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蜆壳電器工業（集團）有限公司
SHELL ELECTRIC MFG. (HOLDINGS) CO. LTD.

Interim Report

2005

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Chairman's Statement

PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited consolidated net profit attributable to the shareholders of the Company for the first half of 2005 amounted to HK\$79,219,000. Earnings per share were 17.61 cents.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of 4 cents per share (2004: 3 cents per share) in respect of the year 2005 to shareholders whose names appear on the Register of Members of the Company on 14th October, 2005. Warrants for the interim dividend will be posted on 25th October, 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 12th October, 2005 to Friday, 14th October, 2005, both days inclusive, during which period no transfer of the Company's shares will be effected. In order to qualify for the interim dividend, all share certificates with the duly completed transfer forms must be lodged with the Company's Registrars, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 10th October, 2005.

BUSINESS REVIEW

Electrical Household Appliances: Ceiling Fans, Table Fans and Vacuum Cleaners

The Group's ceiling fans sales recorded a small decrease compared with the prior year period, and gross profit has also decreased slightly. While orders from the European and U.S. markets in the period were affected by the cool weather in 2004, orders from the Middle East and African markets recorded an increase. The Group's focused effort in developing high-end models is showing results, these models are well received by customers and it is expected that the division's average sales price and gross margin performance can be improved.

The Group's table fans business recorded a sales drop compared with the prior year period. Due to an unbudgeted rise of raw material prices, only a small profit was recorded. Activities during the low season in the second half of the year will slow down and fierce competition will persist.

The business of the vacuum cleaner division was slow in the first half of the year. Strong improvement will result as two new models under contract manufacturing agreement will boost sales and profits in the second half of 2005.

Optics and Imaging

During the first half of 2005, sales & production volume of laser scanners have grown in excess of 60% and 70% respectively and the fuser component production has started to get into mass production. As more advanced models are being developed gradually, the Group expects healthy growth in this business and higher revenue and profit contributions will be generated.

Electric Wire and Cable

The Group's 98% owned Guangdong Macro Cables Company Limited has turned profitable in the first half of the year. Reduction in depreciation & amortization expenses resulting from the rationalization of the factory's operations has contributed to the improved results. Business is expected to remain difficult in 2005 as material prices and production costs remain at high levels.

Stainless Steel Welded Tubes Products

The Group's 90.1% owned Shunde Hua Feng Stainless Steel Welded Tubes Limited recorded a small profit in the first half of the year. In September, 2005, the company entered into a conditional agreement for the sale of its production equipment and transfer of its operation staff team to an independent third party. The company will lease the existing factory premises to the buyer upon completion of the transaction. This divestiture is in line with the Group's strategy to rationalize its resources and focus on strengthening its strategic market position in its core businesses.

Taxi Operation

The SMC taxi company continues to produce strong cash flow from the operation of its 775 taxi licenses and fleet, it has made positive contribution to the Group's overall cash flow. Since October, 2004, the Guangzhou Transportation Authority has temporarily suspended registration for transfer of taxi licenses, and this has affected the company's progress in acquiring additional licenses.

BUSINESS REVIEW (continued)**Real Estate Investment & Development**

The 80 storey and 395 meters high Citic Plaza in Guangzhou, the 7th tallest building in the world, continues to attract quality tenants from multi-national and Fortune 500 companies, lease renewals have also enjoyed stable rate increases. The Guangzhou Metro Line is constructing a subway station on its No. 3 line (the CITIC Plaza Station) which connects to the main entrance of CITIC Plaza; the station is expected to bring in new traffic for the shopping center when it opens in late June of 2006. Taking advantage of strong interests in the market for top end offices, the Group has taken advantage of this uptrend and disposed of a number of office units in the upward trend.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution.

Rental from the office complex in Livermore, California is still affected by the over supply conditions in the regional market. Several new leases have been signed and the vacancy rate has been reduced to about 25% recently.

In January, the Group invested in 20% interest in a property project in Guangzhou. The total gross floor area of the project is estimated to be 127,000 m² consisting of a five-star hotel, an office tower and a shopping mall. In May, the hotel division has successfully entered into an agreement with Starwood Hotels & Resorts Worldwide, Inc. for the management and operation of the hotel under the "Westin" brand. The structural construction work of the project composing 43 storeys has been completed up to level 27 as at the end of August this year. The office block is expected to complete for occupation by the forth quarter of 2006 and the hotel shall commence operation by the first quarter of 2007.

During the year, the Group acquired 56% indirect interests in China Everbright Real Estate Development Limited, a property development company in the PRC. The acquisition represents a strategic addition and will greatly enrich the Group's business opportunities in the property sector in the PRC. The company's current project portfolio consists of six ongoing developments in progress located in Guangzhou, Beijing, Hefei and Shanghai. Total gross floor area from projects under development and projects held for future development is approximately 1.3 million m² and is composed of various residential, office, and commercial property projects. These projects are progressing according to plan, based on current market conditions the company is expected to make reasonable profit contributions to the Group as each of these projects progresses. The company will continue to look out for favourable purchase opportunities to strengthen its land bank reserve.

Technology Investment Projects***Internet Automatic Migration Software for Enterprises***

Appeon Corporation under the newly appointed CEO is executing a new partnership strategy. The strategy not only delivers migration tool platform to the client server solution market and it also provides additional value stacks of outsourcing migration services; application maintenance and support services; and new application solution development services for the ISV (Independent Software Vendor) installed base. The new strategy will build a viable long term recurring revenue stream as well as higher average sales revenue per customer. The Appeon for Power Builder 3.0 product was released in April, 2005 and received strong responses from partners and customers. The new product is up to five times faster than the former 2.8 version. To take advantage of this new momentum the management team is strengthening the company brand and awareness in the global market. The company is bringing in new talents to strengthen the sales and marketing team as well as the professional services consulting teams. The field offices in North America; and Asia Pacific and Japan were set up and would enable the company to serve the individual markets more directly. The company is confident to meet the sales target in 2005.

Super Blade Computing System

Galacting Computing has completed the installation and testing of a 4.0 Teraflops supercomputing blade system in Shenzhen, China. Apart from being ranked as the 3rd fastest China made supercomputer in the country, this supercomputer is also rated as the world's highest efficiency supercomputer based on Intel® Xeon™ Processors and Mellanox InfiniBand Interconnect and has attained the World's 100th fastest supercomputer ranking under the international standard, HPLinpack test. This ranking was recorded on the 25th TOP500 List released during the 20th International Supercomputer Conference held in Heidelberg, Germany in June (<http://www.top500.org>). Meanwhile, the company is working closely with various PRC government departments to finish performance testing and is optimistic to secure orders and support soon.

BUSINESS REVIEW (continued)

Technology Investment Projects (continued)

System Integration and Software Development

The Group's 26.66% owned MDCL-Frontline (China) Limited continues to develop its low end hardware trading business and expand its distribution network. Its applications systems and software services business have been productized. The company maintained profitability in the first half of the year and a slight increase in full year results is expected.

Broadband Communication IC

In May, 2005, Broadband Physics successfully demonstrated and verified its Sub-band Division Multiplexing Wavelet Engine performance in a cable system validation test using its Field Programmable Gate Array (FPGA) implementation. The company is in discussion with potential investors and the Group on new financing proposals for its next development stage to extend its technology acceptance in the cable industry.

Electronic Integrated Rectifier Chips

The product range of SBR™ chips continues to expand and offer customers more complete selections for broad applications. The company expects to generate more attention as it can now react to sample requests much quicker than before. Using APD's patented technology the SBR™ rectifiers can minimize power loss in customer systems, increase efficiency of power supplies and performance of other power devices substantially. With the recently accomplished procurement cost reductions and the product's unique technical performance excellence, the Company will become more competitive and will attack the market aggressively.

Financial Investment

For six months ending 30th June, 2005, the world's major stock markets experienced a mild drop. The Group's financial investment activities have also recorded losses of approximately HK\$4,661,000 and the market value of the Group's investment holdings amounted to HK\$210,605,000.

By Order of the Board

BILLY K YUNG

Chairman

Hong Kong, 22nd September, 2005

DIRECTORS' INTEREST

(a) Long position in shares of the Company

As at 30th June, 2005, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

| Name of director | Capacity | Nature of interests | Number of ordinary shares beneficially owned | Aggregate long position | Percentage of aggregate long position in shares to the issued shares capital of the Company |
|--------------------------|---|---------------------|--|-------------------------|---|
| Mr. Billy K Yung | Interest of child under 18 or spouse (Note 1) | Other | 181,496,084 | 182,516,084 | 36.47% |
| | Interest held jointly with another person | Other | 1,020,000 | | |
| Dr. Leo Tung-Hai Lee | Beneficial owner | Personal | 306,382 | 306,382 | 0.06% |
| Mr. Peter Lam | Beneficiary of a trust (Note 2) | Other | 1,300,000 | 1,300,000 | 0.26% |
| Madam Yung Ho Wun Ching | Beneficial owner | Personal | 53,196,300 | 63,196,300 | 12.63% |
| | Interest of spouse (Note 3) | Family | 10,000,000 | | |
| Mr. Leung Chun Wah | Beneficial owner | Personal | 1,799,400 | 1,799,400 | 0.36% |
| Mr. Plato Poon Chak Sang | Beneficial owner | Personal | 739,200 | 739,200 | 0.15% |
| Mr. Simon Yung Kwok Choi | Beneficial owner | Personal | 39,147,911 | 43,677,351 | 8.73% |
| | Interest of controlled corporation (Note 4) | Corporate | 3,529,440 | | |
| | Interest of spouse (Note 5) | Family | 1,000,000 | | |

Notes:

- (1) These shares are held by a trust for the benefit of Mr. Billy K Yung's family members.
- (2) These shares are held by a trust for the benefit of Mr. Peter Lam.
- (3) This interest represents the holding of shares held by the late Dr. Yung Yau.
- (4) These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.
- (5) This interest represents the holding of shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

(b) Disclosure of other interest

- (i) Certain directors held shares in subsidiaries as trustees for the Company.
- (ii) During the period ended 30th June, 2005, the Group's wholly owned subsidiary, Extra-Fund Investment Limited, entered into securities trading transactions with Tung Tai Securities Co., Ltd. of which the Group's independent non-executive director, Dr. Leo Tung-Hai Lee is both a director and a substantial shareholder. The transactions were conducted on an arm's length basis and gave rise to a broker's commission of approximately HK\$1,000 for the six months ended 30th June, 2005 (Six months ended 30th June 2004: HK\$18,000).

Other than as disclosed above and in the section headed "Share Option Scheme" below, none of the directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 30th June, 2005.

SHARE OPTION SCHEME**(a) Share option to subscribe Company's shares**

At the annual general meeting of the Company held on 11th May, 2005, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") for a period of 10 years commencing on the adoption date. Since 11th May, 2005, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period since adoption.

