

Interim Report  
**2009**



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

(Stock Code: 00081)



SINCE 1952

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# CHAIRMAN'S STATEMENT

## PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited consolidated profit attributable to the owners of the Company for the first half of 2009 amounted to HK\$34,053,000. Basic earnings per share was HK\$0.065.

## INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30th June, 2009 of HK\$0.02 per share (six months ended 30th June, 2008: HK\$0.03 per share) payable to shareholders whose names appear on the Register of Members of the Company on Friday, 23rd October, 2009. Dividend warrants will be dispatched to shareholders on Wednesday, 28th October, 2009.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 21st October, 2009 to Friday, 23rd October, 2009, both days inclusive, during which period no transfer of the Company's shares will be registered. 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, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 20th October, 2009.

## BUSINESS REVIEW

### Ceiling Fans

The sales of the ceiling fans business of the Group decreased in the period compared to the same period of last year under the adverse global economic environment. The drop in sales was more severe in the North America market while it was smaller in the Middle East, Asia and Africa; and sales in Europe and Australia were stable. The gross profit increased slightly with the effective expenditure and cost control measures. It is expected that the economy will improve in the second half of the year.

### Contract Manufacturing – Optics and Imaging

Due to global economic slowdown, an eight per cent drop in sales of fuser and laser scanner products was recorded in the period compared to the corresponding period of last year. It is expected that annual sales for the year will also be lower. "Paper handling options" has moved into mass production stage and it is projected that additional revenue will be contributed in 2009.

### Contract Manufacturing – Electric and Electronics

Due to global economic slowdown, sales in the period reduced. New models of LED lighting products will be launched in the second half of the year. Under the difficult economic environment, sales in 2009 may not reach expected target.

### Taxi Operation

The taxi company continues to switch the operation model gradually. The number of cars operating under the rental model has exceeded those under the lease-to-own model. The turnover and profit in the period recorded double digit increase compared to the same period of last year. The company strives to enhance its "蜆富" rental car brand with the strict selection and training of drivers and the provision of high quality service. It plans to increase the number of rental cars and enhance its turnover.

### Real Estate Investment & Development

Under the financial tsunami, rental income from the retail properties of CITIC Plaza in Guangzhou recorded a slight decrease in the period with the reduction of rental price. The office properties rental income for the period was also lower than that of the same period of last year due to average rental price reduction and increase in vacancy in the period.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution to the Group. During the period, the tenant company was acquired by an international electronics contract manufacturer group and it would continue to operate in the facility under the lease and manufacture products for the prior tenant group.

During the period, the Group's office complex in Livermore, California was able to maintain a stable occupancy rate and rental income. However, with the continual slow down of the US economy, we expect lower rental income for the second half of 2009 as renewal rates will be under pressure.

The Group holds 70% interest in China Ever Bright Real Estate Development Limited ("EBRE"). During the period, the property demand in China has started to recover. In view of the market conditions, EBRE has and will continue to make appropriate adjustments for the progress of its projects. The economic development in China continues to be on a long term growth track and shall provide positive support to property demand; the Group maintains a positive view on the prospects of EBRE. However, the Group did experience some minor setbacks as the management of EBRE has been uncooperative in disclosing necessary information on a timely basis. The Group has since passed a resolution to remove the General Manager of EBRE but is facing an opposition view from the minority shareholder of EBRE. A review of the activities of EBRE's major projects during the period is as follows:

The Ever Bright World Center Tower 1 in Beijing has approximately 48,000 sq. m. of saleable/leaseable area (and additional 400 underground parking spaces); of which about 4,800 sq. m. were sold and about 16,300 sq. m. were leased during the period. EBRE owns 100% of the project.

# CHAIRMAN'S STATEMENT

## **BUSINESS REVIEW** (continued)

### **Real Estate Investment & Development** (continued)

The commercial and residential development project located in Haidian district in Beijing has recognized sales for about 23,000 sq. m. and about 5,500 sq. m. have been sold under contract sales during the period. EBRE owns 100% of the project.

The low density residential development project located in the northern suburb of Beijing is going through a major design overhaul as the old design is quite out of date. We expect to resume construction in 2010 if the economy continues to recover. EBRE currently owns 70% of this project.

EBRE sold its 67% interest in a primary land development project in the southern suburb of Beijing back to the original owner at a small premium as the total return of the project fell below our minimum requirement due to the financial crisis.

EBRE owned 70% interest in a residential development project in Qingdao. As the relevant government permits have not been obtained on time, EBRE and the original owners of the project had entered into a termination agreement on 24th June, 2009. Transfer back of the 70% interest will be done after the repayment of EBRE's shareholder's loan with interest and penalty.

Guangzhou Ever Bright Garden Phase K has recognized sales for about 35,700 sq. m. and sales of about 78,000 sq. m. have been sold under contract sales during the period. Phase J is expected to start the pre-sale process in the second half of 2009. EBRE owns 100% of the project.

The residential and retail shopping mall development project located in Haizhu district in Guangzhou has started construction with target opening of the mall in the first half of 2011. Leasing has begun and we anticipate the delivery of the site for anchor tenant remodeling in the second half of 2010. The residential portion is expected to move into the pre-sale stage when the mall is officially occupied. EBRE owns 100% of this project.

The primary land development project in Hohhot, Inner Mongolia has obtained government permission to commence work on 1,300 mu of land to be ready for auction in the second half of 2009. EBRE owns 80% interest of the primary land development project company.

The property development project company in Hohhot, Inner Mongolia has successfully pre-sold 300 units on the first day of launching on 28th June. This is a record first day sale for any new development launch in the history of Hohhot. EBRE owns 100% interest of this secondary property development project company.

The R&D office building in the Zhang Jiang High-tech Zone in Shanghai is 80% leased up. EBRE owns 65% interest in this project.

The Guilin project is undergoing final planning with construction targeted for 2010. EBRE owns 65.8% of this project.

A subsidiary company of EBRE together with a third party had successfully jointly won the bid for a parcel of land in Huizhou in July 2009 with about 197,000 sq. m. for residential development.

### **Technology Investment Projects**

#### *Enterprise Software Solutions*

Appeon's turnover in the first-half of 2009 improved year-over-year despite continued economic slump and it continues to operate a profitable business of providing IT outsourcing services and Web development software — Appeon@ for PowerBuilder@.

#### *Computing and Data Storage System*

The company's data storage products have been started shipping to Taiwanese and US regional distributors. However, a lot of customers in China suspended their procurement plan causing a decrease in sales in the period compared to the same period of last year. The company is actively exploring market and channel customers; it expects improvement in sales in the second half of this year.

### **Financial Investment**

For the six months ended 30th June, 2009, the Group's financial investment activities recorded a profit of approximately HK\$17.3 million and the market value of the Group's financial investment holdings amounted to about HK\$40.2 million.

By Order of the Board

**BILLY K YUNG**

*Group Chairman and Chief Executive*

Hong Kong, 23rd September, 2009

# DISCLOSURE OF INTERESTS

## DIRECTORS' INTERESTS

### (a) Long position in shares of the Company

As at 30th June, 2009, 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 (the "Stock Exchange") 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 held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
Mr. Billy K Yung	Beneficial owner	Personal	37,322,000	263,651,084	50.36%
	Interest of child under 18 or spouse (Note 1)	Other	216,329,084		
	Interest held jointly with another person (Note 2)	Other	10,000,000		
Mr. Peter Lam	Beneficiary of a trust (Note 3)	Other	1,300,000	1,300,000	0.25%
Madam Yung Ho Wun Ching	Beneficial owner	Personal	53,246,300	63,246,300	12.08%
	Interest of spouse (Note 4)	Family	10,000,000		
Mr. Leung Chun Wah	Beneficial owner	Personal	1,559,400	1,559,400	0.30%
Mr. Simon Yung Kwok Choi	Beneficial owner	Personal	39,147,911	43,577,351	8.32%
	Interest of controlled corporation (Note 5)	Corporate	3,529,440		
	Interest of spouse (Note 6)	Family	900,000		

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 jointly with his wife, Madam Vivian Hsu.
- (3) These shares are held by a trust for the benefit of Mr. Peter Lam.
- (4) This interest represents the holding of shares held by the late Dr. Yung Yau.
- (5) These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.
- (6) 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) Certain Directors held the option deeds of Pan China Land (Holdings) Corporation, an indirect 70% owned subsidiary of the Company, as trustee for the benefit of Timely Hero Limited, a wholly owned subsidiary of the Company.

