
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in **Chinney Investments, Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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建業實業有限公司
Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code 216)

CONNECTED AND DISCLOSEABLE TRANSACTION

**DISPOSAL OF THE ENTIRE INTERESTS IN
GATEWAY GROUP HOLDINGS LIMITED
AND ROYAL TREASURE LIMITED
(TOGETHER WITH THE ASSIGNMENT
OF RELATED SHAREHOLDER'S LOAN)**

15th August, 2006

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:

“Agreement”	the agreement dated 24th July, 2006 entered into between the Company and the Purchaser in relation to the disposal of the Sale Shares and the assignment of the Loan to the Purchaser
“Announcement”	the announcement dated 25th July, 2006 issued by the Company in relation to the disposal of the Sale Shares and the assignment of the Loan
“Board”	the board of directors of the Company
“Business Day”	means a day other than Saturday or Sunday on which banks are normally open for business in Hong Kong
“Chinney Alliance”	Chinney Alliance Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Chinney Holdings”	Chinney Holdings Limited, a company incorporated in Hong Kong with limited liability and which is the holding company of the Company currently holding approximately 55.67% of the issued share capital of the Company
“Company”	Chinney Investments, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares and the assignment of the Loan under the Agreement
“Gateway”	Gateway Group Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and which is currently a direct wholly-owned subsidiary of the Company
“Gateway Group”	Gateway together with its subsidiaries and jointly-controlled entities
“Group”	the Company and its subsidiaries
“Hon Kwok”	Hon Kwok Land Investment Company, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Hon Kwok Group”	Hon Kwok and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Latest Practicable Date”	8th August, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the total shareholder’s loan of approximately HK\$60.2 million owing by Gateway to the Company, which is non-interest bearing.
“Lucky Year”	Lucky Year Finance Limited, a company incorporated in the British Virgin Islands with limited liability
“Property”	the whole of 4th Floor and parking spaces no. 5 and 12 on Ground Floor, Precious Industrial Centre. 18 Cheung Yue Street, Cheung Sha Wan, Kowloon
“Purchaser”	Grow Ahead Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“Royal Treasure”	Royal Treasure Limited, a company incorporated in Hong Kong with limited liability and which is currently a direct wholly-owned subsidiary of the Company
“Sale Shares”	the entire issued share capital in Gateway and Royal Treasure held by the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



建業實業有限公司
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Directors:

James Sai-Wing Wong (*Chairman*)
Madeline May-Lung Wong
William Chung-Yue Fan
Herman Man-Hei Fung (*Managing Director*)
Clement Kwok-Hung Young*
Johnny Chung-Ah Wong*
Peter Man-Kong Wong*

Registered office:

18th Floor
77 Des Voeux Road Central
Hong Kong

* *Independent Non-executive Directors*

15th August, 2006

To the Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

**DISPOSAL OF THE ENTIRE INTERESTS IN
GATEWAY GROUP HOLDINGS LIMITED
AND ROYAL TREASURE LIMITED
(TOGETHER WITH THE ASSIGNMENT
OF RELATED SHAREHOLDER'S LOAN)**

1. INTRODUCTION

Reference is made to the Announcement in which the Board announced that on 24th July, 2006, the Company as vendor has entered into the Agreement with the Purchaser for the disposal of the entire issued share capital of Gateway and Royal Treasure and the assignment of the Loan to the Purchaser for an aggregate cash consideration of HK\$8,600,000.

The Disposal constitutes a connected and discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information regarding the Disposal and other information prescribed by the Listing Rules.

2. THE AGREEMENT

Pursuant to the Agreement, the Company agreed to dispose the Sale Shares and to assign the Loan to the Purchaser.

(a) Date

24th July, 2006

LETTER FROM THE BOARD

(b) Parties

Vendor : the Company

Purchaser : Grow Ahead Enterprises Limited

(c) Information on Gateway and Royal Treasure

(i) Gateway

Gateway is an investment holding company and its subsidiaries and jointly-controlled entities are mainly engaged in garment manufacturing and trading.

The net loss before and after tax attributable to Gateway for the year ended 31st March, 2006 were both approximately HK\$49 million. The net loss before and after tax attributable to Gateway for the year ended 31st March, 2005 were both approximately HK\$26.8 million. The net liabilities of Gateway as at 31st March, 2006 is HK\$51.2 million.

(ii) Royal Treasure

Royal Treasure is a company holding the Property for office use by the Gateway Group. The net loss before and after tax attributable to Royal Treasure for the year ended 31st March, 2006 were both approximately HK\$290,000. The net profit before and after tax attributable to Royal Treasure for the year ended 31st March, 2005 were approximately HK\$190,000 and HK\$130,000 respectively. The net liabilities of Royal Treasure as at 31st March, 2006 is HK\$0.4 million.