(b) Share option to subscribe for shares in Appeon Corporation

| Grantee | Date of grant | Period during which options are exercisable | Subscription price per share US\$ | Number of share options | | | As at 30.6.2005 |
|---------------------|-------------------------|---|-----------------------------------|-------------------------|-----------------------------|---------------------------|-----------------|
| | | | | As at 1.1.2005 | Cancelled during the period | Granted during the period | |
| Mr. Billy K Yung | 09.06.2003 | 09.06.2003 – 10.11.2012 | 2.50 | 6,750 | – | – | 6,750 |
| | 09.06.2003 | 01.10.2003 – 10.11.2012 | 2.50 | 3,375 | – | – | 3,375 |
| | 09.06.2003 | 01.04.2004 – 10.11.2012 | 2.50 | 3,375 | – | – | 3,375 |
| | 09.06.2003 | 01.10.2004 – 10.11.2012 | 2.50 | 3,375 | – | – | 3,375 |
| | 09.06.2003 | 01.04.2005 – 10.11.2012 | 2.50 | 3,375 | – | – | 3,375 |
| | 09.06.2003 | 01.10.2005 – 10.11.2012 | 2.50 | 3,375 | – | – | 3,375 |
| | 09.06.2003 | 01.04.2006 – 10.11.2012 | 2.50 | 3,375 | – | – | 3,375 |
| | | | | 27,000 | – | – | 27,000 |
| Directors of Appeon | 25.11.2002 | 25.11.2002 – 10.11.2012 | 2.50 | 23,062 | (11,250) | – | 11,812 |
| | 25.11.2002 | 01.04.2003 – 10.11.2012 | 2.50 | 23,063 | (11,250) | – | 11,813 |
| | 25.11.2002 | 01.10.2003 – 10.11.2012 | 2.50 | 23,062 | (11,250) | – | 11,812 |
| | 25.11.2002 | 01.04.2004 – 10.11.2012 | 2.50 | 23,063 | (11,250) | – | 11,813 |
| | 25.11.2002 | 01.10.2004 – 10.11.2012 | 2.50 | 23,062 | (11,250) | – | 11,812 |
| | 25.11.2002 | 01.04.2005 – 10.11.2012 | 2.50 | 23,063 | (11,250) | – | 11,813 |
| | 25.11.2002 | 01.10.2005 – 10.11.2012 | 2.50 | 23,062 | (11,250) | – | 11,812 |
| | 25.11.2002 | 01.04.2006 – 10.11.2012 | 2.50 | 23,063 | (11,250) | – | 11,813 |
| | 02.06.2003 | 02.06.2003 – 10.11.2012 | 2.50 | 2,250 | – | – | 2,250 |
| | 02.06.2003 | 01.10.2003 – 10.11.2012 | 2.50 | 1,125 | – | – | 1,125 |
| | 02.06.2003 | 01.04.2004 – 10.11.2012 | 2.50 | 1,125 | – | – | 1,125 |
| | 02.06.2003 | 01.10.2004 – 10.11.2012 | 2.50 | 1,125 | – | – | 1,125 |
| | 02.06.2003 | 01.04.2005 – 10.11.2012 | 2.50 | 1,125 | – | – | 1,125 |
| | 02.06.2003 | 01.10.2005 – 10.11.2012 | 2.50 | 1,125 | – | – | 1,125 |
| | 02.06.2003 | 01.04.2006 – 10.11.2012 | 2.50 | 1,125 | – | – | 1,125 |
| | 25.05.2005 | 25.05.2005 – 10.11.2012 | 3.00 | – | – | 10,000 | 10,000 |
| | 25.05.2005 | 01.07.2005 – 10.11.2012 | 3.00 | – | – | 10,000 | 10,000 |
| 25.05.2005 | 01.01.2006 – 10.11.2012 | 3.00 | – | – | 10,000 | 10,000 | |
| 25.05.2005 | 01.07.2006 – 10.11.2012 | 3.00 | – | – | 10,000 | 10,000 | |
| 25.05.2005 | 01.01.2007 – 10.11.2012 | 3.00 | – | – | 10,000 | 10,000 | |
| 25.05.2005 | 01.07.2007 – 10.11.2012 | 3.00 | – | – | 10,000 | 10,000 | |
| 25.05.2005 | 01.01.2008 – 10.11.2012 | 3.00 | – | – | 10,000 | 10,000 | |
| 25.05.2005 | 01.07.2008 – 10.11.2012 | 3.00 | – | – | 10,000 | 10,000 | |
| | | | | 193,500 | (90,000) | 80,000 | 183,500 |

SHARE OPTION SCHEME (continued)

(b) Share option to subscribe for shares in Apeon Corporation (continued)

| Grantee | Date of grant | Period during which options are exercisable | Subscription price per share US\$ | Number of share options | | As at 30.6.2005 | | |
|------------|----------------------|---|-----------------------------------|-----------------------------|---------------------------|-----------------|---------|--------|
| | | | | Cancelled during the period | Granted during the period | | | |
| Employees | 25.11.2002 | 25.11.2002 – 10.11.2012 | 2.50 | 12,687 | – | – | 12,687 | |
| | 25.11.2002 | 01.04.2003 – 10.11.2012 | 2.50 | 7,063 | – | – | 7,063 | |
| | 25.11.2002 | 01.10.2003 – 10.11.2012 | 2.50 | 7,062 | – | – | 7,062 | |
| | 25.11.2002 | 01.04.2004 – 10.11.2012 | 2.50 | 7,063 | – | – | 7,063 | |
| | 25.11.2002 | 01.10.2004 – 10.11.2012 | 2.50 | 7,062 | – | – | 7,062 | |
| | 25.11.2002 | 01.04.2005 – 10.11.2012 | 2.50 | 5,813 | – | – | 5,813 | |
| | 25.11.2002 | 01.10.2005 – 10.11.2012 | 2.50 | 5,812 | – | – | 5,812 | |
| | 25.11.2002 | 01.04.2006 – 10.11.2012 | 2.50 | 3,938 | – | – | 3,938 | |
| | 02.06.2003 | 02.06.2003 – 10.11.2012 | 2.50 | 750 | – | – | 750 | |
| | 02.06.2003 | 01.10.2003 – 10.11.2012 | 2.50 | 375 | – | – | 375 | |
| | 02.06.2003 | 01.04.2004 – 10.11.2012 | 2.50 | 375 | – | – | 375 | |
| | 02.06.2003 | 01.10.2004 – 10.11.2012 | 2.50 | 375 | – | – | 375 | |
| | 02.06.2003 | 01.04.2005 – 10.11.2012 | 2.50 | 375 | – | – | 375 | |
| | 02.06.2003 | 01.10.2005 – 10.11.2012 | 2.50 | 375 | – | – | 375 | |
| | 02.06.2003 | 01.04.2006 – 10.11.2012 | 2.50 | 375 | – | – | 375 | |
| | 25.05.2005 | 25.05.2005 – 10.11.2012 | 3.00 | – | – | 625 | 625 | |
| | 25.05.2005 | 01.10.2005 – 10.11.2012 | 3.00 | – | – | 625 | 625 | |
| | 25.05.2005 | 01.04.2006 – 10.11.2012 | 3.00 | – | – | 625 | 625 | |
| | 25.05.2005 | 01.10.2006 – 10.11.2012 | 3.00 | – | – | 625 | 625 | |
| | 25.05.2005 | 01.04.2007 – 10.11.2012 | 3.00 | – | – | 625 | 625 | |
| | 25.05.2005 | 01.10.2007 – 10.11.2012 | 3.00 | – | – | 625 | 625 | |
| | 25.05.2005 | 01.04.2008 – 10.11.2012 | 3.00 | – | – | 625 | 625 | |
| | 25.05.2005 | 01.10.2008 – 10.11.2012 | 3.00 | – | – | 625 | 625 | |
| | | | | | 59,500 | – | 5,000 | 64,500 |
| | Consultants of Apeon | 25.11.2002 | 25.11.2002 – 10.11.2012 | 2.50 | 1,625 | (375) | – | 1,250 |
| | | 25.11.2002 | 01.04.2003 – 10.11.2012 | 2.50 | 1,625 | (375) | – | 1,250 |
| | | 25.11.2002 | 01.10.2003 – 10.11.2012 | 2.50 | 1,625 | (375) | – | 1,250 |
| | | 25.11.2002 | 01.04.2004 – 10.11.2012 | 2.50 | 1,625 | (375) | – | 1,250 |
| 25.11.2002 | | 01.10.2004 – 10.11.2012 | 2.50 | 1,625 | (375) | – | 1,250 | |
| 25.11.2002 | | 01.04.2005 – 10.11.2012 | 2.50 | 1,625 | (375) | – | 1,250 | |
| 25.11.2002 | | 01.10.2005 – 10.11.2012 | 2.50 | 1,625 | (375) | – | 1,250 | |
| 25.11.2002 | | 01.04.2006 – 10.11.2012 | 2.50 | 1,625 | (375) | – | 1,250 | |
| 09.06.2003 | | 09.06.2003 – 10.11.2012 | 0.10 | 5,106 | – | – | 5,106 | |
| 09.06.2003 | | 01.10.2003 – 10.11.2012 | 0.10 | 2,553 | – | – | 2,553 | |
| 09.06.2003 | | 01.04.2004 – 10.11.2012 | 0.10 | 2,553 | – | – | 2,553 | |
| 09.06.2003 | | 01.10.2004 – 10.11.2012 | 0.10 | 2,553 | – | – | 2,553 | |
| 09.06.2003 | | 01.04.2005 – 10.11.2012 | 0.10 | 2,553 | – | – | 2,553 | |
| 09.06.2003 | | 01.10.2005 – 10.11.2012 | 0.10 | 2,553 | – | – | 2,553 | |
| 09.06.2003 | | 01.04.2006 – 10.11.2012 | 0.10 | 2,554 | – | – | 2,554 | |
| | | | | | 33,425 | (3,000) | – | 30,425 |
| Others | | 09.06.2003 | 03.05.2004 – 02.05.2005 | 2.50 | 6,750 | (6,750) | – | – |
| | 09.06.2003 | 03.05.2004 – 02.05.2005 | 2.50 | 3,375 | (3,375) | – | – | |
| | 09.06.2003 | 03.05.2004 – 02.05.2005 | 2.50 | 3,375 | (3,375) | – | – | |
| | | | | 13,500 | (13,500) | – | – | |
| | | | | 326,925 | (106,500) | 85,000 | 305,425 | |

No option was exercised by the grantees during the period.

