	Continuing operations										Discontinued operation		Consolidated	
	Garment		Property development		Property investment		Others		Total		Construction		Consolidated	
	Six months ended 30 September 2007		Six months ended 30 September 2006		Six months ended 30 September 2007		Six months ended 30 September 2006		Six months ended 30 September 2007		Six months ended 30 September 2006		Six months ended 30 September 2007	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	182,847	348,334	38,466	207,971	30,508	39,388	17,348	13,789	269,169	609,482	280,955	440,560	550,124	1,050,042
Segment results	21,441	16,679	(1,091)	37,557	123,282	87,414	4,933	2,167	148,565	143,817	(2,039)	(44,514)	146,526	99,303
Net income from investments									2,658	4,806	586	355	3,244	5,161
Unallocated corporate expenses									(3,853)	(3,532)	-	-	(3,853)	(3,532)
Finance costs									(48,057)	(54,731)	(3,678)	(2,683)	(51,735)	(57,414)
Gain on disposal of a subsidiary									-	-	116	-	116	-
Share of profits and losses of associates	-	(200)	-	-	-	-	4,784	(1,870)	4,784	(2,070)	-	-	4,784	(2,070)
Share of profits and losses of jointly-controlled entities	-	4,276	283	165	-	-	-	(4)	283	4,437	-	(3)	283	4,434
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries									-	82,190	-	-	-	82,190
Profit before tax									104,380	174,917	(5,015)	(46,845)	99,365	128,072
Tax									(32,510)	(26,470)	(1,080)	(6,983)	(33,590)	(33,453)
Profit for the period									71,870	148,447	(6,095)	(53,828)	65,775	94,619

Geographical segments

The following table provides an analysis of the Group's revenue by geographical market:

	<u>Continuing operations</u>		<u>Discontinued operation</u>		<u>Consolidated</u>	
	<u>Six months ended</u>		<u>Six months ended</u>		<u>Six months ended</u>	
	<u>30 September</u>		<u>30 September</u>		<u>30 September</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Hong Kong	85,522	51,105	199,842	295,753	285,364	346,858
Mainland China	2,422	207,092	-	-	2,422	207,092
Macau	-	-	81,113	144,807	81,113	144,807
Europe	142,091	139,041	-	-	142,091	139,041
North America	36,158	198,163	-	-	36,158	198,163
Others	2,976	14,081	-	-	2,976	14,081
	269,169	609,482	280,955	440,560	550,124	1,050,042

3. OTHER INCOME AND GAINS

	<u>Six months ended</u>	
	<u>30 September</u>	<u>2006</u>
	<u>2007</u>	<u>2006</u>
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	2,109	2,213
Other interest income	82	2,547
Dividend income from listed investments	17	17
Other property management income	-	1,843
Gain on disposal of investment properties	2,019	2,341
Fair value gain/(loss) on equity investments at fair value through profit or loss	441	(42)
Foreign exchange difference, net	3,525	1,834
Others	1,726	5,759
	9,919	16,512

4. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2007	2006	2007	2006	2007	2006
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Interest on:						
Bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	70,902	70,771	3,150	3,061	74,052	73,832
Amounts due to related companies	-	-	388	-	388	-
Finance leases	-	-	140	217	140	217
	70,902	70,771	3,678	3,278	74,580	74,049
Less: Amounts capitalised under property development projects	(22,845)	(16,040)	-	-	(22,845)	(16,040)
Amounts capitalised under construction contracts	-	-	-	(595)	-	(595)
	48,057	54,731	3,678	2,683	51,735	57,414

5. PROFIT BEFORE TAX

The Group's profit before tax from continuing and discontinued operation is arrived at after charging/(crediting):

	Six months ended	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment		
Owned assets	15,695	20,306
Assets held under finance leases	576	576
	16,271	20,882
Less: Amount capitalised in contract costs	(630)	(2,065)
	15,641	18,817
Amortisation of prepaid lease payments	214	202
Employee benefits expense (including directors' remuneration)	98,636	100,398
Less: Amount capitalised in contract costs	(41,906)	(34,612)
	56,730	65,786
Fair value gain/(loss) on equity investments at fair value through profit and loss	(441)	42
Bank interest income	(2,695)	(1,783)
Other interest income	(91)	(2,567)
Gain on disposal of investment properties	(2,019)	(2,341)
Gain on disposal of property, plant and equipment	(8,250)	-