Following completion of the Agreement, the Company will no longer have any shareholding interests in Gateway and Royal Treasure.

(d) Consideration

The aggregate consideration for the disposal of the Sale Shares and the assignment of the Loan is HK\$8,600,000. The consideration for the Sale Shares and the Loan was agreed after arm's length negotiations between the parties, taking reference to total net liabilities of Gateway and Royal Treasure and the Loan to be assigned. The consideration of HK\$8,600,000 will be payable in the following manner:

- i. a deposit of HK\$860,000 has been paid upon signing of the Agreement; and
- ii. the balance of the consideration of HK\$7,740,000 will be paid on completion of the Agreement or three months after the date of the Agreement, whichever is the later.

In the event that completion cannot take place through no fault of either party, the Agreement will be terminated and the deposit will be refunded to the Purchaser.

LETTER FROM THE BOARD

(e) Completion

The Company has given comfort letters to banks pursuant to the granting of banking facilities to the Gateway Group, which require consent be obtained or notice be given in case of disposal of the Gateway Group. Thus, the completion of the Agreement is subject to the relevant banks granting the consent to the entry into and/or the implementation of the Agreement.

The completion of the Agreement will take place on the fifth Business Day after fulfillment of the above condition and in any event no later than 3 months from the date of the Agreement (or such later date as the parties may agree in writing).

3. FINANCIAL EFFECTS OF THE DISPOSAL

The combined audited net assets of the Gateway Group and Royal Treasure (including the Loan to be assigned) was HK\$8.6 million as at 31st March, 2006. As a result, there is no material gain or loss on the Disposal, as determined by reference to the carrying value of the net assets of the Gateway Group and Royal Treasure as at 31st March, 2006.

The financial effects of the Disposal on the Group are expected to be (a) a decrease in current assets of approximately HK\$168 million; and (b) a decrease in current liabilities of approximately HK\$160 million.

4. REASONS AND BENEFITS FOR THE DISPOSAL

The Directors believe that the Disposal represents a good opportunity for the Group to realise its investment and reallocate its resources to the other business activities of the Group. The Disposal will further strengthen the financial position of the Group and enhance its cashflow. The proceeds from the Disposal will be used as general working capital for the Group. The Group has not identified any projects for the use of the proceeds.

The consideration of HK\$8,600,000 was negotiated between the parties on an arm's length basis. The Directors (including the independent non-executive directors) considered that the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. INFORMATION ON THE COMPANY

The Company is an investment holding company. Its subsidiaries are mainly engaged in property development, property investment, superstructure construction work, foundation piling, garment manufacturing and trading and general investment.

6. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands and is principally engages in investment.

The Purchaser is a company beneficially owned and controlled by Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong, both are directors and substantial shareholders of the Company.

LETTER FROM THE BOARD

7. IMPLICATIONS UNDER THE LISTING RULES

The Purchaser is a connected person of the Company by virtue of the fact that it is a company beneficially owned and controlled by Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong, both are directors and substantial shareholders of the Company. Accordingly, the Disposal constitutes a connected and discloseable transaction for the Company under the Listing Rules. As the applicable percentage ratios as defined in the Listing Rules are more than 5% but less than 25% and the consideration is less than HK\$10 million, the Disposal is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

8. ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the appendix of this circular.

Yours faithfully,
By Order of the Board
James Sai-Wing Wong
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

2.1 Directors' interests and short positions in the shares and underlying shares of the Company

As at the Latest Practicable Date, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered into the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the ordinary shares of the Company

Name of director	Note	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	1	Corporate	306,959,324	55.67
Madeline May-Lung Wong	1	Corporate	306,959,324	55.67
William Chung-Yue Fan		Personal	1,882,285	0.34

(b) Long positions in the ordinary shares of associated corporations of the Company

Name of director	Notes	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
James Sai-Wing Wong	2	Hon Kwok	Corporate	241,706,553	60.39
	2	Chinney Alliance	Corporate	46,158,319	29.10
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Chinney Holdings	Personal	100,000	1.00
		Lucky Year	Personal	10,000	50.00
Madeline May-Lung Wong	2	Hon Kwok	Corporate	241,706,553	60.39
	2	Chinney Alliance	Corporate	46,158,319	29.10
	3	Chinney Holdings	Corporate	9,900,000	99.00
		Lucky Year	Personal	10,000	50.00
William Chung-Yue Fan	4	Wise Pacific Investment Limited	Corporate	2,000	20.00

(c) Interests in the underlying shares of associated corporation of the Company

Pursuant to the share option scheme of Chinney Alliance, Mr. Herman Man-Hei Fung has options to subscribe for 320,000 shares in Chinney Alliance at an exercise price of HK\$1.75 per share, subject to adjustment. The options were granted on 13th July, 1999 and can be exercised up to 12th July, 2009.