SHARE OPTION SCHEME (continued)

(c) Share option to subscribe for shares in Galactic Computing Corporation

| Grantee | Date of grant | Period during which options are exercisable | Subscription price per share US\$ | Number of share options | | As at 30.6.2005 | | |
|-----------------------|---------------|---|-----------------------------------|-------------------------|-----------------------------|-----------------|---------------------------|---------|
| | | | | As at 1.1.2005 | Cancelled during the period | | Granted during the period | |
| Mr. Billy K Yung | 09.06.2003 | 09.06.2003 – 10.11.2012 | 0.45 | 25,000 | – | – | 25,000 | |
| | 09.06.2003 | 01.12.2003 – 10.11.2012 | 0.45 | 25,000 | – | – | 25,000 | |
| | 09.06.2003 | 01.06.2004 – 10.11.2012 | 0.45 | 25,000 | – | – | 25,000 | |
| | 09.06.2003 | 01.12.2004 – 10.11.2012 | 0.45 | 25,000 | – | – | 25,000 | |
| | 09.06.2003 | 01.06.2005 – 10.11.2012 | 0.45 | 25,000 | – | – | 25,000 | |
| | 09.06.2003 | 01.12.2005 – 10.11.2012 | 0.45 | 25,000 | – | – | 25,000 | |
| | 09.06.2003 | 01.06.2006 – 10.11.2012 | 0.45 | 25,000 | – | – | 25,000 | |
| | 09.06.2003 | 01.12.2006 – 10.11.2012 | 0.45 | 25,000 | – | – | 25,000 | |
| | | | | 200,000 | – | – | 200,000 | |
| Directors of Galactic | 25.11.2002 | 01.06.2003 – 10.11.2012 | 0.45 | 28,750 | – | – | 28,750 | |
| | 25.11.2002 | 01.12.2003 – 10.11.2012 | 0.45 | 28,750 | – | – | 28,750 | |
| | 25.11.2002 | 01.06.2004 – 10.11.2012 | 0.45 | 28,750 | – | – | 28,750 | |
| | 25.11.2002 | 01.12.2004 – 10.11.2012 | 0.45 | 28,750 | – | – | 28,750 | |
| | 25.11.2002 | 01.06.2005 – 10.11.2012 | 0.45 | 28,750 | – | – | 28,750 | |
| | 25.11.2002 | 01.12.2005 – 10.11.2012 | 0.45 | 28,750 | – | – | 28,750 | |
| | 25.11.2002 | 01.06.2006 – 10.11.2012 | 0.45 | 28,750 | – | – | 28,750 | |
| | 25.11.2002 | 01.12.2006 – 10.11.2012 | 0.45 | 28,750 | – | – | 28,750 | |
| | 09.06.2003 | 09.06.2003 – 10.11.2012 | 0.45 | 47,500 | – | – | 47,500 | |
| | 09.06.2003 | 01.12.2003 – 10.11.2012 | 0.45 | 47,500 | – | – | 47,500 | |
| | 09.06.2003 | 01.06.2004 – 10.11.2012 | 0.45 | 47,500 | – | – | 47,500 | |
| | 09.06.2003 | 01.12.2004 – 10.11.2012 | 0.45 | 47,500 | – | – | 47,500 | |
| | 09.06.2003 | 01.06.2005 – 10.11.2012 | 0.45 | 47,500 | – | – | 47,500 | |
| | 09.06.2003 | 01.12.2005 – 10.11.2012 | 0.45 | 47,500 | – | – | 47,500 | |
| | 09.06.2003 | 01.06.2006 – 10.11.2012 | 0.45 | 47,500 | – | – | 47,500 | |
| | 09.06.2003 | 01.12.2006 – 10.11.2012 | 0.45 | 47,500 | – | – | 47,500 | |
| | 25.05.2005 | 25.05.2005 – 10.11.2012 | 0.60 | – | – | – | 50,000 | 50,000 |
| | 25.05.2005 | 01.07.2005 – 10.11.2012 | 0.60 | – | – | – | 18,750 | 18,750 |
| | 25.05.2005 | 01.10.2005 – 10.11.2012 | 0.60 | – | – | – | 12,500 | 12,500 |
| | 25.05.2005 | 01.01.2006 – 10.11.2012 | 0.60 | – | – | – | 18,750 | 18,750 |
| | 25.05.2005 | 01.04.2006 – 10.11.2012 | 0.60 | – | – | – | 12,500 | 12,500 |
| | 25.05.2005 | 01.07.2006 – 10.11.2012 | 0.60 | – | – | – | 18,750 | 18,750 |
| | 25.05.2005 | 01.10.2006 – 10.11.2012 | 0.60 | – | – | – | 12,500 | 12,500 |
| | 25.05.2005 | 01.01.2007 – 10.11.2012 | 0.60 | – | – | – | 18,750 | 18,750 |
| | 25.05.2005 | 01.04.2007 – 10.11.2012 | 0.60 | – | – | – | 12,500 | 12,500 |
| | 25.05.2005 | 01.07.2007 – 10.11.2012 | 0.60 | – | – | – | 18,750 | 18,750 |
| | 25.05.2005 | 01.10.2007 – 10.11.2012 | 0.60 | – | – | – | 12,500 | 12,500 |
| | 25.05.2005 | 01.01.2008 – 10.11.2012 | 0.60 | – | – | – | 18,750 | 18,750 |
| | 25.05.2005 | 01.04.2008 – 10.11.2012 | 0.60 | – | – | – | 12,500 | 12,500 |
| | 25.05.2005 | 01.10.2008 – 10.11.2012 | 0.60 | – | – | – | 12,500 | 12,500 |
| | | | | | 610,000 | – | 250,000 | 860,000 |

SHARE OPTION SCHEME (continued)

(c) Share option to subscribe for shares in Galactic Computing Corporation (continued)

| Grantee | Date of grant | Period during which options are exercisable | Subscription price per share US\$ | Number of share options | | As at 30.6.2005 | | |
|------------|-------------------------|---|-----------------------------------|-----------------------------|---------------------------|-----------------|---------|---------|
| | | | | Cancelled during the period | Granted during the period | | | |
| Employees | 25.11.2002 | 01.06.2003 – 10.11.2012 | 0.45 | 6,250 | – | 6,250 | | |
| | 25.11.2002 | 01.12.2003 – 10.11.2012 | 0.45 | 6,250 | – | 6,250 | | |
| | 25.11.2002 | 01.06.2004 – 10.11.2012 | 0.45 | 6,250 | – | 6,250 | | |
| | 25.11.2002 | 01.12.2004 – 10.11.2012 | 0.45 | 6,250 | – | 6,250 | | |
| | 25.11.2002 | 01.06.2005 – 10.11.2012 | 0.45 | 6,250 | – | 6,250 | | |
| | 25.11.2002 | 01.12.2005 – 10.11.2012 | 0.45 | 6,250 | – | 6,250 | | |
| | 25.11.2002 | 01.06.2006 – 10.11.2012 | 0.45 | 6,250 | – | 6,250 | | |
| | 25.11.2002 | 01.12.2006 – 10.11.2012 | 0.45 | 6,250 | – | 6,250 | | |
| | 01.06.2004 | 01.06.2004 – 10.11.2012 | 0.45 | 18,750 | – | 18,750 | | |
| | 01.06.2004 | 01.01.2005 – 10.11.2012 | 0.45 | 18,750 | – | 18,750 | | |
| | 01.06.2004 | 01.03.2005 – 10.11.2012 | 0.45 | 25,000 | – | 25,000 | | |
| | 01.06.2004 | 01.07.2005 – 10.11.2012 | 0.45 | 18,750 | – | 18,750 | | |
| | 01.06.2004 | 01.01.2006 – 10.11.2012 | 0.45 | 18,750 | – | 18,750 | | |
| | 01.06.2004 | 01.03.2006 – 10.11.2012 | 0.45 | 25,000 | – | 25,000 | | |
| | 01.06.2004 | 01.07.2006 – 10.11.2012 | 0.45 | 18,750 | – | 18,750 | | |
| | 01.06.2004 | 01.01.2007 – 10.11.2012 | 0.45 | 18,750 | – | 18,750 | | |
| | 01.06.2004 | 01.03.2007 – 10.11.2012 | 0.45 | 25,000 | – | 25,000 | | |
| | 01.06.2004 | 01.07.2007 – 10.11.2012 | 0.45 | 18,750 | – | 18,750 | | |
| | 01.06.2004 | 01.01.2008 – 10.11.2012 | 0.45 | 18,750 | – | 18,750 | | |
| | 01.06.2004 | 01.03.2008 – 10.11.2012 | 0.45 | 25,000 | – | 25,000 | | |
| | 25.05.2005 | 25.05.2005 – 10.11.2012 | 0.60 | – | – | 38,750 | 38,750 | |
| | 25.05.2005 | 01.10.2005 – 10.11.2012 | 0.60 | – | – | 38,750 | 38,750 | |
| | 25.05.2005 | 01.04.2006 – 10.11.2012 | 0.60 | – | – | 38,750 | 38,750 | |
| | 25.05.2005 | 01.10.2006 – 10.11.2012 | 0.60 | – | – | 38,750 | 38,750 | |
| | 25.05.2005 | 01.04.2007 – 10.11.2012 | 0.60 | – | – | 38,750 | 38,750 | |
| | 25.05.2005 | 01.10.2007 – 10.11.2012 | 0.60 | – | – | 38,750 | 38,750 | |
| | 25.05.2005 | 01.04.2008 – 10.11.2012 | 0.60 | – | – | 38,750 | 38,750 | |
| | 25.05.2005 | 01.10.2008 – 10.11.2012 | 0.60 | – | – | 38,750 | 38,750 | |
| | | | | | 300,000 | – | 310,000 | 610,000 |
| | Consultants of Galactic | 25.11.2002 | 01.06.2003 – 10.11.2012 | 0.45 | 31,250 | – | 31,250 | |
| | | 25.11.2002 | 01.12.2003 – 10.11.2012 | 0.45 | 31,250 | – | 31,250 | |
| | | 25.11.2002 | 01.06.2004 – 10.11.2012 | 0.45 | 31,250 | – | 31,250 | |
| 25.11.2002 | | 01.12.2004 – 10.11.2012 | 0.45 | 31,250 | – | 31,250 | | |
| 25.11.2002 | | 01.06.2005 – 10.11.2012 | 0.45 | 31,250 | – | 31,250 | | |
| 25.11.2002 | | 01.12.2005 – 10.11.2012 | 0.45 | 31,250 | – | 31,250 | | |
| 25.11.2002 | | 01.06.2006 – 10.11.2012 | 0.45 | 31,250 | – | 31,250 | | |
| 25.11.2002 | | 01.12.2006 – 10.11.2012 | 0.45 | 31,250 | – | 31,250 | | |
| 23.09.2004 | | 23.09.2004 – 10.11.2012 | 0.45 | 100,000 | – | 100,000 | | |
| | | | | 350,000 | – | 350,000 | | |
| Others | 09.06.2003 | 03.05.2004 – 02.05.2005 | 0.45 | 25,000 | (25,000) | – | | |
| | 09.06.2003 | 03.05.2004 – 02.05.2005 | 0.45 | 25,000 | (25,000) | – | | |
| | | | | 50,000 | (50,000) | – | | |
| | | | 1,510,000 | (50,000) | 560,000 | 2,020,000 | | |