6. TAX

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge for the period comprises:		
Current – Hong Kong		
Charge for the period	2,906	1,976
Under provision in prior periods	3	-
	2,909	1,976
Current – Outside Hong Kong	1,244	12,206
	4,153	14,182
Deferred	28,357	12,288
Total tax charge for the period	32,510	26,470

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. DISCONTINUED OPERATION

On 4 September 2007, the Group entered into a sale and purchase agreement to dispose Victory Leap Limited (together with its subsidiaries, the “Victory Leap Group”). Victory Leap Group operates the construction business of the Group including superstructure construction work and substructure foundation piling work. The disposal of Victory Leap Limited was completed on 26 October 2007. The Victory Leap Group was classified as a disposal group held for sale as at 30 September 2007.

The results of the Victory Leap Group for the period are presented below:

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	280,955	440,560
Cost of sales	(240,778)	(449,019)
Gross profit/(loss)	40,177	(8,459)
Other income	9,226	1,410
Administrative expenses	(54,156)	(44,260)
Fair value gain of an investment property	3,300	7,150
Finance costs	(3,678)	(2,683)
Gain on disposal of a subsidiary	116	-
Share of losses of a jointly-controlled entity	-	(3)
Loss before tax	(5,015)	(46,845)
Tax	(1,080)	(6,983)
Loss for the period	(6,095)	(53,828)

The major classes of assets and liabilities of the Victory Leap Group classified as held for sale as at 30 September 2007 are as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Property, plant and equipment	103,428	-
Investment property	23,800	-
Gross amounts due from customers for contract works	37,177	-
Trade receivables	50,693	-
Prepayments, deposits and other receivables	19,456	-
Retention monies receivable	58,202	-
Amount due from related companies	893	-
Tax recoverable	1,226	-
Pledged deposits	33,935	-
Cash and cash equivalents	4,382	-
	<hr/>	<hr/>
Assets classified as held for sale	333,192	-
Trade payables and accrued liabilities	69,894	-
Retention monies payable	15,215	-
Gross amounts due to customers for contract works	49,780	-
Amounts due to related companies	10,597	-
Amounts due to a jointly-controlled entity	162	-
Tax payable	85	-
Obligations under finance leases	3,561	-
Interest-bearing bank borrowings	100,644	-
Deferred tax liabilities	17,680	-
	<hr/>	<hr/>
Liabilities directly associated with the assets classified as held for sale	267,618	-
Net assets directly associated with the disposal group	<u>65,574</u>	<u>-</u>

The net cash flows attributable to the discontinued operation are as follows:

	Six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash inflow from operating activities	26	24,299
Net cash inflow/(outflow) from investing activities	10,892	(5,243)
Net cash outflow from financing activities	(10,212)	(15,771)
	<hr/>	<hr/>
Net cash inflow	<u>706</u>	<u>3,285</u>
Loss per share – Basic, from the discontinued operation	<u>0.95 cent</u>	<u>8.40 cents</u>

The calculation of basic and diluted loss per share from the discontinued operation are based on:

	Six months ended 30 September 2007 (Unaudited) HK\$	2006 (Unaudited) HK\$
Loss attributable to ordinary equity holders of the Company from the discontinued operation	HK\$5,245,000	HK\$46,319,000
Number of ordinary shares in issue during the period used in the basic loss per share calculation	<u>551,368,153</u>	<u>551,368,153</u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company and the number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds of a subsidiary and the dilution effect on earnings assuming there is a full conversion of the convertible bonds of a subsidiary where applicable (see below). The number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation.