Save as disclosed above and 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, 2009.

# DISCLOSURE OF INTERESTS

## 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 Apeeon Corporation

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2009	Cancelled during the period	Granted during the period	As at 30.06.2009
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
Other directors of Apeeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	562	–	–	562
				563	–	–	563
				4,500	–	–	4,500
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2003 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2004 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2004 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2005 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2005 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2006 – 10.11.2012	2.50	2,688	–	–	2,688
	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
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,250	–	–	1,250
26.09.2005	01.09.2008 – 10.11.2012	3.00	1,250	–	–	1,250	
26.09.2005	01.03.2009 – 10.11.2012	3.00	1,250	–	–	1,250	
26.09.2005	01.09.2009 – 10.11.2012	3.00	1,250	–	–	1,250	
				34,500	–	–	34,500
Consultants of Apeeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	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	
				30,425	–	–	30,425
				96,425	–	–	96,425
				HK\$	HK\$	HK\$	HK\$
Weighted average exercise price				15.94	–	–	15.94

No option was exercised by the grantees during the period.

# DISCLOSURE OF INTERESTS

## 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 1.1.2009	Cancelled during the period	Granted during the period	As at 30.06.2009	
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	
				<u>200,000</u>	<u>–</u>	<u>–</u>	<u>200,000</u>	
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	–	–	22,500	
	09.06.2003	09.06.2003 – 10.11.2012	0.45	10,000	–	–	10,000	
	09.06.2003	01.12.2003 – 10.11.2012	0.45	10,000	–	–	10,000	
	09.06.2003	01.06.2004 – 10.11.2012	0.45	10,000	–	–	10,000	
	09.06.2003	01.12.2004 – 10.11.2012	0.45	10,000	–	–	10,000	
	09.06.2003	01.06.2005 – 10.11.2012	0.45	10,000	–	–	10,000	
	09.06.2003	01.12.2005 – 10.11.2012	0.45	10,000	–	–	10,000	
	09.06.2003	01.06.2006 – 10.11.2012	0.45	10,000	–	–	10,000	
	09.06.2003	01.12.2006 – 10.11.2012	0.45	10,000	–	–	10,000	
	31.12.2007	01.01.2008 – 10.11.2012	0.45	372,832	–	–	372,832	
	31.12.2007	01.07.2008 – 10.11.2012	0.45	372,832	–	–	372,832	
	31.12.2007	01.01.2009 – 10.11.2012	0.45	372,832	–	–	372,832	
	31.12.2007	01.07.2009 – 10.11.2012	0.45	372,832	–	–	372,832	
	31.12.2007	01.01.2010 – 10.11.2012	0.45	372,832	–	–	372,832	
	31.12.2007	01.07.2010 – 10.11.2012	0.45	372,832	–	–	372,832	
	31.12.2007	01.01.2011 – 10.11.2012	0.45	372,832	–	–	372,832	
	31.12.2007	01.07.2011 – 10.11.2012	0.45	372,831	–	–	372,831	
					<u>3,242,655</u>	<u>–</u>	<u>–</u>	<u>3,242,655</u>
	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	
25.05.2005		25.05.2005 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005		01.10.2005 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005		01.04.2006 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005		01.10.2006 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005		01.04.2007 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005		01.10.2007 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005		01.04.2008 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005		01.10.2008 – 10.11.2012	0.60	6,250	–	–	6,250	
31.12.2007		01.01.2008 – 10.11.2012	0.45	238,615	(9,321)	–	229,294	
31.12.2007		01.07.2008 – 10.11.2012	0.45	238,608	(9,321)	–	229,287	
31.12.2007		01.01.2009 – 10.11.2012	0.45	229,294	–	–	229,294	
31.12.2007		01.07.2009 – 10.11.2012	0.45	229,287	–	–	229,287	
31.12.2007		01.01.2010 – 10.11.2012	0.45	229,294	–	–	229,294	
31.12.2007		01.07.2010 – 10.11.2012	0.45	229,291	–	–	229,291	
31.12.2007		01.01.2011 – 10.11.2012	0.45	229,293	–	–	229,293	
31.12.2007		01.07.2011 – 10.11.2012	0.45	229,291	–	–	229,291	
10.03.2009		01.03.2009 – 10.11.2012	0.45	–	–	111,851	111,851	
10.03.2009		01.07.2009 – 10.11.2012	0.45	–	–	37,283	37,283	
10.03.2009		01.01.2010 – 10.11.2012	0.45	–	–	37,283	37,283	
10.03.2009		01.07.2010 – 10.11.2012	0.45	–	–	37,283	37,283	
10.03.2009		01.01.2011 – 10.11.2012	0.45	–	–	37,283	37,283	
10.03.2009		01.07.2011 – 10.11.2012	0.45	–	–	37,283	37,283	
					<u>1,952,973</u>	<u>(18,642)</u>	<u>298,266</u>	<u>2,232,597</u>
					<u>5,395,628</u>	<u>(18,642)</u>	<u>298,266</u>	<u>5,675,252</u>
					HK\$	HK\$	HK\$	HK\$
Weighted average exercise price				<u>3.52</u>	<u>3.51</u>	<u>3.51</u>	<u>3.52</u>	

No option was exercised by the grantees during the period.

# DISCLOSURE OF INTERESTS

## SHARE OPTION SCHEME (continued)

### (d) Share option to subscribe for shares in Pan China Land (Holdings) Corporation

The Company announced on 29th November, 2007 that Terborley Limited (the "Grantor"), an indirect non-wholly owned subsidiary of the Company, entered into the option deeds (the "Option Deeds") with an aggregate of 49 individuals (the "Grantees"). Pursuant to the Option Deeds, the Grantor has granted to the Grantees certain options to acquire from the Grantor an aggregate of 116,000 ordinary shares (the "Option Shares") of Pan China Land (Holdings) Corporation ("Pan China"), an investee of the Grantor, at the exercise price specified in the Option Deeds. The options will vest on the date on which the shares of Pan China are listed on the Stock Exchange (the "Listing Date") and are exercisable for a period of 10 years from the Listing Date (the "Option Period"). Details of these Option Deeds were set out in the announcement of the Company dated 29th November, 2007.