No option was exercised by the grantees during the period.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain directors, the following shareholders had relevant interests and short positions in the issued share capital of the Company.

| Name of substantial shareholder | Capacity | Nature of interests | Number of ordinary shares held | Aggregate long position | Percentage of aggregate long position in shares to the issued share capital of the Company |
|--|--|----------------------------|---------------------------------------|--------------------------------|---|
| UBS Trustees (BVI) Limited | Trustee of a trust (Note 1) | Other | 189,604,334 | 189,604,334 | 37.88% |
| Diamond Key Enterprises Inc. | Beneficial owner (Note 1) | Beneficial | 108,779,287 | 108,779,287 | 21.73% |
| On Fat Profits Corporation | Beneficial owner (Note 1) | Beneficial | 72,716,797 | 72,716,797 | 14.53% |
| Madam Yung Siu Chee Margaret | Beneficial owner | Personal | 28,154,604 | 28,154,604 | 5.63% |
| Madam Chiu Man | Beneficial owner Interest of spouse (Note 2) | Personal Family | 1,000,000 42,677,351 | 43,677,351 | 8.73% |
| Mr. Loong Keng Lim | Beneficial owner (Note 3) | Beneficial | 43,500,000 | 43,500,000 | 8.69% |
| Assetbloom Holdings Ltd | Beneficial owner (Note 3) | Beneficial | 43,500,000 | 43,500,000 | 8.69% |

Notes:

- (1) 72,716,797 shares and 108,779,287 shares form part of the 189,604,334 shares held by UBS Trustees (BVI) Limited which are disclosed in the section headed "DIRECTORS' INTEREST" above as being held under a trust with Mr. Billy K Yung's family members as the beneficiaries.
- (2) Madam Chiu Man's shares under personal, family interest are in fact the same block of shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi as disclosed in the section headed "DIRECTORS' INTEREST" above.
- (3) The two references to 43,500,000 shares relate to the same block of shares in the Company.

Other than as disclosed above, there was no person, other than the directors of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO.

REVENUE AND OPERATING RESULTS

Turnover from continuing operations of the Group recorded for the six months ended 30th June, 2005 amounted to approximately HK\$923,381,000, representing a decrease of HK\$239,278,000 or 21% compared to the same period last year. The decrease in the turnover was mainly due to less activity in trading of securities which went down to HK\$177,806,000 compared to HK\$406,565,000 in the corresponding period in 2004.

However, the Group recorded a significant increase in net profit from HK\$4,312,000 in same period last year to HK\$77,897,000 in the period under review. The upsurge of profit was mainly due to the absence of the non-recurring provisions for impairment loss on certain high technology direct investments and a piece of land in the PRC totalling approximately HK\$31,717,000 and HK\$8,800,000 respectively made in the first half of 2004. In addition, the adoption of the new accounting standards resulted in a valuation surplus amounting to HK\$14,650,000 which was recognized as profits in the period under review.

FINANCIAL AND LIQUIDITY RESOURCES

The Group continued to adhere to a centralized funding policy and maintain its financial and liquidity resources in a healthy state and consistently sustained a stable liquidity position throughout the period under review. In addition, there was no material change in the timing orders were secured which might give rise to volatility of the sales.

A secured commercial loan of HK\$160,000,000 advanced to an independent third party in 2004 continued up to the date of this report. The loan carried an interest rate of 15% per annum and was scheduled to be repaid in the second half of 2006.

According to the terms of the agreements entered into between the Group and Shunde City Heng Shun Communication Investment Management Corporation in February, 2004, repayment of the remaining balance of the loan to a former subsidiary totalling Rmb81,000,000 (approximately HK\$76,067,000), together with accrued interest, was scheduled to be made by three installments over three years ending 31st December, 2007. An amount of Rmb34,000,000 will be repaid together with accrued interest by the end of 2005.

During the period under review, the Group obtained new bank loans totalling approximately HK\$430,000,000 to finance the acquisition of the entire issued share capital of Tigerlily Overseas Limited ("Tigerlily"). The outstanding balance of the term loan which was obtained from a bank to finance the purchase of securities in 2004 remained unchanged at approximately HK\$137,237,000 as at 30th June, 2005.

All banking facilities of the Group were subject to floating interest rates. Other than a U.S. term loan which was secured by certain assets of the Group located in the United States, all banking facilities of the Group have been arranged on short-term basis.

Apart from the above, there were no material changes to the Group's available banking facilities since 31st December, 2004.

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were principally dominated in Hong Kong Dollars and US Dollars. The Group continued to conduct its sales mainly in US Dollars and make payments either in US Dollars or Hong Kong Dollars. Insofar as the Hong Kong Dollars remained pegged to the US Dollars, the directors considers that no significant exposure to foreign exchange risk would entail.

As the group under Tigerlily conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi, the directors considers that, a natural hedging exists and there would be no foreign currency exposure to the whole Group.

GEARING RATIO

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 30th June, 2005, the Group recorded a net gearing ratio, expressed as a percentage of total bank borrowings net of cash to shareholders' funds, of 15.40% (31st December, 2004 (restated): zero). During the period under review, the Group obtained certain bank loans totalling approximately HK\$430,000,000 to finance the acquisition of the entire issued share capital of Tigerlily. As a result, both the total bank borrowings net of cash and the Group's net gearing ratio went up significantly.

CAPITAL EXPENDITURE

The Group had total capital expenditures amounting to HK\$30,344,000 during the period ended 30th June, 2005.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

In January, 2005, the Group entered into an acquisition agreement with an independent third party to purchase 20% equity interest in Yue Tian Development Limited ("Yue Tian") with cash consideration of HK\$3,814,400. Simultaneously with the execution of the acquisition agreement, the Group and Yue Tian entered into a loan agreement, pursuant to which the Group agreed to advance a sum of HK\$60,000,000 to Yue Tian. Details of this acquisition are set out in the Circular distributed to the shareholders on 25th January, 2005. In addition, the Group entered into agreements with two directors of Appeon Corporation ("Appeon") for acquiring their shares representing 14.69% in aggregate in Appeon, details of which are set out in the press announcement dated 31st January, 2005.

On 25th June, 2005, the Group acquired 100% of the issued share capital of Tigerlily for a consideration of HK\$515,739,000. Tigerlily and its subsidiaries were principally engaged in property development in the PRC. Details of this acquisition are set out in the Circular to shareholders dated 28th June, 2005.

On 1st September, 2005, Shunde Hua Feng Stainless Steel Welded Tubes Limited, an indirect 90.1% owned subsidiary of the Company agreed to sell its machinery and equipment for the production of steel pipes to a third party for a cash consideration of US\$2,500,000. Upon completion of the agreements, the Group's business in manufacturing and trading of steel pipes would be discontinued.

Other than the above, there is no significant acquisition and disposal during the period and up to the date of this report.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The group under Tigerlily had issued guarantee to banks for mortgage loans granted to purchasers of properties amounting approximately HK\$334,995,000 as at the acquisition date. In addition, Tigerlily Group had issued guarantee to banks for credit facilities to jointly controlled entities and independent third party amounting approximately HK\$97,170,000 and HK\$47,170,000 respectively as at the acquisition date.

Tigerlily group had commitments on capital expenditures for property development projects amounting to approximately HK\$436,594,000 as at the balance sheet date.

Other than the above, there was no significant change in capital commitments and contingent liabilities compared to the position as at 31st December, 2004.

CHARGES ON ASSETS

There was no significant change in charges on assets of the Group as at 30th June, 2005 compared to the position as at 31st December, 2004.

EMPLOYEES

As at 30th June, 2005, the Group has approximately 2,230 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

The Group's co-operative joint venture companies in Mainland China continued to provide employment to approximately 4,000 people.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions (with the exception of Code Provision C.2 on internal controls which will apply to accounting periods commencing 1st July, 2005) of Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the accounting period for the six months ended 30th June, 2005, except for the following deviations:-

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should separate and should not be performed by the same individual. Mr. Billy K Yung is currently the Chairman of the Board and the Managing Director of the Company. The Board considers that the present structure is more suitable to the Company because it can better promote the efficient formulation and implementation of the Company's strategies.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Simon Yung Kwok Choi, the Non-executive director of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code during the six months ended 30th June, 2005.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June, 2005. At the request of the Audit Committee, the Group's external auditors have carried out a review of the unaudited interim accounts in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports " issued by the Hong Kong Institute of Certified Public Accountants.

DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES**(A) Advance to entities**

In accordance with the requirements under Rule 13.20 of the Listing Rules, the directors of the Company reported that as at 30th June, 2005, a secured commercial loan of HK\$160,000,000 advanced to Pacific Top International Corp., the major shareholder of the Group's major associate, continued to exist. The loan carried an interest rate of 15% per annum and was repayable on or before 24th August, 2006.

In addition, a loan of Rmb81,000,000 advanced to Shunde Shunyue Highway Construction Limited, a former subsidiary of the Group, continued to exist. The loan carried an interest rate based on the CNY Benchmark Interest for a rate 3-year loan as set by the People's Bank of China, and was unsecured and repayable by three instalments with the last instalment to be repayable on or before 31st December, 2007.

(B) Financial assistance and guarantees to affiliated companies

In accordance with the requirements under Rule 13.16 of the Listing Rules, the directors of the Company reported that as at 30th June, 2005, the Group had provided the following financial assistance and guarantees to certain affiliated companies, which, in aggregate, exceeded 8% of the market capitalization of the Company as at 30th June, 2005:

| Name of affiliated companies | Attributable interest held by the Group % | Advances HK\$'000 | Guarantees given for banking/credit facilities granted HK\$'000 | Total amount as at 30th June, 2005 HK\$'000 |
|--|---|-------------------|---|---|
| China Dynasty Development Limited | 40 | 214,600 | – | 214,600 |
| Hong Kong Construction SMC Development Limited | 20 | 72,962 | – | 72,962 |
| Yue Tian Development Limited | 20 | 111,800 | – | 111,800 |
| MDCL-Frontline (China) Limited | 26.66 | – | 29,092 | 29,092 |
| 廣州光大花園房地產開發有限公司 | 28 | – | 97,170 | 97,170 |
| 廣州市環博展覽有限公司 | 25 | 69,024 | – | 69,024 |
| | | 468,386 | 126,262 | 594,648 |
| | | (note 1) | (note 2) | |

Notes:

- (1) The above advances are unsecured and have no fixed terms of repayment. Except the advance to Hong Kong Construction SMC Development Limited which is subject to interest rate at 10% per annum, all advances are interest-free.
- (2) As at 30th June, 2005, banking facilities utilized by MDCL-Frontline (China) Limited and 廣州光大花園房地產開發有限公司 are HK\$28,369,000 and HK\$71,066,000 respectively.