The calculation of basic and diluted earnings per share are based on:

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	44,934	100,236
From a discontinued operation	<u>(5,245)</u>	<u>(46,319)</u>
	39,689	53,917
Interest on convertible bonds of a subsidiary, net of tax	11,126	5,572
Bond issue expenses of a subsidiary written off, net of tax	-	(5,989)
Dilution of earnings arising from the full conversion of convertible bonds of a subsidiary	<u>(9,828)</u>	<u>(5,189)</u>
Profit/(loss) attributable to ordinary equity holders of the Company after the full conversion of convertible bonds of a subsidiary	<u>40,987*</u>	<u>48,311</u>
Attributable to:		
Continuing operations	46,232	94,630
Discontinued operation	<u>(5,245)</u>	<u>(46,319)</u>
	<u>40,987</u>	<u>48,311</u>

* Because the diluted earnings per share amount is increased when taking convertible bonds of a subsidiary into account, the convertible bonds of a subsidiary had an anti-dilutive effect on the basic earnings per share for the period. Therefore, no diluted earnings per share amount is disclosed.

9. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade receivables, based on the invoice date, is as follows:

	As at	As at
	30 September	31 March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 1 month	57,267	82,643
1 to 2 months	4,000	9,810
2 to 3 months	1,145	5,292
Over 3 months	<u>561</u>	<u>10,130</u>
Total	<u>62,973</u>	<u>107,875</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. 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.

10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK\$26,452,000 (as at 31 March 2007: HK\$75,041,000). An aged analysis of the trade payables, based on the invoice date, is as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within 1 month	15,438	36,978
1 to 2 months	3,826	16,942
2 to 3 months	2,337	7,663
Over 3 months	4,851	13,458
	<hr/> 26,452 <hr/>	<hr/> 75,041 <hr/>
Total	26,452	75,041

11. POST BALANCE SHEET EVENT

On 4 September 2007, Chinney Contractors Company Limited as vendor, the Company and Mr. Zuric Yuen-Keung Chan as the vendor's guarantors, Chinney Alliance Trading (BVI) Limited as purchaser and Chinney Alliance Group Limited ("Chinney Alliance") as purchaser's guarantor entered into an agreement in relation to the sale and purchase of the entire issued share capital of Victory Leap Limited for a total consideration of HK\$92,865,000. Chinney Contractors Company Limited is an 86.05% owned subsidiary of the Company whereas Chinney Alliance Trading (BVI) Limited is a wholly-owned subsidiary of Chinney Alliance. Victory Leap Group owns the construction business of the Group. The transaction was approved by the shareholders of the Company on 16 October 2007 and completed on 26 October 2007.

12. COMPARATIVE AMOUNTS

On classification of the Group's construction segment as discontinued operation in the current period, certain comparative amounts in the financial statements have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2007.

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, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2007.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2007, 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 16 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. The terms of reference of the remuneration committee and audit committee of the Company are available from the Company Secretary on request and not yet ready on the Company’s website as stipulated in CG Code provisions B.1.4 and C.3.4.

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 30 September 2007 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\$2,532 million as at 30 September 2007 (as at 31 March 2007: HK\$2,450 million), of which approximately 46% of the debts were due and repayable within one year. Total cash and bank balances including time deposits were approximately HK\$365 million as at 30 September 2007 (as at 31 March 2007: HK\$568 million). Total shareholders' funds as at 30 September 2007 was approximately HK\$1,511 million (as at 31 March 2007: HK\$1,456 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK\$2,167 million over the total shareholders' funds plus minority interests of approximately HK\$2,933 million, was 74% as at 30 September 2007 (as at 31 March 2007: 67%). The Group's apparent high gearing ratio is primarily due to consolidating all debts of Hon Kwok Land Investment Company, Limited ("Hon Kwok"), a 52.62% owned but separately listed subsidiary of the Group. 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 18% (as at 31 March 2007: 15%).

The Group had a total of HK\$681 million committed but undrawn banking facilities at period end available for its working capital purpose.

Funding and treasury policy

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 Canadian dollars and bear interest at floating rates, except for the Renminbi loan facilities and convertible bonds.