Details of the Grantees and their entitlement to the Option Shares are as follows:

<b>Grantee(s)</b>	<b>Number of option shares to which the Grantees are entitled</b>	<b>Approximate percentage of the total number of option shares</b>
Mr. Billy K Yung	20,000	17.2%
Mr. Eddie Hurip	800	0.7%
Senior staff and other employees of the Group #	95,200	82.1%
Total	116,000	100%

# An aggregate of 5,200 Option Shares are held on trust by Mr. Billy K Yung and Mr. Eddie Hurip.

The Grantees may exercise the options in whole or in part by giving exercise notice to the Grantor at any time during the Option Period provided that the Grantees shall exercise the options to acquire the Option Shares in accordance with the following vesting schedule:

<b>Vesting schedule</b>	<b>Maximum percentage of Option Shares comprised in an option which may be exercised</b>
On or after the Listing Date	20%
Six months after the Listing Date	40%
Twelve months after the Listing Date	60%
Eighteen months after the Listing Date	80%
Twenty-four months after the Listing Date	100%



# DISCLOSURE OF INTERESTS

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2009, 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 shareholders	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	Trustees of trusts (Note 1)	Other	224,437,334	224,437,334	42.87%
Diamond Key Enterprises Inc.	Beneficial owner (Note 1)	Beneficial	143,612,287	143,612,287	27.43%
On Fat Profits Corporation	Beneficial owner (Note 1)	Beneficial	72,716,797	72,716,797	13.89%
Madam Chiu Man	Beneficial owner	Personal	900,000	43,577,351	8.32%
	Interest of spouse (Note 2)	Family	42,677,351		
Madam Vivian Hsu	Interest of spouse	Family	37,322,000	47,322,000	9.04%
	Interest held jointly with another person (Note 3)	Other	10,000,000		

Notes:

- (1) 143,612,287 shares and 72,716,797 shares form part of the 224,437,334 shares held by UBS Trustees (BVI) Limited, of which the aggregate of 143,612,287 shares and 72,716,797 shares (i.e.216,329,084 shares) are disclosed in the section headed "DIRECTORS' INTERESTS" above as being held under a trust with Mr. Billy K Yung's family members as the beneficiaries. None of the directors are directors or employees of On Fat Profits Corporation and Diamond Key Enterprises Inc.
- (2) Madam Chiu Man's shares held under personal interest and 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' INTERESTS" above.
- (3) Madam Vivian Hsu's shares held under family interest and other interest are in fact the same block of shares already disclosed respectively under personal interest and other interests of her husband, Mr. Billy K Yung as disclosed in the section headed "DIRECTORS' INTERESTS" above.

Other than as disclosed above, there was no person, other than the Director 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.

# FINANCIAL REVIEW

## REVENUE AND OPERATING RESULTS

Revenue from the Group's continuing operations for the period ended 30th June, 2009 totalled HK\$1,672 million, representing an increase of HK\$84 million or 5.3% compared to HK\$1,588 million for the corresponding period last year. The increase in revenue is mainly attributable to completion of sales of certain residential units in the Haidian district in Beijing.

Profit attributable to the owners of the Company for the period ended 30th June, 2009 dipped from HK\$153 million to HK\$34 million representing a decrease of HK\$119 million or 77.8% over the corresponding period last year. The plunge in profit was mainly attributable to (i) a fair value loss (net of deferred taxation and non-controlling interests) of HK\$19 million on certain investment properties within the Group coupled with a fair value gain (net of deferred taxation and non-controlling interests) of HK\$14 million for the corresponding period last year; (ii) a sharing of fair value loss of HK\$74 million on certain investment properties held by associated companies compared to a sharing of fair value gain of HK\$45 million for the corresponding period last year; (iii) a share option expense (net of non-controlling interests) of HK\$20 million compared to a HK\$29 million expense for the corresponding period last year; and (iv) a gain on securities trading of HK\$13 million with a loss of HK\$27 million for the same period last year. Both the fair value adjustment and the share option expense involved no cash movement.

## FINANCIAL RESOURCES AND LIQUIDITY

The Group was able to maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the period under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

The U.S. and the PRC long term loans of US\$13 million and RMB1,240 million respectively were secured by certain assets of the Group located in the United States and Mainland China respectively. The Group has two three-year long-term loans totalling HK\$500 million. Apart from the above, all banking facilities of the Group have been arranged on short-term basis.

The Company has been granted certain loan facilities from a bank which requires the Company to fulfill certain covenants. As at 30th June, 2009, the Company was not able to meet certain of the financial covenants as set out in the banking facility agreements. Accordingly, the non-current portion of the relevant loans as at 30th June, 2009 has been reclassified as current liabilities. The directors have been negotiating with the bank for a relaxation of the financial covenants and the bank has confirmed by way of a waiver issued to the Company that it has not, so far, taken any action against the Company for the breach of the financial covenants. The Company has also assessed that the violation of the loan covenants would not have significant financial impact to the Group.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group as at 30th June, 2009, calculated as operating profit divided by total interest expenses net of those capitalized and interest income, stood at 46 times.

## FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The Group continued to conduct its sales mainly in US dollars and Renminbi and make payments either in US dollars, Hong Kong dollars or Renminbi. As the Group conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi for its PRC property development business, the directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the Renminbi exchange rate. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

## GEARING RATIO

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 30th June, 2009, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and cash equivalents to total equity of the Company of 33.1% (31st December, 2008: 36.9%).

## SIGNIFICANT DISPOSALS

During the period under review, the Group disposed of its interest in a property development project through the disposal of its entire equity interest in 北京寅豐房地產開發有限責任公司 (“北京寅豐”) to a substantial equity holder of 北京寅豐 at a cash consideration of RMB46.5 million. The transaction was completed in April 2009 and resulted in a gain of approximately HK\$17.3 million.

On 24th June, 2009 the Group entered into a termination agreement and a settlement agreement in respect of the property development project conducted by 青島頤景房地產開發有限公司 (“青島頤景”). Pursuant to the termination agreement, the Group agreed to terminate the Co-operation Agreement dated 2nd August, 2007. Pursuant to the settlement agreement, the substantial equity holder of 青島頤景 agreed to repay the outstanding shareholder’s loan and pay certain amount of penalty and fund appropriation fees of approximately RMB197 million in aggregate to the Group. Upon the full repayment of the outstanding shareholder’s loan, the Group will transfer its interest in 70% registered capital of 青島頤景 to the equity holder for a consideration of RMB7 million.

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

## CAPITAL COMMITMENTS AND GUARANTEE

During the period under review, the Group had capital commitments totalling HK\$2,870 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK\$1,099 million mainly for facilitating end-user mortgages in connection with its PRC property sales.

## CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totalling HK\$20 million during the period under review.

Based on certain real estate in Mainland China, the Group secured certain mortgage loans totalling RMB1,240 million from certain PRC banks for property development projects during the period under review.

During the period under review, the Group had charges on assets totalling HK\$2,384 million mainly for securing mortgage loans.

The Group also pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure for a long-term loan granted to the Group.

## EMPLOYEES

As at 30th June, 2009, the Group has approximately 3,470 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.

## OTHER INFORMATION

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2009 except for the following deviations:

#### Code Provision A.2.1

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 Group Chairman and the Chief Executive of the Company. The Board considers that the current 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

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.

Mr. Billy K Yung is the brother of Mr. Simon Yung Kwok Choi. Both of them are the sons of Madam Yung Ho Wun Ching (Executive Director of the Company). Save as disclosed above, during the period, none of the other directors has or maintained any financial, business, family or other material, relevant relationship with any of the other directors.

#### Code Provision D.1.1

Under the Code Provision D.1.1, management should report back and obtain prior approval from the board of the Company before making decisions or entering into any commitments on behalf of the Company whenever notifiable and/or connected transactions are involved.

On 8th April, 2009, an indirectly owned subsidiary of the Company entered into a disposal agreement with a substantial shareholder of 北京寅豐房地產開發有限責任公司 (“北京寅豐”) for the disposal of its interest in 67% registered capital of 北京寅豐 at a consideration of RMB46.5 million. The details of the disposal were set out in the Circular to shareholders dated 21st May, 2009.

The above disposal constituted a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules. Delays in the gathering of the relevant information from parties concerned, the time lags in the communication between the Group’s staff in the PRC and in Hong Kong due to the Easter holiday have caused the Company not to be in a position to make an informed announcements of the transactions contemplated under the relevant disposal agreement until such information are obtained. The Company’s Board of Directors has ratified on 24th April, 2009 and announced on 30th April, 2009 the transaction contemplated under the disposal agreement.