Pursuant to Rule 13.22 of the Listing Rules, the pro forma combined balance sheet of the affiliated companies to which financial assistance and guarantees for their benefit have been given by the Group as at 30th June, 2005 (the latest practicable date) is presented below:

| | Combined Total (note) HK\$'000 | Interest attributable to the Group HK\$'000 |
|-------------------------|--------------------------------|---|
| Non-current assets | 2,261,536 | 641,539 |
| Current assets | 3,430,750 | 820,631 |
| Current liabilities | (2,799,062) | (664,115) |
| Non-current liabilities | (585,456) | (163,430) |
| | 2,307,767 | 634,625 |

Note: Pro forma combined balance sheet has been realigned with the Group's accounting policies.

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by the Directors of the Company to review the interim financial report set out on pages 16 to 36.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22nd September, 2005

Condensed Consolidated Income Statement

For the six months ended 30th June, 2005

| | Notes | Six months ended 30th June, | |
|---|-------|---------------------------------|---|
| | | 2005 (unaudited) HK\$'000 | 2004 (unaudited) (restated) HK\$'000 |
| Continuing operations: | | | |
| Turnover | 4 | 923,381 | 1,162,659 |
| Other operating income | | 55,200 | 18,933 |
| Changes in inventories of finished goods and work in progress | | 10,063 | 1,983 |
| Changes in trading securities | | (3,267) | 248,847 |
| Raw materials, subcontracted goods and consumables used | | (355,286) | (346,961) |
| Purchases of trading goods | | (268,875) | (268,138) |
| Purchases of trading securities | | (181,440) | (644,673) |
| Staff costs | | (59,679) | (47,814) |
| Depreciation and amortisation expenses | | (6,845) | (23,326) |
| Other operating expenses | | (63,758) | (46,179) |
| Fair value changes of investment properties | 11 | 14,650 | – |
| Impairment losses on non-current assets | 5 | – | (40,517) |
| Finance costs | | (7,131) | (4,452) |
| Share of results of associates | | 23,297 | 13,924 |
| Loss on disposal of an associate | | – | (4,799) |
| Profit from ordinary activities before taxation | | 80,310 | 19,487 |
| Taxation | 6 | (2,605) | (6,205) |
| Net profit for the period from continuing operations | | 77,705 | 13,282 |
| Discontinued operations: | | | |
| Net profit (loss) for the period from discontinued operations | 7 | 192 | (8,970) |
| Net profit for the period | 8 | 77,897 | 4,312 |
| Attributable to: | | | |
| Shareholders of the Company | | 79,219 | 12,148 |
| Minority interests | | (1,322) | (7,836) |
| Net profit for the period | | 77,897 | 4,312 |
| Dividends | 9 | 20,019 | 13,298 |
| Earnings per share (Basic) | | | |
| From continuing and discontinued operations | 10 | 17.61 | 2.74 |
| From continuing operations | | 17.30 | 2.90 |

Condensed Consolidated Balance Sheet

As at 30th June, 2005

| | Notes | 30th June, 2005 (unaudited) HK\$'000 | 31st December, 2004 (audited) (restated) HK\$'000 |
|--|-------|---|---|
| Non-current assets | | | |
| Investment properties | 11 | 577,810 | 560,341 |
| Property, plant and equipment | 12 | 147,886 | 185,664 |
| Prepaid lease rental on land | | 21,130 | 21,424 |
| Goodwill | 13 | 19,055 | – |
| Intangible assets | 14 | 214,236 | 160,287 |
| Interests in associates | 15 | 613,384 | 478,714 |
| Interests in jointly controlled entities | 26 | 486,387 | – |
| Available-for-sale financial assets | 16 | 13,020 | – |
| Club debenture | | 2,920 | 2,920 |
| Loans receivables | | 211,402 | 204,185 |
| Deferred tax assets | | 3,081 | 2,958 |
| Deposit paid for acquisition of investment properties | | 14,374 | 4,725 |
| | | 2,324,685 | 1,621,218 |
| Current assets | | | |
| Inventories of properties | 17 | 998,924 | – |
| Other inventories | | 82,757 | 91,672 |
| Trade and other receivables | 18 | 366,229 | 241,718 |
| Prepaid lease rental on land | | 542 | 542 |
| Loans receivables | | 37,956 | 37,059 |
| Amount due from an associate | | 1,740 | 2,086 |
| Amounts due from jointly controlled entities | | 69,076 | – |
| Amounts due from investees | | 5,012 | 11,012 |
| Amounts due from minority interests | | 32 | – |
| Amounts due from related companies | | 309 | – |
| Investments held for trading | 16 | 210,605 | – |
| Investments in securities | 16 | – | 211,987 |
| Bank balances and cash | | 517,554 | 439,342 |
| | | 2,290,736 | 1,035,418 |
| Assets classified as held for sale | 28 | 16,821 | – |
| | | 2,307,557 | 1,035,418 |
| Current liabilities | | | |
| Trade and other payables | 19 | 919,678 | 235,570 |
| Deposit received for disposal of land | | – | 33,213 |
| Amounts due to associates | | 227 | 227 |
| Amounts due to jointly controlled entities | | 42,667 | – |
| Amounts due to minority shareholders | | 17,598 | – |
| Amount due to an investee | | 77 | 77 |
| Amounts due to related companies | | 6,730 | – |
| Provision | | 3,900 | 12,870 |
| Taxation liabilities | | 26,048 | 22,727 |
| Derivative financial liabilities | 20 | 7,540 | – |
| Bank borrowings | 21 | 745,310 | 147,339 |
| | | 1,769,775 | 452,023 |
| Liabilities associated with assets classified as held for sale | 28 | 5,665 | – |
| | | 1,775,440 | 452,023 |
| Net current assets | | 532,117 | 583,395 |
| | | 2,856,802 | 2,204,613 |

Condensed Consolidated Balance Sheet

As at 30th June, 2005

| | Notes | 30th June, 2005 (unaudited) HK\$'000 | 31st December, 2004 (audited) (restated) HK\$'000 |
|--|-------|---|---|
| Capital and reserves | | | |
| Share capital | 22 | 250,242 | 223,946 |
| Share premium and reserves | | 1,946,910 | 1,835,991 |
| Equity attributable to shareholders of the Company | | 2,197,152 | 2,059,937 |
| Minority interests | | 395,929 | 3,781 |
| | | 2,593,081 | 2,063,718 |
| Non-current liabilities | | | |
| Bank borrowings | | 110,684 | 112,517 |
| Loan from a minority shareholder | | 2,278 | 9,210 |
| Deferred tax liabilities | | 150,759 | 19,168 |
| | | 263,721 | 140,895 |
| | | 2,856,802 | 2,204,613 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2005

Attributable to the shareholders of the Company

| | Available-for-sale financial assets/ | | | | | | | | | | | Total equity HK\$'000 |
|--|--------------------------------------|---------------------------|--|--|--|---------------------------------|------------------------------|------------------------------|------------------------------|-------------------|--------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Investment revaluation reserve HK\$'000 | Capital redemption reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Translation reserve HK\$'000 | Goodwill reserve HK\$'000 | Dividend reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | Minority interests HK\$'000 | |
| At 1st January, 2004 | | | | | | | | | | | | |
| – as originally stated | 221,703 | 529,289 | 22,697 | 43,757 | – | (2,054) | (24,017) | 31,038 | 1,143,103 | 1,965,516 | (99,564) | 1,865,952 |
| – effects of changes in accounting policies | – | – | (7,894) | – | – | – | – | – | – | (7,894) | – | (7,894) |
| – as restated | 221,703 | 529,289 | 14,803 | 43,757 | – | (2,054) | (24,017) | 31,038 | 1,143,103 | 1,957,622 | (99,564) | 1,858,058 |
| Exchange difference arising on translation of overseas operations | – | – | – | – | – | 2,914 | – | – | – | 2,914 | (373) | 2,541 |
| Share of reserve of associates | – | – | (3,570) | – | – | – | – | – | – | (3,570) | – | (3,570) |
| Decrease in fair value of investments in securities not held for trading | – | – | – | – | (31,717) | – | – | – | – | (31,717) | – | (31,717) |
| Exchange effect of deferred tax liability | – | – | (144) | – | – | – | – | – | – | (144) | – | (144) |
| Impairment losses on investments in securities not held for trading | – | – | – | – | 31,717 | – | – | – | – | 31,717 | – | 31,717 |
| Net income (expense) recognised directly in equity | – | – | (3,714) | – | – | 2,914 | – | – | – | (800) | (373) | (1,173) |
| Net profit (loss) for the period | – | – | – | – | – | – | – | – | 12,148 | 12,148 | (7,836) | 4,312 |
| Total recognised income and expense for the period | – | – | (3,714) | – | – | 2,914 | – | – | 12,148 | 11,348 | (8,209) | 3,139 |
| Conversion of shareholder's loan into share capital of a subsidiary | – | – | – | – | – | – | – | – | – | – | 4,985 | 4,985 |
| Disposal of subsidiary | – | – | – | – | – | – | – | – | – | – | (13,539) | (13,539) |
| Realised on disposal of properties of an associate | – | – | (2,946) | – | – | – | – | – | – | (2,946) | – | (2,946) |
| Interim dividend | – | – | – | – | – | – | – | 13,298 | (13,298) | – | – | – |
| Dividends paid | – | – | – | – | – | – | – | (31,038) | – | (31,038) | – | (31,038) |
| Shares repurchased | (65) | – | – | 65 | – | – | – | – | (246) | (246) | – | (246) |
| At 30th June, 2004 | 221,638 | 529,289 | 8,143 | 43,822 | – | 860 | (24,017) | 13,298 | 1,141,707 | 1,934,740 | (116,327) | 1,818,413 |
| At 31st December, 2004 | | | | | | | | | | | | |
| – as originally stated | 223,946 | 533,489 | 22,422 | 43,822 | – | (2,400) | (20,890) | 31,352 | 1,236,090 | 2,067,831 | 3,781 | 2,071,612 |
| – effects of changes in accounting policies | – | – | (7,894) | – | – | – | – | – | – | (7,894) | – | (7,894) |
| – as restated | 223,946 | 533,489 | 14,528 | 43,822 | – | (2,400) | (20,890) | 31,352 | 1,236,090 | 2,059,937 | 3,781 | 2,063,718 |
| Opening adjustments arising from adoption of new accounting standards | – | – | (14,528) | – | – | – | 20,890 | – | 634 | 6,996 | – | 6,996 |
| At 1st January, 2005, as restated | 223,946 | 533,489 | – | 43,822 | – | (2,400) | – | 31,352 | 1,236,724 | 2,066,933 | 3,781 | 2,070,714 |
| Exchange difference arising on translation of overseas operations | – | – | – | – | – | 232 | – | – | – | 232 | 9 | 241 |
| Fair value changes on available-for-sale financial assets | – | – | – | – | 8,028 | – | – | – | – | 8,028 | – | 8,028 |
| Exchange effect of deferred tax liability | – | – | – | – | – | (64) | – | – | – | (64) | – | (64) |
| Net income recognised directly in equity | – | – | – | – | 8,028 | 168 | – | – | – | 8,196 | 9 | 8,205 |
| Net profit (loss) for the period | – | – | – | – | – | – | – | – | 79,219 | 79,219 | (1,322) | 77,897 |
| Total recognised income and expense for the period | – | – | – | – | 8,028 | 168 | – | – | 79,219 | 87,415 | (1,313) | 86,102 |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | – | – | 393,461 | 393,461 |
| Interim dividend | – | – | – | – | – | – | – | 20,019 | (20,019) | – | – | – |
| Dividends paid | – | – | – | – | – | – | – | (18,096) | – | (18,096) | – | (18,096) |
| New shares issued as scrip dividend | 4,546 | 8,710 | – | – | – | – | – | (13,256) | – | – | – | – |
| New shares issued on acquisition of subsidiaries | 21,750 | 39,150 | – | – | – | – | – | – | – | 60,900 | – | 60,900 |
| At 30th June, 2005 | 250,242 | 581,349 | – | 43,822 | 8,028 | (2,232) | – | 20,019 | 1,295,924 | 2,197,152 | 395,929 | 2,593,081 |