Pledge of assets

Bank balances, plant and machineries, properties and shares of an associate with an aggregate book value of HK\$4,542 million as at 30 September 2007 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 31 March 2007. There was no significant change to the contingent liabilities of the Group as disclosed in the annual report of the Group for the year ended 31 March 2007.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 1,500 people as at 30 September 2007. 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 30 September 2007 were HK\$269 million (2006: HK\$609 million) and HK\$40 million (2006: HK\$54 million), respectively. Earnings per share were 7.20 cents (2006: 9.78 cents).

The decrease in turnover was mainly due to a garment operation with manufacturing base in Indonesia being disposed in October 2006 and the drop in turnover contribution from Hon Kwok, a non-wholly owned subsidiary of the Company with property businesses mainly in Hong Kong and Mainland China.

The profit in prior period included a gain of HK\$29 million derived from the Company's purchase of additional shares in Hon Kwok at discount to the net asset value. Excluding this, the prior period's profit would have been HK\$25 million, versus a net profit of HK\$40 million in the current period. The reduced loss in our construction business and increased profit from our garment operation has more than offset the reduced profit in Hon Kwok during the period.

BOARD CHANGES

As announced, Mr. James C. Chen has been appointed whereas Mr. Johnny Chung-Ah Wong has resigned as an independent non-executive director of the Company, both with effect from 15 November 2007. Pursuant to the board changes, Mr. James C. Chen was appointed as a member and chairman of the audit committee and a member of the remuneration committee on 15 November 2007 to fill the casual vacancy arising from the resignation of Mr. Johnny Chung-Ah Wong.

Taking this opportunity, the Board would like to express its sincere gratitude to Mr. Johnny Chung-Ah Wong for his guidance and valuable contributions to the Company since 2003 and welcome Mr. James C. Chen to the Board.

REVIEW OF OPERATIONS

Property

Hon Kwok, a 52.62% owned subsidiary of the Company, reported turnover of HK\$86 million (2006: HK\$261 million) and a net profit of HK\$57 million (2006: HK\$109 million). The decrease in turnover was mainly due to minimal turnover contribution from Hon Kwok's property development activities during the period. For the same period last year, there was a turnover contribution of HK\$205 million from the sales of remaining units of City Square, a residential and commercial project in the Luohu District of Shenzhen. The profit of Hon Kwok in prior period included a gain of HK\$51 million derived from the buyout of minority interests in a subsidiary. Excluding this, the prior period's profit of Hon Kwok would have been HK\$58 million, versus a net profit of HK\$57 million in the current period. Profit of Hon Kwok in both periods included revaluation gain from an increase in fair value of investment properties at period end. The gain, net of deferred taxation, amounted to HK\$87 million in the period (2006: HK\$57 million).

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

Construction

The Construction Division, in which the Group owned 86.05% during the period, reported turnover of HK\$281 million (2006: HK\$441 million) and a net loss of HK\$6 million (2006: HK\$54 million). The loss has been narrowed, as margin has seen to improve and there was no huge provision for contract losses as the HK\$38 million provision in the prior period. A special gain of HK\$8 million arising from the disposal of certain plant and machinery in July 2007 (the “Gain”) also somewhat enhanced the bottom line.

On 4 September 2007, Chinney Contractors Company Limited entered into agreement to dispose the entire issued share capital of Victory Leap Limited to Chinney Alliance for a consideration of about HK\$93 million. Chinney Contractors Company Limited is a company beneficially owned 86.05% by the Company and 13.95% by Mr. Zuric Yuen-Keung Chan, a senior management of the Group. Victory Leap Limited is a holding company for the Construction Division. The consideration of HK\$93 million, of which HK\$53 million payable by way of cash or account set-off on or before completion and the remaining HK\$40 million by way of a 5% promissory note repayable within three years from the date of completion, was determined by reference to the aggregate net assets of the Construction Division of HK\$76.6 million as at 31 March 2007 and adjusted for the surplus of HK\$12.2 million arising from the independent valuation of real estate properties to their fair values as at 30 June 2007, the surplus of HK\$12.9 million arising from the independent valuation of certain plant and machinery to their fair values as at 30 June 2007, the operating loss of the Construction Division of HK\$17 million for the three months ended 30 June 2007 and the Gain. The disposal was a reflection of the directors’ strategy to streamline the businesses of the Group, which enabled the Group to consolidate all its construction business under Chinney Alliance for more efficient management and to realise cash for general working capital of the Company. The disposal constituted a major and connected transaction to the Company under the Listing Rules, as Chinney Alliance is a company beneficially owned 29.1% by the Company and 25.9% by Mr. James Sai-Wing Wong, the Chairman of the Group. The disposal, being approved by the independent shareholders of both the Company and Chinney Alliance, completed on 26 October 2007. For details of the transaction, please refer to the Company’s announcement dated 4 September 2007, the Company’s circular dated 25 September 2007 and the Company’s announcement dated 16 October 2007.