### LITIGATION

A writ of summons dated 18th August, 2009 was served to the Company and certain subsidiaries of the Company as defendants by a minority shareholder of another subsidiary (the “PRC Entity”) claiming the defendants for disposing of their interests in the PRC Entity without first allowing the minority shareholder to consider the interests, and for termination of the general manager and director of the PRC Entity without going through proper procedures as disclosed in the announcements made by the Company dated 20th August, 2009. The Company has instructed its legal advisors to commence defence on the claims. The Company considers that the financial impact arising from the litigation, if any, is not material to the Group at this stage.

## OTHER INFORMATION

### SIGNIFICANT TRANSACTION

On 9th September, 2009, China Overseas Land & Investment Limited ("COLI"), the Company ("SMC") and Mr. Billy K Yung ("Mr. Yung") entered into a conditional subscription agreement in relation to, amongst other things, (i) a possible group restructuring (involving, amongst other things, a distribution in specie) and capital reorganisation of SMC; (ii) a possible subscription of new shares of SMC by COLI (or one or more special purpose vehicles wholly-owned by COLI), the completion of which is subject to certain conditions precedent including, amongst other things, satisfactory results of the due diligence to be conducted by COLI; (iii) a possible cash offer to be extended by COLI (or one or more special purpose vehicles wholly-owned by COLI) following completion of such subscription; and (iv) a possible cash offer to be extended by Red Dynasty Investments Limited of which Mr. Yung, Ms. Vivian Hsu (the spouse of Mr. Yung) and Madam Yung Ho Wun Ching (the mother of Mr. Yung) are shareholders, on the shares of the private company holding the distributed business following completion of the subscription. Further details about the transactions are set out in the announcement of SMC issued on 16th September, 2009.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the interim period, the Company repurchased on the Stock Exchange a total of 2,000,000 ordinary shares of HK\$0.5 each of the Company at an aggregate price of HK\$4,200,000 before expenses. All of these shares had been cancelled. Details of repurchases are as follows:

Month of Repurchase	No. of Ordinary Shares Repurchased	Price paid per Share		Aggregate Price HK\$
		Highest HK\$	Lowest HK\$	
February, 2009	2,000,000	2.1	2.1	4,200,000

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2009.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct for dealings in securities of the Company 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 throughout the six months ended 30th June, 2009. On 22nd September 2005, the Board has approved that the Model Code also applies to other specified relevant employees of the Group regarding their dealings in the securities of the Company.

### AUDIT COMMITTEE

The Company has an audit committee in place in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's effectiveness of the financial reporting process and internal control systems. The Audit Committee, comprising three independent non-executive directors, has reviewed with the management and the auditors of the Company the accounting principles and practices adopted by the Group and discussed the unaudited Interim Financial Statements for the six months ended 30th June, 2009.



**Grant Thornton**  
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Member of Grant Thornton International Ltd

## **To the Board of Directors of Shell Electric Mfg. (Holdings) Company Limited**

蜆壳電器工業(集團)有限公司

*(incorporated in Hong Kong with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial report set out on pages 14 to 32 which comprises the condensed consolidated statement of financial position of Shell Electric Mfg. (Holdings) Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) as of 30th June, 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review 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.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

#### **Grant Thornton**

*Certified Public Accountants*

6th Floor

Nexus Building

41 Connaught Road Central

Hong Kong

23rd September, 2009

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2009

	Notes	Six months ended 30th June,	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Revenue</b>	4	<b>1,672,451</b>	1,588,404
Cost of goods and services		<b>(1,197,087)</b>	(1,028,157)
Gross profit		<b>475,364</b>	560,247
Other income	6	<b>19,992</b>	23,034
Distribution and selling expenses		<b>(40,992)</b>	(45,872)
Administrative expenses		<b>(120,342)</b>	(181,915)
Other operating expenses		<b>(21,737)</b>	(54,637)
Other gains/(losses)			
Gain on disposal of a subsidiary	25	<b>17,286</b>	56,115
Fair value gain on investment properties and inventories of properties	12(b)	<b>171,460</b>	17,387
Fair value gain/(loss) on investments held for trading		<b>13,418</b>	(27,367)
Reversal of impairment of financial assets		–	1,716
Reversal of unutilised provision		–	67,309
Impairment loss on owner-occupied property		<b>(992)</b>	(5,948)
Others		<b>403</b>	12,861
Operating profit	7	<b>513,860</b>	422,930
Finance costs	8	<b>(16,447)</b>	(48,480)
Share of results of associates		<b>(4,816)</b>	41,324
Share of results of jointly controlled entities		<b>(1,416)</b>	(130)
Gain on disposal of a jointly controlled entity		–	176,533
<b>Profit before income tax</b>		<b>491,181</b>	592,177
Income tax expense	9	<b>(384,110)</b>	(361,442)
<b>Profit for the period</b>		<b>107,071</b>	230,735
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>34,053</b>	153,314
Non-controlling interests		<b>73,018</b>	77,421
		<b>107,071</b>	230,735
		<b>HK Cents</b>	HK Cents
<b>Earnings per share for profit attributable to the owners of the Company during the period</b>	11		
– Basic		<b>6.50</b>	29.18
– Diluted		<b>5.06</b>	28.06

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>107,071</b>	230,735
<b>Other comprehensive income</b>		
Exchange difference arising on translation of overseas operations		
– subsidiaries	938	127,947
– associates and jointly controlled entities	1,965	14,530
	<b>2,903</b>	142,477
Reclassification from assets revaluation reserve to profit or loss upon sales of properties	(60,321)	(34,471)
Income tax	19,762	13,375
	<b>(40,559)</b>	(21,096)
<b>Other comprehensive income for the period, net of tax</b>	<b>(37,656)</b>	121,381
<b>Total comprehensive income for the period</b>	<b>69,415</b>	352,116
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	7,929	252,780
Non-controlling interests	61,486	99,336
	<b>69,415</b>	352,116



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2009

	Notes	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
<b>Non-current assets</b>			
Investment properties	12	1,174,159	747,220
Property, plant and equipment	13	213,965	209,592
Prepaid lease rental on land		20,102	21,239
Goodwill	14	84,950	84,934
Other intangible assets		238,498	240,591
Interests in associates	15	413,266	418,860
Interests in jointly controlled entities	16	219,905	222,800
Available-for-sale financial asset		2,920	2,920
Loans receivable		121,284	130,138
Deferred tax assets		1,980	1,908
		<u>2,491,029</u>	<u>2,080,202</u>
<b>Current assets</b>			
Inventories of properties	17	5,232,157	6,099,493
Other inventories		84,167	124,228
Trade and other receivables, prepayments and deposits	18	930,551	1,036,644
Prepaid lease rental on land		526	524
Loans receivable		15,351	15,345
Amounts due from jointly controlled entities		76,482	77,295
Amount due from an investee		7,744	20,831
Amounts due from minority shareholders		33,871	33,856
Investments held for trading	19	40,228	20,643
Tax prepaid		2,956	8,704
Restricted cash and deposits	20	312,360	52,582
Cash and cash equivalents	21	878,363	873,326
		<u>7,614,756</u>	<u>8,363,471</u>
Assets classified as held for sale	26	<u>815,568</u>	<u>—</u>
		<u>8,430,324</u>	<u>8,363,471</u>
<b>Current liabilities</b>			
Trade and other payables	22	2,011,651	2,378,746
Sales deposits received		960,532	772,395
Amount due to an associate		156	118
Amount due to a jointly controlled entity		226	226
Amount due to a minority shareholder		82,383	186,612
Amount due to a related party		291	291
Consideration payable on acquisition of a subsidiary		161,887	210,097
Taxation liabilities		685,332	607,398
Bank borrowings	23	552,687	929,179
		<u>4,455,145</u>	<u>5,085,062</u>
Liabilities associated to assets classified as held for sale	26	<u>640,851</u>	<u>—</u>
		<u>5,095,996</u>	<u>5,085,062</u>
<b>Net current assets</b>		<u>3,334,328</u>	<u>3,278,409</u>
<b>Total assets less current liabilities</b>		<u>5,825,357</u>	<u>5,358,611</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2009