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2005

| | Notes | Six months ended 30th June, | |
|--|-------|---------------------------------|---------------------------------|
| | | 2005 (unaudited) HK\$'000 | 2004 (unaudited) HK\$'000 |
| Net cash used in operating activities | | (13,602) | (56,702) |
| Investing activities | | | |
| Net cash outflow on acquisition of subsidiaries | 26 | (260,326) | – |
| Loan to an associate | | (111,800) | – |
| Deposit paid for acquisition of investment properties | | (14,374) | – |
| Purchase of intangible assets | | – | (40,776) |
| Interest received | | 15,491 | 934 |
| Proceeds on disposal of property, plant and equipment | | 19,313 | 118 |
| Net cash inflow on disposal of subsidiaries | 27 | – | 6,987 |
| Other investing activities | | (10,448) | (31,637) |
| Net cash used in investing activities | | (362,144) | (64,374) |
| Financing activities | | | |
| New bank loans | | 495,896 | 431,550 |
| Repayment of bank borrowings | | (16,994) | (185,295) |
| Dividends paid | | (18,096) | (31,038) |
| Others | | (6,526) | (4,828) |
| Net cash from financing activities | | 454,280 | 210,389 |
| Net increase in cash and cash equivalents | | 78,534 | 89,313 |
| Cash and cash equivalents at beginning of the period | | 439,342 | 208,658 |
| Effect of foreign exchange rate changes | | (322) | 222 |
| Cash and cash equivalents at end of the period | | 517,554 | 298,193 |
| Analysis of the balances of cash and cash equivalents | | | |
| Bank balances and cash | | 517,554 | 298,193 |

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business Combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions on or after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves has been transferred to the Group's retained profits on 1st January, 2005. Goodwill arising on acquisitions on or after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. With respect to goodwill previously capitalised on the balance sheet, the whole amount was fully impaired in 2004 and accordingly the adoption of HKFRS 3 does not have any financial impact to the Group. Comparative figures for 2004 have not been restated.

Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company and its subsidiaries determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

The transitional provisions of HKFRS 2 allow the Group applies HKFRS 2 retrospectively for share options which were granted on or after 7th November, 2002 and had not yet vested on 1st January, 2005. Since all share options of the Company were lapsed or cancelled during the year ended 31st December, 2003, no retrospective application of HKFRS 2 was made for share options granted by the Company.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Share-based Payments (continued)

Certain share options were granted by the Company's unlisted subsidiaries to their directors, employees and consultants on or after 7th November, 2002 and had not yet vested on 1st January, 2005 (the "Relevant Share Options"). Since the Group was unable to estimate reliably the fair value of the Relevant Share Options at the measurement date in accordance with the requirements in HKFRS 2, the Group measured these Relevant Share Options at their intrinsic value, initially at the date the grantees rendered service and subsequently at each reporting date and when Relevant Share Options were exercised, were forfeited or lapsed, with any change in intrinsic value recognised in profit or loss. Since the subsidiaries issuing the Relevant Share Options are with net liabilities and continuing losses since their establishment, the directors of the Company estimated the intrinsic value of these options to be zero at each reporting date and accordingly, no prior period adjustment has been made.

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for Investment in Securities". Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. An adjustment to the previous carrying amount of loan from a minority shareholder of HK\$6,996,000 was made to the Group's retained profits on 1st January, 2005.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derivatives

From 1st January, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment Properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under SSAP 13 "Investment Property" were measured at open market values, with revaluation increase or decrease credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 has been transferred to the Group's retained profits.

Deferred Taxes related to Investment Properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

Intangible assets

In prior period, the taxi licences with indefinite useful lives were amortised over 50 years. In accordance with HKAS 38 "Intangible Assets", an intangible asset with an indefinite useful life shall not be amortised. Instead, in accordance with HKAS 36 "Impairment of Assets", the Group is required to test the intangible asset with an indefinite useful life for impairment, by comparing its recoverable amount with its carrying amount, annually and whenever there is an indication that the intangible asset may be impaired. As a result of the adoption of HKAS 38, the Group has discontinued amortising the cost of the taxi licences with indefinite useful lives. This results in an increase in the profit for the period by approximately HK\$1,682,000.

For the six months ended 30th June, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior period are as follows:

| | Six months ended 30th June, 2005 HK\$'000 | 2004 HK\$'000 |
|--|--|------------------|
| Fair value changes of other financial liabilities | (66) | – |
| Fair value changes of investment properties | 14,650 | – |
| Decrease in amortisation of intangible assets | 1,682 | – |
| Increase (decrease) in share of result of associates | 10,476 | (1,673) |
| (Increase) decrease in taxation | (2,484) | 1,673 |
| Total increase in profit | 24,258 | – |

The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

| | As at 31st December, 2004 (originally stated) HK\$'000 | Effect of changes in accounting policies HK\$'000 | As at 31st December, 2004 (restated) HK\$'000 | Opening adjustments on adoption of new accounting standards HK\$'000 | As at 1st January, 2005 (restated) HK\$'000 |
|--|--|---|---|---|---|
| Balance sheet items | | | | | |
| Investment properties | 560,341 | – | 560,341 | – | 560,341 |
| Property, plant and equipment | 207,630 | (21,966) | 185,664 | – | 185,664 |
| Prepaid lease payments on land use rights included in: | | | | | |
| – non-current assets | – | 21,424 | 21,424 | – | 21,424 |
| – current assets | – | 542 | 542 | – | 542 |
| Investments in securities-current | 211,987 | – | 211,987 | (211,987) | – |
| Investments held for trading | – | – | – | 211,987 | 211,987 |
| Deferred tax liabilities | (11,274) | (7,894) | (19,168) | – | (19,168) |
| Loan from a minority shareholder | (9,210) | – | (9,210) | 6,996 | (2,214) |
| Total effects on assets and liabilities | 959,474 | (7,894) | 951,580 | 6,996 | 958,576 |
| Retained profits | 1,236,090 | – | 1,236,090 | 634 | 1,236,724 |
| Investment properties revaluation reserve | 22,422 | (7,894) | 14,528 | (14,528) | – |
| Goodwill reserve | (20,890) | – | (20,890) | 20,890 | – |
| Minority interests | – | 3,781 | 3,781 | – | 3,781 |
| Total effects on equity | 1,237,622 | (4,113) | 1,233,509 | 6,996 | 1,240,505 |
| Minority interests | 3,781 | (3,781) | – | – | – |

4. SEGMENT INFORMATION

The Group's turnover and contribution to profit from ordinary activities before taxation, analysed by business segments (primary segments), are as follows:

| | Turnover | | Contribution to profit (loss) from ordinary activities before taxation | |
|---|----------------------------------|------------------|--|-----------------|
| | Six months ended 30th June, 2005 | 2004 (Restated) | Six months ended 30th June, 2005 | 2004 (Restated) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Continuing operations: | | | | |
| Manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and EMS business | 688,437 | 697,000 | 49,200 | 48,706 |
| Manufacturing and trading of electric cables | 15,700 | 21,073 | 2,243 | (8,043) |
| Leasing of properties | 30,814 | 30,092 | 41,067 | 26,451 |
| Property investment and development | – | – | (4) | (2) |
| Taxi rental operation | 7,354 | 6,396 | 6,746 | 3,798 |
| Trading of securities | 177,806 | 406,565 | (4,661) | 11,419 |
| Development and trading of computer hardware and software | 3,270 | 1,533 | (34,640) | (20,673) |
| Direct investment | – | – | (1,539) | (31,728) |
| | 923,381 | 1,162,659 | 58,412 | 29,928 |
| Discontinued operations: | | | | |
| Manufacturing and trading of steel pipes (note a) | 17,431 | 9,285 | 175 | (4,263) |
| Steel plate processing and trading (note b) | – | 39,995 | – | (164) |
| Toll road management and operation (note c) | – | 11,269 | – | 1,490 |
| | 17,431 | 60,549 | 175 | (2,937) |
| | 940,812 | 1,223,208 | 58,587 | 26,991 |
| Unallocated corporate expenses (net of other operating income) | | | (16,598) | (19,904) |
| Interest income | | | 22,347 | 4,970 |
| Finance costs | | | (7,131) | (13,461) |
| Share of results of associates | | | 23,297 | 13,924 |
| Gain on disposal of subsidiaries | | | – | 2,796 |
| Loss on disposal of an associate | | | – | (4,799) |
| Profit from ordinary activities before taxation | | | 80,502 | 10,517 |
| Taxation | | | (2,605) | (6,205) |
| Net profit for the period | | | 77,897 | 4,312 |

There were no inter-segment sales between different business segments.

Notes:

- (a) In prior periods, the manufacturing and trading of cables and steel pipes was classified as one single segment. As set out in note 28, the Group disposed of the plant and machinery relating to the manufacturing of steel pipes subsequent to the balance sheet date and the related operations in steel pipes will be discontinued. Accordingly, the segment turnover and results of steel pipes are separately disclosed as discontinued operation in current period.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

4. SEGMENT INFORMATION (continued)

- (b) Pursuant to an agreement dated 16th March, 2004, the Company agreed to dispose of its entire equity interest in VSC Shinsho Company Limited (formerly Shell & Shinsho Company Limited) ("Shell & Shinsho"), representing 70% equity interests in Shell & Shinsho, to an independent third party for a consideration of approximately HK\$29,274,000. The principal activities of Shell & Shinsho were steel plate processing and trading. The transaction was completed on 23rd March, 2004.
- (c) Pursuant to a conditional agreement dated 20th February, 2004, Dong Wen Investments Limited, the Company's wholly owned subsidiary, agreed to dispose of its entire equity interest in Shunde Shunyue Highway Construction Limited ("Shunyue"), representing 52% equity interests in Shunyue, to an investment arm of 佛山市順德區人民政府 for a consideration of approximately RMB80,820,000 (equivalent to HK\$76,170,000). The principal activities of Shunyue were the investment, construction and operation of a toll road in the municipal area of Shunde, the People's Republic of China (the "PRC"). Details of this transaction were set out in the circular to the shareholders of the Company dated 11th March, 2004. This transaction was completed on 3rd September, 2004.