Notes:

1. *These shares are beneficially held by Chinney Holdings which is a subsidiary of Lucky Year. Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are directors and beneficially own more than one third of the equity capital of Lucky Year.*
2. *These shares are beneficially held by the Company or its wholly-owned subsidiary. By virtue of note 1, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are deemed to be interested in these shares.*
3. *These shares are beneficially held by Lucky Year. By virtue of note 1, Mr. James Sai-Wing Wong and Madam Madeline May-Lung Wong are deemed to be interested in these shares.*
4. *These shares are held by Gold Sound Enterprises Limited, of which Mr. William Chung-Yue Fan is both a director and shareholder.*

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

2.2 Other persons' interests and short positions in shares and underlying shares of the Company and other members of the Group

As at the Latest Practicable Date and so far as is known to the Directors, the following persons (not being the Directors) had or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of ordinary shares held	Approximate percentage of shareholding
Chinney Holdings	306,959,324	55.67
Lucky Year	306,959,324	55.67

All the interests stated above represent long positions. Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.

As at the Latest Practicable Date and so far as is known to the Directors, the following persons (not being the Directors) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of Shareholder	Name of member of the Group in which interest held	Approximate percentage of equity interested
Zuric Yuen-Keung Chan	Chinney Contractors Company Limited	13.95
Shenzhen Yujianye Development Co., Ltd. (深圳市御建業實業發展有限公司)	Guangzhou Honkwok Fuqiang Land Development Limited	30
Wintop International Investments Limited	Guangzhou Honkwok Fuqiang Land Development Limited	10
Guangzhou Hengsheng Group Co., Ltd. (廣州市恒生集團有限公司)	Guangzhou Honkwok Hengsheng Land Development Limited	25
Metro Corporation Indonesia Limited	Metro Gateway Concept (HK) Limited	49
Guangdong Guangkong Group Co., Ltd. (廣東廣控集團有限公司)	Shenzhen Guanghai Investment Co., Ltd.	20
Gold Sound Enterprises Limited	Wise Pacific Investment Limited	20
Lee Nam	Wise Pacific Investment Limited	20

Save as disclosed herein and as at the Latest Practicable Date, none of the Directors was aware of any person (not being the Directors) had or was deemed or taken to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, Madam Madeline May-Lung Wong is a director of HKR International Limited. HKR International Limited carries out property development, property investment, property management services, healthcare services, treasury investment and manufacturing. Madam Madeline May-Lung Wong is therefore regarded as being interested in a competing business of the Group.

Save as disclosed above, none of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

- (a) Certain subsidiaries of Chinney Contractors Company Limited (a 86.05% owned subsidiary of the Company) were involved in legal proceedings or claims against them in the ordinary course of their respective business activities. The aggregate amount of claims, including estimated legal costs, resulting from such contingent liabilities was approximately HK\$31,004,000 as at the Latest Practicable Date. The Directors consider that, after taking into account of the legal advices obtained, these proceedings and claims were made without valid grounds and accordingly, no provision for any potential liabilities is considered necessary.
- (b) On 20th April, 1996, a writ was filed against a wholly-owned subsidiary of Hon Kwok, Joint Peace Investment Limited ("Joint Peace"), regarding an alleged disparity between the pavement and the ground floor level of the building at 18-22 Percival Street, junction of Jaffe Road, Causeway Bay, Hong Kong. The amount claimed, excluding minor construction and related costs, was either HK\$41,000,000 or HK\$69,300,000, representing the claim for loss of rental income or loss of interest on the purchase price, over a period of 12 months. A defence to contest this claim was filed on 22nd July, 1996.

On 2nd December, 1997, the plaintiff of this claim was allowed to amend the Writ of Summons and the Statement of Claim dated 20th April, 1996. Under advice by Hon Kwok's solicitors, an Amended Defence in respect thereof was filed by Joint Peace on 30th December, 1997. On the same date, a Request for Further and Better Particulars of the Amended Statement of Claim was sent by Joint Peace's solicitors to the plaintiff's solicitors.

Following consultation with Hon Kwok's legal advisers (in their capacity as the legal advisers of Joint Peace), the Directors have formed the view that the amended claim was unlikely to succeed and were therefore of the opinion that no provision regarding this claim is necessary. The plaintiff was dissolved on 5th November, 2004 pursuant to a court order.

Save as disclosed aforesaid, as at the Latest Practicable Date, the Directors are not aware that any of the respective members of the Group were engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened by or against any respective members of the Group.

6. GENERAL

- (a) The company secretary of the Company is Ms. Wendy Yuk-Ying Chan. She is a fellow of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The qualified accountant of the Company is Ms. Louisa Kai-Nor Siu. She is a fellow of the Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is at 18th Floor, 77 Des Voeux Road Central, Hong Kong.
- (d) The Company's share registrar is Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (e) The English language text of this circular shall prevail over the Chinese language text.