	Notes	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings	23	1,552,252	1,282,184
Loan from a minority shareholder		3,490	3,386
Other liabilities		10,145	6,155
Deferred tax liabilities		551,509	436,319
		<u>2,117,396</u>	<u>1,728,044</u>
<b>Net assets</b>		<u>3,707,961</u>	<u>3,630,567</u>
<b>Capital and reserves</b>			
Share capital	24	261,742	262,742
Share premium and reserves		2,849,807	2,841,271
Equity attributable to owners of the Company		3,111,549	3,104,013
Non-controlling interests		596,412	526,554
<b>Total equity</b>		<u>3,707,961</u>	<u>3,630,567</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Attributable to owners of the Company																					
	Share capital	Share premium	Capital redemption reserve	Share option reserve of a subsidiary	Translation reserve	Assets revaluation reserve	Dividend reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity										
													HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2008	262,742	640,099	43,822	4,913	118,415	142,368	63,058	15,377	1,717,861	3,008,655	460,234	3,468,889										
Net profit for the period	-	-	-	-	-	-	-	-	153,314	153,314	77,421	230,735										
Other comprehensive income	-	-	-	-	112,183	(12,717)	-	-	-	99,466	21,915	121,381										
Total comprehensive income for the period	-	-	-	-	112,183	(12,717)	-	-	153,314	252,780	99,336	352,116										
Interim dividend declared (note 10)	-	-	-	-	-	-	15,765	-	(15,765)	-	-	-										
Recognition of share-based payments	-	-	-	29,476	-	-	-	-	-	29,476	12,633	42,109										
Dividend paid (note 10)	-	-	-	-	-	-	(63,058)	-	-	(63,058)	-	(63,058)										
Appropriations	-	-	-	-	-	-	-	29,019	(29,019)	-	-	-										
Transactions with owners	-	-	-	29,476	-	-	(47,293)	29,019	(44,784)	(33,582)	12,633	(20,949)										
At 30th June, 2008 (Unaudited)	262,742	640,099	43,822	34,389	230,598	129,651	15,765	44,396	1,826,391	3,227,853	572,203	3,800,056										
At 1st January, 2009	262,742	640,099	43,822	41,682	244,419	130,213	15,705	40,134	1,685,197	3,104,013	526,554	3,630,567										
Net profit for the period	-	-	-	-	-	-	-	-	34,053	34,053	73,018	107,071										
Other comprehensive income	-	-	-	-	3,669	(29,793)	-	-	-	(26,124)	(11,532)	(37,656)										
Total comprehensive income for the period	-	-	-	-	3,669	(29,793)	-	-	34,053	7,929	61,486	69,415										
Interim dividend declared (note 10)	-	-	-	-	-	-	10,470	-	(10,470)	-	-	-										
Recognition of share-based payments	-	-	-	19,534	-	-	-	-	-	19,534	8,372	27,906										
Share repurchased and cancelled (note 24)	(1,000)	-	1,000	-	-	-	-	-	(4,222)	(4,222)	-	(4,222)										
Dividend paid (note 10)	-	-	-	-	-	-	(15,705)	-	-	(15,705)	-	(15,705)										
Transactions with owners	(1,000)	-	1,000	19,534	-	-	(5,235)	-	(14,692)	(393)	8,372	7,979										
At 30th June, 2009 (Unaudited)	261,742	640,099	44,822	61,216	248,088	100,420	10,470	40,134	1,704,558	3,111,549	596,412	3,707,961										

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2009

	Six months ended 30th June,	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Net cash generated from/(used in) operating activities</b>	<b>444,663</b>	<b>(67,905)</b>
<b>Investing activities</b>		
Interest received	4,411	13,330
Dividend received from a jointly controlled entity	1,570	1,756
Refund of deposit paid for other investment	–	85,905
Acquisitions of subsidiaries	–	(92,638)
Settlement of consideration payable on acquisition of a subsidiary	(48,303)	–
Additions to investment properties	(980)	–
Additions to property, plant and equipment	(20,192)	(9,403)
Proceeds on disposal of property, plant and equipment	561	–
Proceeds on disposal of a subsidiary	52,658	94,384
Proceeds on disposal of a jointly controlled entity	–	27,760
Loan repayment from an associate	11,653	14,391
Increase in pledged cash deposits and restricted cash and deposits	(259,778)	(5,294)
Other investing activities	(285)	(3,479)
<b>Net cash (used in)/generated from investing activities</b>	<b>(258,685)</b>	<b>126,712</b>
<b>Financing activities</b>		
New bank and other borrowings	717,646	1,360,643
Repayment of bank and other borrowings	(819,600)	(1,205,631)
Dividends paid	(15,705)	(63,058)
Interest paid	(60,742)	(33,558)
Payment for repurchase of shares	(4,222)	–
<b>Net cash (used in)/generated from financing activities</b>	<b>(182,623)</b>	<b>58,396</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,355</b>	<b>117,203</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>873,326</b>	<b>704,716</b>
<b>Effect of foreign exchange rate change</b>	<b>1,682</b>	<b>37,783</b>
<b>Cash and cash equivalents at end of the period</b>	<b>878,363</b>	<b>859,702</b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 1. GENERAL INFORMATION

Shell Electric Mfg. (Holdings) Company Limited (the “Company”) is a limited liability company incorporated in the Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Republic of China (the “PRC”) and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the Company’s registered office and principal place of business is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the “Group”) comprise property investment and development, manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business, property leasing and investment holding.

The unaudited condensed consolidated financial statements for the six months ended 30th June, 2009 (the “Interim 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 the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group’s annual financial statements for the year ended 31st December, 2008.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 23rd September, 2009.

## 2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention except for investment properties, financial instruments classified as available-for-sale and at fair value through profit or loss, and derivative financial instruments which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell.

The accounting policies used in preparing the Interim Financial Statements are consistent with those followed in the Group’s annual financial statements for the year ended 31st December, 2008 with the addition of certain standards and interpretations of Hong Kong Financial Reporting Standards (“HKFRSs”) issued and became effective in the current interim period as described below.

## 3. ADOPTION OF NEW AND REVISED HKFRSs

### Impact of new and revised HKFRSs which are effective during the current interim period

In the current interim period, the Group has adopted, for the first time, the following new and revised HKFRSs which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1st January, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Amendment)	Cost of an investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
Various	Annual improvements to HKFRSs 2008

### HKAS 1 (Revised 2007) Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group’s assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange difference arising on the translation of overseas operation. HKAS 1 affects the presentation of owner changes in equity and introduces a “Statement of Comprehensive Income”. Comparatives have been restated to conform with the revised standard.

### HKAS 27 Amendment – Cost of an investment in a Subsidiary, Jointly Controlled Entity or an Associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or an associate in profit or loss irrespective the distributions are out of the investee’s pre-acquisition or post-acquisition reserves.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company’s accounting policy on impairment of non-financial assets.

For the current interim period, dividends were received from subsidiaries and a jointly controlled entity but the distributions were not in excess of post-acquisition reserves and therefore the adoption of this new accounting policy does not have impact on the Interim Financial Statements. The new accounting policy has been applied prospectively as required by the amendments to HKAS 27, and therefore no comparatives have been restated.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

### HKFRS 2 Amendment – Share-based Payment – Vesting Conditions and Cancellations

This standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment does not have any impact on the financial position or performance of the Group.