In accordance with the Hong Kong Financial Reporting Standard, the Group presented the results of the Construction Division in both the current and prior period as a separate item on the face of the income statement and the aggregate assets and the aggregate liabilities of the Construction Division as at 30 September 2007 as separate items on the face of the balance sheet.

Garment

The Garment Division reported turnover of HK\$183 million (2006: HK\$348 million) and a net profit of HK\$20 million (2006: HK\$15 million). The Group disposed of its garment operation in Indonesia in October 2006 in view of the loss in competitiveness over there following the abolishment of the quota system, the uprising of Mainland China as the world factory and the increasingly stringent labour law requirements in Indonesia. The Indonesian operation, which had been in losses since 2003, accounted for turnover of HK\$157 million and a net loss of HK\$2.5 million in the prior period.

Taking out the Indonesian operation, the JL Group, which produces fashionable garment in Mainland China for customers mainly in Europe, recorded turnover of HK\$183 million (2006: HK\$191 million) and a net profit of HK\$20 million (2006: HK\$17 million). JL Group combated the difficult operating environment caused by the rising labour costs in Mainland China and the appreciation of Renminbi and maintained its solid performance through concentration of sales effort on high-value customers and efficient cost management.

Trading

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 services. Chinney Alliance reported turnover of HK\$762 million (2006: HK\$519 million) and a net profit of HK\$16 million (2006: net loss of HK\$6.6 million) for the six months ended 30 June 2007. The increase in turnover was mainly due to revenue from the building related contracting services acquired in March 2006. The loss in prior period included loss on disposal of a former associate of HK\$6.2 million and share of the loss of the associate of HK\$1.2 million. The profit in current period included a gain of HK\$12 million arising from an increase in fair value of the equity investments. Excluding these, Chinney Alliance would have reported a profit of HK\$4.5 million for the six months ended 30 June 2007, versus a profit of HK\$0.8 million for the same period last year. The profit contribution from the beefed up building related contracting services offset the reduced profit from our plastic trade, the margin of which has been under pressure at times of rising oil prices.

As mentioned above, Chinney Alliance acquired the Construction Division of the Group for a consideration of HK\$93 million. The acquisition was funded partly by the internal resources of Chinney Alliance and partly by the issuance of a 5% promissory note with a principal amount of HK\$40 million repayable on 25 October 2010. The acquisition, considered to be complementary to the building related contracting services, enabled Chinney Alliance to provide a full range of construction services from foundation, superstructure, curtain walls to building related electrical and mechanical engineering works for clients in both the private and public sectors in Hong Kong and Macau.

OVERVIEW

Upon disposal of garment manufacturing in Indonesia and construction business in Hong Kong, both of which had incurred substantial losses in the past few years, the remaining businesses within the Group are profitable and expected to improve in the coming year. With the rapid growth of the financial market in Hong Kong during the past two years, the Group intends to divest its resources into financial instruments rather than to invest in operating subsidiaries. The Board is therefore optimistic about the future prospects of the Group.

PUBLICATION OF INTERIM REPORT

The Company's interim report for 2007/2008 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.chinney.com.hk in due course.

James Sai-Wing Wong
Chairman

Hong Kong, 14 December 2007

As at the date hereof, the directors of the Company are 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 Dr. Clement Kwok-Hung Young, Mr. Peter Man-Kong Wong and Mr. James C. Chen.