The Group's turnover of continuing and discontinued operations analysed by geographical market is as follows:

| | Six months ended 30th June, | |
|--|--------------------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Hong Kong | 146,116 | 343,780 |
| PRC | 230,382 | 213,038 |
| North America | 431,505 | 483,590 |
| Europe | 59,129 | 119,730 |
| Asia, other than Hong Kong and the PRC | 35,422 | 33,257 |
| Others | 38,258 | 29,813 |
| | 940,812 | 1,223,208 |

5. IMPAIRMENT LOSSES ON NON-CURRENT ASSETS

| | Six months ended 30th June, | |
|--|--------------------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Impairment losses on property, plant and equipment (note 12(b)) | – | 8,800 |
| Impairment losses on investments in securities not held for trading (note) | – | 31,717 |
| | – | 40,517 |

Note:–

During the six months ended 30th June, 2004, the directors of the Company reviewed the carrying value of the investment in securities not held for trading. For investments in businesses which were involved in developing the advanced semiconductor, internet related hardware and software, the related investment cost of approximately HK\$31,717,000 was considered to be fully impaired with regard to the current market situation.

6. TAXATION

| | Six months ended 30th June, | |
|--|--|--------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Continuing operations: | | |
| Current tax: | | |
| Hong Kong | 3,652 | 3,790 |
| Other regions of the PRC | – | 76 |
| Deferred taxation | (1,047) | 2,339 |
| Taxation attributable to continuing operations | <u>2,605</u> | <u>6,205</u> |

There was no taxation attributable to discontinued operations for the six months ended 30th June, 2004 and 2005.

Hong Kong Profits Tax is calculated at 17.5 per cent (Six months ended 30th June, 2004: 17.5 per cent) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. NET PROFIT (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS

As set out in note 4, manufacturing and trading of steel pipes is the only discontinued operation in the current period and steel plate processing and trading together with toll road management and operations were the discontinued operations in the prior period. The net profit (loss) for the period from these discontinued operations is analysed as follows:

| | Six months ended 30th June, | |
|--|--|-----------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Net profit (loss) for the period from: | | |
| Manufacturing and trading of steel pipes | 192 | (4,252) |
| Steel plate processing and trading | – | (171) |
| Toll road management and operations | – | (7,343) |
| | <u>192</u> | <u>(11,766)</u> |
| Gain on disposal of subsidiaries | – | 2,796 |
| | <u>192</u> | <u>(8,970)</u> |

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2005

7. NET PROFIT (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations for the interim reporting period were as follows:

| | Six months ended 30th June, | |
|---|--------------------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Turnover | 17,431 | 60,549 |
| Other operating income | 60 | 1,005 |
| Changes in inventories of finished goods and work in progress | 541 | (2,087) |
| Raw materials, subcontracted goods and consumables used | (13,236) | (26,917) |
| Purchases of trading goods | - | (16,094) |
| Staff costs | (1,429) | (2,131) |
| Depreciation and amortisation expenses | (1,688) | (12,212) |
| Other operating expenses | (1,506) | (5,050) |
| | <u>175</u> | <u>(2,937)</u> |
| Interest Income | 17 | 180 |
| Finance costs | - | (9,009) |
| Gain on disposal of subsidiaries | - | 2,796 |
| | <u>192</u> | <u>(8,970)</u> |
| Profit (loss) from ordinary activities before taxation | 192 | (8,970) |
| Taxation | - | - |
| Net profit (loss) for the period from discontinued operations | <u>192</u> | <u>(8,970)</u> |

8. NET PROFIT FOR THE PERIOD

| | Six months ended 30th June, | |
|---|--------------------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Net profit for the period has been arrived at after charging (crediting): | | |
| Depreciation of property, plant and equipment of continuing operations | 6,736 | 8,821 |
| Less: amount capitalised in development costs | - | (1,566) |
| | <u>6,736</u> | <u>7,255</u> |
| Amortisation of: | | |
| Goodwill | | |
| Attributable to subsidiaries | - | 693 |
| Attributable to associate | - | 25 |
| Intangible assets | - | 15,126 |
| Prepaid lease rental on land | 109 | 227 |
| | <u>6,845</u> | <u>23,326</u> |
| Depreciation and amortisation of discontinued operations | 1,688 | 12,212 |
| | <u>8,533</u> | <u>35,538</u> |
| Share of tax of associates | 11,736 | 1,673 |
| Reversal of allowance on loans receivables | (3,033) | - |
| Interest income from: | | |
| Continuing operations | (22,330) | (4,790) |
| Discontinued operations | (17) | (180) |
| | <u>(22,347)</u> | <u>(4,970)</u> |
| Finance cost for: | | |
| Continuing operations | 7,131 | 4,452 |
| Discontinued operations | - | 9,009 |
| | <u>7,131</u> | <u>13,461</u> |

9. DIVIDENDS

On 22nd September, 2005, the directors declared an interim dividend of 4 cents (Six months ended 30th June, 2004: 3 cents) per share, amounting to HK\$20,019,000 (Six months ended 30th June, 2004: HK\$13,298,000), to be paid to the shareholders of the Company whose names appear in the Register of Members on 14th October, 2005.

During the period, a dividend of 7 cents (Six months ended 30th June, 2004: 7 cents) per share, amounting to HK\$31,352,000 (Six months ended 30th June, 2004: HK\$31,038,000) was paid to shareholders as the final dividend for the immediate preceding financial year end. Share scrip alternatives were offered in respect of these 2004 final dividends. These share scrip alternatives were accepted by the shareholders, as follows:

| | HK\$'000 |
|-------------------------|-----------------|
| Dividends: | |
| Cash | 18,096 |
| Share scrip alternative | 13,256 |
| | <u>31,352</u> |

No share scrip alternatives were offered in respect of 2003 final dividends.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for continuing and discontinued operations is based on the net profit for the period attributable to the shareholders of the Company of HK\$79,219,000 (Six months ended 30th June, 2004: as restated HK\$12,148,000) and the weighted average number of ordinary shares of 449,769,000 (Six months ended 30th June, 2004: 443,369,000).

The calculation of the basic earnings per share from continuing operations attributable to the shareholders of the Company is based on the following data:

| | Six months ended 30th June, | |
|--|--|---------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Earnings: | | |
| Net profit for the period from the continuing operations | 77,705 | 13,282 |
| Net loss (profit) attributable to minority interests | 124 | (411) |
| Amount attributable to the shareholders of the Company | <u>77,829</u> | <u>12,871</u> |

The denominators used are the same as those detailed above for basic earnings per share from continuing and discontinued operations.

No diluted earnings per share has been presented for the current and prior periods as the potential ordinary shares issued are anti-dilutive.

11. INVESTMENT PROPERTIES

The directors of the Company considered the fair value of investment properties at 30th June, 2005 based on the market prices in accordance with HKAS 40. The resulting increase in fair value of investment properties of HK\$14,650,000 has been recognised in the income statement for the six months ended 30th June, 2005.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2005,

- (a) the Group expended approximately HK\$8,223,000 in land and buildings, approximately HK\$2,264,000 in plant and machinery and approximately HK\$4,872,000 in furniture, fixtures and office equipment;
- (b) the Group completed the disposal of a land to an independent third party pursuant to an agreement dated 19th April, 2004 at a cash consideration of RMB58,826,000 (equivalent to approximately HK\$55,426,000) and recognised a gain of HK\$139,000 in the income statement. Impairment losses of HK\$8,800,000 in respect of this land was recognised for the six months ended 30th June, 2004.
- (c) the Group disposed of other property, plant and equipment with carrying value amounting to HK\$2,906,000 (Six months ended 30th June, 2004: HK\$6,440,000) and recognised a gain of HK\$44,000 (Six months ended 30th June, 2004: HK\$4,549,000) in the income statement.

13. GOODWILL

| | HK\$'000 |
|---|---------------|
| COST | |
| At 1st January, 2005 | 20,131 |
| Adoption of new accounting standards (note 2) | (20,131) |
| Acquisition of subsidiaries (note 26) | 19,055 |
| | 19,055 |
| AMORTISATION AND IMPAIRMENT | |
| At 1st January, 2005 | 20,131 |
| Adoption of new accounting standards (note 2) | (20,131) |
| | - |
| | 19,055 |
| | 19,055 |
| At 31st December, 2004 | - |

14. INTANGIBLE ASSETS

During the six months ended 30th June, 2005, the Group through acquisition of subsidiary acquired an operating right of a shopping mall of 20 years at a provisional fair value of HK\$54,120,000.

15. INTERESTS IN ASSOCIATES

| | 30.6.2005 HK\$'000 | 31.12.2004 HK\$'000 |
|--|-------------------------------------|------------------------|
| Share of net assets | 285,468 | 181,405 |
| Goodwill on acquisition of associates (Note a) | 850 | 850 |
| Loans to associates (Note b) | 327,066 | 296,459 |
| | 613,384 | 478,714 |

Notes:

- (a) Movements of goodwill on acquisition of associates are as follows:

| | HK\$'000 |
|---|------------|
| COST | |
| At 1st January, 2005 | 1,000 |
| Adoption of new accounting standards (note 2) | (150) |
| At 30th June, 2005 | 850 |
| AMORTISATION | |
| At 1st January, 2005 | 150 |
| Adoption of new accounting standards (note 2) | (150) |
| At 30th June, 2005 | - |
| NET BOOK VALUE | |
| At 30th June, 2005 | 850 |
| At 31st December, 2004 | 850 |

- (b) Included in the loans to associates are amounts of HK\$72,961,000 (At 31st December, 2004: HK\$ 72,659,000) which are unsecured and subject to interest at 10% (At 31st December, 2004: 10%) per annum. The remaining balance of the loans to associates are unsecured and interest-free. In accordance with HKAS 39, the fair value of interest-free portion of the loans to associates at 30th June, 2005, estimated based on the expected settlement date in accordance with the business plans of the respective associates, is HK\$254,105,000 (At 1st January, 2005: HK\$180,554,000). As HKAS 39 does not allow retrospective application in this respect, no prior period adjustment is proposed.