### HKFRS 7 Amendment – Improving Disclosures about Financial Instruments

The amendment increases the disclosure requirements about fair value measurement and amends the disclosures about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosure for those instruments classified in the lowest level in the hierarchy. The Group will make additional relevant disclosures in its financial statements ending 31st December, 2009.

### HKFRS 8 Operating Segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

### HK(IFRIC) – Int 15 Agreements for the Construction of Real Estate

This interpretation clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 "Construction Contracts" or an agreement for sale of goods or services in accordance with HKAS 18 "Revenue". As the Group's current policy of accounting for the construction of real estate aligns with the requirements of the interpretation, the interpretation is unlikely to have any financial impact on the Group.

### Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first Annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. Of these, the amendment to HKAS 28 "Investments in associates" has changed the Group's accounting policies on allocation of impairment losses but does not have any impact on the current interim period results and financial position. The amendment clarifies that an investment in an associate accounted for under the equity method is a single asset for impairment testing purpose. Any impairment loss recognised by the investor after applying the equity method is not allocated to individual assets including goodwill included in the investment balance. Accordingly, any reversal of such impairment loss in subsequent period is recognised to the extent that the recoverable amount of the associate increases. The new policy also applies to the Group's investment in the jointly controlled entity which is equity accounted for in the consolidated statement of financial position. For the current interim period, there was no impairment loss on investments in associates and jointly controlled entities, and therefore the adoption of this new accounting policy had no financial statements impact in this interim period. The new accounting policy has been applied prospectively as permitted by the amendment and no comparatives have been restated.

The adoption of other new and revised HKFRSs which are effective during the current interim period does not have impact on the Interim Financial Statements.

## 4. REVENUE

Breakdown of revenue, which also represents the Group's turnover, is as follows:

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales of goods	486,703	548,276
Sales of properties	1,068,481	948,109
Property management fee income	29,276	24,123
Property rental income	62,612	50,352
Taxi licence fee income	25,379	17,544
Total revenue	1,672,451	1,588,404

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments:

Electrical household appliances	–	manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and contract manufacturing business
Property leasing	–	leasing of properties
Property investment and development	–	property investment and development
Securities trading	–	trading of securities
Car rental	–	taxi rental operation
All other segments	–	direct investments, manufacturing and trading of electric cables, and development and trading of computer hardware and software

The directors consider the adoption of HKFRS 8 had not changed the identified operating segments for the Group compared to the 2008 annual financial statements.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the chief operating decision-maker, i.e. the Chief Executive. The Chief Executive assesses segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (mainly corporate income and expenses).

Segment assets include all assets with the exception of corporate assets, including available-for-sale financial asset, bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Information regarding the Group's reportable segments is set out below:

	Electrical household appliances HK\$'000	Property leasing HK\$'000	Property investment and development HK\$'000	Securities trading HK\$'000	Car rental HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
<b>Six months ended 30th June, 2009 (Unaudited)</b>							
Reportable segment revenue*	<u>477,599</u>	<u>62,612</u>	<u>1,097,757</u>	<u>-</u>	<u>25,379</u>	<u>9,104</u>	<u>1,672,451</u>
Reportable segment profit/(loss)	<u>24,695</u>	<u>221,639</u>	<u>262,592</u>	<u>17,268</u>	<u>13,438</u>	<u>(16,894)</u>	<u>522,738</u>
Corporate income							915
Corporate expenses							(32,472)
Profit before income tax							<u>491,181</u>
							<b>Total</b> HK\$'000
<b>As at 30th June, 2009 (Unaudited)</b>							
Reportable segment assets	<u>436,094</u>	<u>1,778,688</u>	<u>7,915,338</u>	<u>70,151</u>	<u>255,747</u>	<u>143,038</u>	<u>10,599,056</u>
							<b>Consolidated</b> HK\$'000
<b>Six months ended 30th June, 2008 (Unaudited)</b>							
Reportable segment revenue*	<u>524,217</u>	<u>50,352</u>	<u>972,232</u>	<u>-</u>	<u>17,544</u>	<u>24,059</u>	<u>1,588,404</u>
Reportable segment profit/(loss)	<u>23,518</u>	<u>89,326</u>	<u>539,802</u>	<u>(26,530)</u>	<u>12,138</u>	<u>8,506</u>	<u>646,760</u>
Corporate income							3,814
Corporate expenses							(58,397)
Profit before income tax							<u>592,177</u>
							<b>Total</b> HK\$'000
<b>As at 30th June, 2008 (Unaudited)</b>							
Reportable segment assets	<u>478,960</u>	<u>1,437,123</u>	<u>7,294,957</u>	<u>64,096</u>	<u>227,322</u>	<u>129,190</u>	<u>9,631,648</u>
<b>As at 31st December, 2008 (Audited)</b>							
Reportable segment assets	<u>535,465</u>	<u>1,386,390</u>	<u>7,690,044</u>	<u>23,466</u>	<u>243,230</u>	<u>121,883</u>	<u>10,000,478</u>

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

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 6. OTHER INCOME

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on:		
Bank deposits	3,683	5,878
Loans to investees	785	993
Others, including loans receivable	753	2,033
	<u>5,221</u>	<u>8,904</u>
Total interest income on financial assets not at fair value through profit or loss		
Dividends from listed equity securities	102	672
Other rental income	2,327	1,773
Handling fee income	6,339	4,066
Sundry income	6,003	7,619
	<u>19,992</u>	<u>23,034</u>

## 7. OPERATING PROFIT

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating profit is arrived at after charging/(crediting):		
Amortisation:		
Prepaid lease rental on land	310	283
Other intangible assets <sup>#</sup>	2,199	2,219
Depreciation of property, plant and equipment	14,450	10,256
	<u>16,959</u>	<u>12,758</u>
Total amortisation and depreciation		
Less: Amount capitalised as development cost	(99)	(93)
	<u>16,860</u>	<u>12,665</u>
Impairment losses on loans and receivable <sup>*</sup>	3,044	38,152
Net foreign exchange losses/(gains) <sup>^</sup>	1,686	(12,108)
Allowance for inventories	1,781	747
Equity-settled share-based payments <sup>**</sup> (Note)	27,906	42,109

<sup>#</sup> included in "cost of goods and services" on the face of the condensed consolidated income statement

<sup>\*</sup> included in "other operating expenses" on the face of the condensed consolidated income statement

<sup>\*\*</sup> included in "administrative expenses" on the face of the condensed consolidated income statement

<sup>^</sup> included in "other gains/(losses) – others" on the face of the condensed consolidated income statement

Note: As at 30th June, 2009, the share-based payments relating to the unexpired portion of the vesting period amounting to approximately HK\$133 million has not been recognised in the income statement.



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 8. FINANCE COSTS

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on:		
Bank loans and overdrafts		
– wholly repayable within five years	49,482	42,229
– wholly repayable over five years	6,710	2,624
Other loans wholly repayable within five years	47	2,820
	<u>56,239</u>	<u>47,673</u>
Total interest expense on financial liabilities not at fair value through profit or loss		
Bank charges	–	1,495
	<u>56,239</u>	<u>49,168</u>
Total borrowing costs		
Less: amount capitalised into properties under development	(39,792)	(688)
	<u>16,447</u>	<u>48,480</u>

## 9. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Income tax expenses comprise:		
Current tax for the period:		
Hong Kong profits tax	2,814	1,431
Other regions of the PRC		
– Enterprise income tax (“EIT”)	107,265	224,487
– Land appreciation tax (“LAT”)	76,168	134,522
Others	664	–
	<u>186,911</u>	<u>360,440</u>
Under/(Over) provision in prior years:		
Hong Kong	78,708	(117)
Other regions of the PRC – EIT	3,521	12,810
	<u>82,229</u>	<u>12,693</u>
Deferred tax		
	<u>114,970</u>	<u>(11,691)</u>
	<u>384,110</u>	<u>361,442</u>

Hong Kong profits tax is calculated at 16.5% (six months ended 30th June, 2008: 16.5%) on the estimated assessable profits for the period. EIT arising from other regions of the PRC is calculated at 10% to 25% (six months ended 30th June, 2008: 10% to 25%) of the estimated assessable profits.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 9. INCOME TAX EXPENSE (continued)

PRC LAT is levied at progressive rates ranging from 30% to 50% (six months ended 30th June, 2008: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

## 10. DIVIDENDS

On 23rd September, 2009, the directors declared an interim dividend of HK\$0.02 (six months ended 30th June, 2008: HK\$0.03) per share, amounting to HK\$10,470,000 (six months ended 30th June, 2008: HK\$15,765,000), to be paid to the shareholders of the Company whose names appear on the Register of Members on Friday, 23rd October, 2009.

During the period, a dividend of HK\$0.03 (six months ended 30th June, 2008: HK\$0.12) per share, amounting to HK\$15,705,000 (six months ended 30th June, 2008: HK\$63,058,000) was paid to shareholders as the final dividend for the immediate preceding financial year end.

## 11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK\$34,053,000 (six months ended 30th June, 2008: HK\$153,314,000) and the weighted average number of ordinary shares in issue during the period of 524,066,000 (six months ended 30th June, 2008: 525,485,000).

The calculation of diluted earnings per share is based on the following data:

	<b>Six months ended 30th June,</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Earnings used in calculating basic earnings per share	<b>34,053</b>	153,314
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share <sup>#</sup>	<b>(7,561)</b>	(5,843)
Earnings for the purpose of calculating diluted earnings per share	<b>26,492</b>	147,471

<sup>#</sup> The calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

The denominators for the calculation of diluted earnings per share are the same as those used for the basic earnings per share i.e. the weighted average number of ordinary shares in issue during the period of 524,066,000 (30th June, 2008: 525,485,000).

## 12. INVESTMENT PROPERTIES

	<b>30th June,</b>	31st December,
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Carrying amount at the beginning of period/year	<b>747,220</b>	791,956
Translation adjustment	<b>119</b>	19,188
Additions	<b>980</b>	413
Transfer from inventories of properties (note (a))	<b>567,232</b>	–
Decrease in fair value (note (b))	<b>(141,392)</b>	(64,337)
Carrying amount at the end of period/year	<b>1,174,159</b>	747,220

Notes:

(a) During the current interim period, the Group reclassified certain inventories of properties with carrying value of HK\$254,380,000 as investment properties and recognised a fair value gain of HK\$312,852,000 on the date of reclassification.

(b) As at 30th June 2009, valuation on investment properties was performed and resulted in the fair value loss of HK\$141,392,000. Together with the fair value gain of HK\$312,852,000 arising on the reclassification as mentioned in note (a) above, a net fair value gain of HK\$171,460,000 is recognised in the income statement for the period.

In securing a three-year term loan from a bank, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain investment properties with carrying value of HK\$137,000,000 as at 30th June, 2009.

Certain investment properties are pledged as further explained in note 27.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2009, the Group incurred capital expenditure of approximately HK\$95,000 (six months ended 30th June, 2008: HK\$2,001,000) in plant and machinery, approximately HK\$19,265,000 (six months ended 30th June, 2008: HK\$5,259,000) in motor vehicles and approximately HK\$832,000 (six months ended 30th June, 2008: HK\$2,143,000) in furniture, fixtures and office equipment.

In securing a three-year term loan from a bank, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain property, plant and equipment with carrying value of HK\$76,525,000 as at 30th June, 2009 (At 31st December, 2008: HK\$77,835,000).

## 14. GOODWILL

	<b>30th June, 2009 (Unaudited) HK\$'000</b>	31st December, 2008 (Audited) HK\$'000
Carrying amount at the beginning of period/year	<b>84,934</b>	106,173
Translation adjustment	<b>16</b>	2,275
Elimination on disposals of indirectly held subsidiary and jointly controlled entity	-	(21,231)
Impairment loss	-	(2,283)
	<b>84,950</b>	84,934
Carrying amount at the end of period/year	<b>84,950</b>	84,934

## 15. INTERESTS IN ASSOCIATES

	<b>30th June, 2009 (Unaudited) HK\$'000</b>	31st December, 2008 (Audited) HK\$'000
Share of net assets	<b>412,416</b>	418,010
Goodwill on acquisition	<b>850</b>	850
	<b>413,266</b>	418,860

## 16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<b>30th June, 2009 (Unaudited) HK\$'000</b>	31st December, 2008 (Audited) HK\$'000
Share of net assets	<b>219,515</b>	222,410
Goodwill on acquisition	<b>390</b>	28,751
	<b>219,905</b>	251,161
Less : Impairment	-	(28,361)
	<b>219,905</b>	222,800

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 17. INVENTORIES OF PROPERTIES

	<b>30th June, 2009 (Unaudited) HK\$'000</b>	31st December, 2008 (Audited) HK\$'000
Properties under development, at cost	<b>3,682,805</b>	5,196,004
Properties held for sale, at cost	<b>1,549,352</b>	903,489
	<b><u>5,232,157</u></b>	<u>6,099,493</u>

Certain inventories of properties are pledged as further explained in note 27.

## 18. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<b>30th June, 2009 (Unaudited) HK\$'000</b>	31st December, 2008 (Audited) HK\$'000
Trade receivables	<b>188,257</b>	284,390
Less: Impairment of trade receivables	<b>(24,060)</b>	(22,701)
Trade receivables, net	<b>164,197</b>	261,689
Prepayments and deposits	<b>663,966</b>	690,059
Other receivables	<b>102,388</b>	84,896
	<b><u>930,551</u></b>	<u>1,036,644</u>

The ageing analysis of the trade receivables (based on invoice date) net of impairment allowance is as follows:

	<b>30th June, 2009 (Unaudited) HK\$'000</b>	31st December, 2008 (Audited) HK\$'000
30 days or below	<b>78,052</b>	108,982
31 – 60 days	<b>54,093</b>	66,713
61 – 90 days	<b>23,495</b>	45,710
91 – 180 days	<b>6,576</b>	38,071
181 – 360 days	<b>1,736</b>	916
Over 360 days	<b>245</b>	1,297
	<b><u>164,197</u></b>	<u>261,689</u>

The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 45 days or 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary from different agreements.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 19. INVESTMENTS HELD FOR TRADING

	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	19,691	11,349
Listed outside Hong Kong	<u>20,537</u>	<u>9,294</u>
	<u>40,228</u>	<u>20,643</u>

The fair values of the listed equity securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity securities are pledged as further detailed in note 27.

## 20. RESTRICTED CASH AND DEPOSITS

In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resources Bureau is obtained. Such guarantee deposits will only be released after the completion of the related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier. The amount of cash restricted for such purpose as at 30th June, 2009 was HK\$312,360,000 (At 31st December, 2008: HK\$52,582,000).

## 21. CASH AND CASH EQUIVALENTS

	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
Cash at bank, in hand and deposited with security brokers	1,190,723	925,908
Less: Restricted cash and deposits classified under current assets (note 20)	<u>(312,360)</u>	<u>(52,582)</u>
	<u>878,363</u>	<u>873,326</u>

As at 30th June, 2009, cash balance denominated in Renminbi ("RMB") amounted to approximately HK\$1,076,205,000 (At 31st December, 2008: HK\$866,120,000). The RMB is not freely convertible into other currencies.