In the opinion of the directors, the loans to associates will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

16. INVESTMENTS IN SECURITIES/AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENTS HELD FOR TRADING

| | 30.6.2005 HK\$'000 | 31.12.2004 HK\$'000 |
|-------------------------------------|-------------------------------------|------------------------|
| Equity securities, at fair value | | |
| Unlisted | 13,024 | 4 |
| Listed in Hong Kong | 207,276 | 193,109 |
| Listed outside Hong Kong | 3,325 | 12,229 |
| | 223,625 | 205,342 |
| Commodity index certificate | - | 6,645 |
| | 223,625 | 211,987 |
| Represented by: | | |
| Available-for-sale financial assets | 13,020 | - |
| Investments held for trading | 210,605 | - |
| Investments in securities | - | 211,987 |
| | 223,625 | 211,987 |

17. INVENTORIES OF PROPERTIES

| | 30.6.2005 | 31.12.2004 |
|------------------------------|------------------|------------|
| | HK\$'000 | HK\$'000 |
| Properties under development | 914,236 | – |
| Properties held for sale | 84,688 | – |
| | 998,924 | – |

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$145,744,000 (At 31st December, 2004: HK\$113,114,000). For sales of goods, the Group allows an average credit period of 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade receivables at the balance sheet date is as follows:

| | 30.6.2005 | 31.12.2004 |
|----------------|------------------|------------|
| | HK\$'000 | HK\$'000 |
| Current | 81,392 | 75,622 |
| 31 – 60 days | 32,062 | 22,973 |
| 61 – 90 days | 13,292 | 11,068 |
| 91 – 180 days | 6,800 | 2,268 |
| 181 – 360 days | 10,221 | 713 |
| Over 360 days | 1,977 | 470 |
| | 145,744 | 113,114 |

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$342,673,000 (At 31st December, 2004: HK\$94,683,000). The aged analysis of trade payables at the balance sheet date is as follows:

| | 30.6.2005 | 31.12.2004 |
|----------------|------------------|------------|
| | HK\$'000 | HK\$'000 |
| Current | 46,133 | 72,174 |
| 31 – 60 days | 14,357 | 13,283 |
| 61 – 90 days | 125,337 | 4,745 |
| 91 – 180 days | 832 | 1,415 |
| 181 – 360 days | 143,555 | 977 |
| Over 360 days | 12,459 | 2,089 |
| | 342,673 | 94,683 |

20. DERIVATIVE FINANCIAL LIABILITIES

On 19th May, 2005, the Group has written an option to an independent third party on disposal of 8,000,000 shares of a listed company in Hong Kong at a strike price of HK\$12.8 per share on 17th November, 2005. The fair value of this derivative at 30th June, 2005 was estimated to be approximately HK\$5,540,000.

On 28th June, 2005, the Group granted an option to a firm of financial advisers to have the right to acquire 1,250 option shares of Tigerlily Overseas Limited ("Tigerlily") at a strike price of HK\$12,630,000 within 5 years from the date of grant in exchange for its financial advisory services in connection with the acquisition of all the shares in Tigerlily at a value of HK\$2,000,000 as agreed between both parties.

21. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to HK\$430,000,000 to finance the acquisition of subsidiaries. The loans are unsecured, carry interests at prevailing market rate and are repayable within one year.

22. SHARE CAPITAL

| | 30.6.2005 | | 31.12.2004 | |
|--|-----------------------|------------------------|-----------------------|------------------------|
| | Number of shares '000 | Nominal value HK\$'000 | Number of shares '000 | Nominal value HK\$'000 |
| Authorised: | | | | |
| Ordinary shares of HK\$0.50 each | | | | |
| Balance at beginning and end of the period/year | 900,000 | 450,000 | 900,000 | 450,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK\$0.50 each | | | | |
| Balance at beginning of the period/year | 447,893 | 223,946 | 443,407 | 221,703 |
| Shares repurchased and cancelled | – | – | (130) | (65) |
| Shares issued as scrip dividend | 9,092 | 4,546 | 4,616 | 2,308 |
| Shares issued as consideration for acquisition of subsidiaries | 43,500 | 21,750 | – | – |
| Balance at end of the period/year | 500,485 | 250,242 | 447,893 | 223,946 |

23. PLEDGE OF ASSETS

| | 30.6.2005 HK\$'000 | 31.12.2004 HK\$'000 |
|--|-----------------------|------------------------|
| The investments held for trading of the Group pledged to secure credit facilities granted to a subsidiary of the Company by: | | |
| A bank | 150,000 | – |
| A securities broker | 14,635 | 24,176 |
| | 164,635 | 24,176 |

In addition to above, certain of the Group's investment properties with an aggregate book value of approximately HK\$248,605,000 (At 31st December, 2004: HK\$249,042,000) were pledged as securities for credit facilities obtained from bankers.

As at the balance sheet date, the amount of bank loans and other loan facilities secured by the above assets amounted to approximately HK\$257,711,000 (At 31st December, 2004: HK\$122,619,000).

24. CONTINGENT LIABILITIES

As at the balance sheet date, the Group had the following outstanding contingent liabilities not provided for in the financial statements:

| | 30.6.2005 HK\$'000 | 31.12.2004 HK\$'000 |
|---|-----------------------|------------------------|
| Shipping and other guarantees granted to an associate | 29,092 | 29,092 |
| Guarantees given to banks for mortgage bank loans granted to purchasers of the properties | 334,995 | – |
| Guarantee given to banks for credit facilities granted to: | | |
| jointly controlled entity | 97,170 | – |
| independent third party | 47,170 | – |

25. CAPITAL COMMITMENTS

As at the balance sheet date, the Group had commitments as follows:

| | 30.6.2005 HK\$'000 | 31.12.2004 HK\$'000 |
|---|-----------------------|------------------------|
| Contracted for but not provided in the financial statements: | | |
| Establishment of a joint venture to develop manufacturing facilities in the PRC | 3,899 | 3,899 |
| Additions to property, plant and equipment | 2,335 | 2,772 |
| Acquisition of additional interest in a subsidiary | 2,267 | – |
| Capital expenditure for property development projects | 436,594 | – |

26. ACQUISITION OF SUBSIDIARIES

On 28th June, 2005, the Group acquired 100% of the issued share capital of Tigerlily, a company established in the British Virgin Islands at a consideration of HK\$515,739,000. The group headed by Tigerlily is principally engaged in property development in the PRC. This transaction has been accounted for using the purchase method of accounting.

The net assets acquired in the transaction, are as follows:

| | Carrying amount of Tigerlily and its subsidiaries at the date of acquisition (unaudited) HK\$'000 | Provisional fair value adjustments (unaudited) HK\$'000 | Fair value (unaudited) HK\$'000 |
|--|---|---|---------------------------------------|
| Net assets acquired: | | | |
| Investment properties | 1,973 | 1,283 | 3,256 |
| Property, plant and equipment | 6,692 | 3,917 | 10,609 |
| Intangible assets | 54,120 | – | 54,120 |
| Interests in jointly controlled entities | 96,586 | 389,801 | 486,387 |
| Inventories of properties | 550,671 | 448,253 | 998,924 |
| Other inventories | 1,630 | – | 1,630 |
| Trade and other receivables | 83,232 | – | 83,232 |
| Amounts due from jointly controlled entities | 69,076 | – | 69,076 |
| Amounts due from minority interests | 32 | – | 32 |
| Amounts due from related companies | 309 | – | 309 |
| Tax prepaid | 223 | – | 223 |
| Investments held for trading | 1,884 | – | 1,884 |
| Bank balances and cash | 192,513 | – | 192,513 |
| Trade and other payables | (695,217) | – | (695,217) |
| Amounts due to minority shareholders | (17,598) | – | (17,598) |
| Amounts due to related companies | (6,730) | – | (6,730) |
| Amounts due to jointly controlled entities | (42,667) | – | (42,667) |
| Bank borrowings | (117,388) | – | (117,388) |
| Minority interests | (71,338) | (322,123) | (393,461) |
| Deferred tax liabilities | – | (132,450) | (132,450) |
| Net assets acquired | <u>108,003</u> | <u>388,681</u> | 496,684 |
| Goodwill arising on consolidation (note 13) | | | 19,055 |
| Total consideration | | | <u>515,739</u> |
| Total consideration satisfied by: | | | |
| Cash | | | 452,839 |
| Shares issued | | | 60,900 |
| Issued of derivatives (note 20) | | | 2,000 |
| | | | <u>515,739</u> |

26. ACQUISITION OF SUBSIDIARIES (continued)

Net cash outflow arising on acquisition:

| | HK\$'000 |
|---------------------------------|----------------|
| Cash consideration paid | 452,839 |
| Bank balances and cash acquired | (192,513) |
| | <u>260,326</u> |

The above fair values of the assets and liabilities acquired are determined provisionally based on the information available up to the date of this report. The directors of the Company are still in the process of finalising the fair values of the assets and liabilities acquired.

Tigerlily did not have significant contribution to the Group's turnover and profit before taxation from continuing operations for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1st January, 2005, total Group's turnover for the period would have been approximately HK\$1,467 million and profit for the period would have been approximately HK\$65 million. The pro forma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2005, nor is it intended to be a projection of future results.

27. DISPOSAL OF SUBSIDIARIES

On 16th March, 2004, the Group entered into a sale agreement to dispose of a subsidiary, Shell & Shinsho, which carried out most of the Group's steel processing operations. The control of Shell & Shinsho was passed to the acquirer on 23rd March, 2004.

The results of Shell & Shinsho included in the condensed consolidated income statement for the six months ended 30th June, 2004 were as follows:

| | (unaudited) HK\$'000 |
|------------------------|-------------------------|
| Turnover | 26,900 |
| Other operating income | 1,602 |
| Operating costs | (28,594) |
| Finance costs | (285) |
| Loss before tax | <u>(377)</u> |
| Taxation | – |
| Loss after tax | <u>(377)</u> |

For the six months ended 30th June, 2005

27. DISPOSAL OF SUBSIDIARIES (continued)

The net assets of Shell & Shinsho disposed of at 23rd March, 2004 were as follows:

| | |
|--|--------------------------------------|
| | 23.3.2004 (unaudited) HK\$'000 |
| Net assets disposed of | 26,478 |
| Profit on disposal | 2,796 |
| Total consideration | <u>29,274</u> |
| Satisfied by cash and net cash inflow arising on disposal: | |
| | HK\$'000 |
| Cash consideration | 29,274 |
| Bank balances and cash disposed of | <u>(22,287)</u> |
| | <u>6,987</u> |

Shell & Shinsho did not make any significant contribution to the results of the Group during the six months ended 30th June, 2004.

28. POST BALANCE SHEET EVENT/ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to an agreement dated 1st September, 2005, the directors of Shunde Hua Feng Stainless Steel Welded Tubes Limited, an indirect 90.1% owned subsidiary of the Company, agreed to sell its machinery and equipment necessary for the production of steel pipes to a third party with a cash consideration of US\$2,500,000. The Group will discontinue this operation when the disposal is completed.

As the letter of intent has already been signed before 30th June, 2005, the following assets and liabilities are reclassified as assets held for sale and liabilities associated with assets classified as held for sale respectively.

| | |
|---|---------------|
| | HK\$'000 |
| Assets classified as held for sale: | |
| Property, plant and equipment | 3,603 |
| Inventories | 8,864 |
| Trade and other receivables | 4,354 |
| | <u>16,821</u> |
| Liabilities associated with assets classified as held for sale: | |
| Trade and other payables | <u>5,665</u> |