## 22. TRADE AND OTHER PAYABLES

	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
Trade payables	1,608,261	1,462,252
Temporary receipts	36,527	37,690
Deferred income	14,812	17,509
Other payables and accruals	308,579	819,861
Deposit received	<u>43,472</u>	<u>41,434</u>
	<u>2,011,651</u>	<u>2,378,746</u>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 22. TRADE AND OTHER PAYABLES (continued)

The ageing analysis of the trade payables based on invoice date is as follows:

	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
30 days or below	575,239	670,690
31 – 60 days	77,464	27,639
61 – 90 days	478,757	15,521
91 – 180 days	3,022	10,424
181 – 360 days	41,380	166,389
Over 360 days	432,399	571,589
	<u>1,608,261</u>	<u>1,462,252</u>

## 23. BANK BORROWINGS

	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
Bank borrowings		
Secured	1,756,344	1,883,169
Unsecured	348,595	328,194
	<u>2,104,939</u>	<u>2,211,363</u>

	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
Carrying amount at the beginning of period/year	2,211,363	2,559,340
Translation adjustment	674	116,622
New bank borrowings raised	712,502	2,107,409
Repayment of bank borrowings	(819,600)	(2,572,008)
Carrying amount at the end of period/year	<u>2,104,939</u>	<u>2,211,363</u>

The maturity of bank borrowings is as follows:

	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
Bank borrowings		
Due within one year	552,687	929,179
Due more than one year, but not exceeding two years	433,358	448,414
Due more than two years, but not exceeding five years	1,079,190	794,083
Due more than five years	39,704	39,687
	<u>2,104,939</u>	<u>2,211,363</u>
Less: Amounts due within one year included in current liabilities	<u>(552,687)</u>	<u>(929,179)</u>
Amounts due after one year included in non-current liabilities	<u>1,552,252</u>	<u>1,282,184</u>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 23. BANK BORROWINGS (continued)

The carrying amounts of the bank borrowings are denominated in the following currencies:

	<b>30th June, 2009 (Unaudited) HK\$'000</b>	31st December, 2008 (Audited) HK\$'000
Hong Kong Dollar	<b>458,000</b>	400,357
RMB	<b>1,406,656</b>	1,530,766
US Dollar	<b>240,283</b>	280,240
	<b><u>2,104,939</u></b>	<u>2,211,363</u>

Among the bank borrowings as at 30th June, 2009, HK\$108,000,000 (At 31st December, 2008: HK\$178,098,000) were arranged at fixed interest rates which are ranged from 0.60% to 0.90% (At 31st December, 2008: 0.95% to 3.84%) per annum and the remaining balance of bank borrowings of HK\$1,996,939,000 (At 31st December, 2008: HK\$2,033,265,000) are arranged at floating rates ranging from 1.38% to 7.72% (At 31st December, 2008: 3.15% to 7.72%) per annum.

The Company has been granted certain loan facilities from a bank which requires the Company to fulfill certain covenants. As at 30th June, 2009, the Company was not able to meet certain of the financial covenants as set out in the banking facility agreements. Accordingly, the non-current portion of the relevant borrowings as at 30th June, 2009 has been reclassified as current liabilities. The directors have been negotiating with the bank for a relaxation of the financial covenants and the bank has confirmed by way of a waiver issued to the Company that it has not, so far, taken any action against the Company for the breach of the financial covenants. The directors have also assessed that the violation of the loan covenants would not have significant financial impact to the Group.

## 24. SHARE CAPITAL

	<b>30th June, 2009 (Unaudited)</b>		31st December, 2008 (Audited)	
	<b>Number of shares '000</b>	<b>Nominal value HK\$'000</b>	Number of shares '000	Nominal value HK\$'000
<b>Authorised:</b>				
<i>Ordinary shares of HK\$0.50 each</i>				
Balance at beginning and end of the period/year	<b><u>900,000</u></b>	<b><u>450,000</u></b>	<u>900,000</u>	<u>450,000</u>
<b>Issued and fully paid:</b>				
<i>Ordinary shares of HK\$0.50 each</i>				
Balance at beginning of the period/year	<b>525,485</b>	<b>262,742</b>	525,485	262,742
Share repurchased and cancelled	<b><u>(2,000)</u></b>	<b><u>(1,000)</u></b>	<u>–</u>	<u>–</u>
Balance at end of the period/year	<b><u>523,485</u></b>	<b><u>261,742</u></b>	<u>525,485</u>	<u>262,742</u>

In February 2009, the Company repurchased on the Stock Exchange a total of 2,000,000 of its own ordinary shares of HK\$0.50 each of the Company at an aggregate price of HK\$4,200,000 (before expenses). All of these shares had been cancelled upon being repurchased.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 25. GAIN ON DISPOSAL OF A SUBSIDIARY

During the current period, the Group disposed of its interest in 67% registered capital of a subsidiary, 北京寅豐房地產開發有限責任公司 (“北京寅豐”), to a substantial equity holder of 北京寅豐, at a cash consideration of RMB46.5 million. The transaction was completed in April 2009 and a gain on disposal of the subsidiary of approximately HK\$17,286,000 is recorded in the current period.

During last interim period, the Group disposed of its entire equity interest in a subsidiary, 安徽博鴻房地產開發有限公司, to an independent third party at a cash consideration of RMB121 million. The transaction was completed in March 2008 and a gain on disposal of the subsidiary of HK\$56,115,000 was recorded in last interim period.

## 26. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED TO ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to a termination agreement and a settlement agreement dated 24th June, 2009, the Group has agreed to dispose of its interest in a property development project through the disposal of its interest in 70% registered capital of a subsidiary, 青島頤景房地產開發有限公司 (“青島頤景”), to a substantial equity holder of 青島頤景, at a consideration of RMB7 million. Pursuant to the settlement agreement, the substantial equity holder agreed to repay the outstanding shareholder's loan and pay certain amount of penalty and fund appropriation fees of approximately RMB197 million in aggregate to the Group before the transfer of the 70% registered capital of 青島頤景 to the substantial equity holder. The transactions are expected to be completed within one year from the end of the period. Accordingly, the Group's interests in the development project as at 30th June, 2009 held by 青島頤景 is reclassified and presented in the condensed consolidated statement of financial position as “assets classified as held for sale” and “liabilities associated to assets classified as held for sale” as appropriate. Further details about the transactions were disclosed in the announcement of the Company dated 25th June, 2009.

## 27. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group are analysed as follows:

	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
Investment properties	195,000	271,440
Inventories of properties	2,167,026	3,530,022
Investments held for trading	21,705	8,315
	<u>2,383,731</u>	<u>3,809,777</u>

The Group has also pledged its 100% interest of the issued share capital of a subsidiary, Full Revenue Inc, to a bank to secure for a long-term loan granted to the Group. The net asset value of the subsidiary as at 30th June, 2009 was approximately HK\$269 million (At 31st December 2008: HK\$290 million).

## 28. COMMITMENTS

At the end of the reporting period, the Group had significant capital commitments and commitments in respect of property development as follows:

	30th June, 2009 (Unaudited) HK\$'000	31st December, 2008 (Audited) HK\$'000
Contracted for but not provided in the financial statements:		
Property development	2,870,269	3,407,341
Property, plant and equipment	—	6,400
	<u>2,870,269</u>	<u>3,413,741</u>



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

## 29. GUARANTEES

At the end of the reporting period, the Group had issued the following significant guarantees:

	<b>30th June, 2009 (Unaudited) HK\$'000</b>	31st December, 2008 (Audited) HK\$'000
Guarantees given to:		
A supplier of an associate, to secure the repayment of balance due by the associate to the supplier	<b>13,525</b>	13,525
Banks for credit facilities granted to		
– an associate	<b>22,400</b>	22,400
– a jointly controlled entity	<b>44,015</b>	44,902
Banks for mortgage loans granted to purchasers of certain subsidiaries' properties	<b>1,019,219</b>	1,202,861
	<b>1,099,159</b>	1,283,688

In the opinion of the directors, the financial impact arising from providing financial guarantees by the Group is insignificant and accordingly, they are not accounted for in these financial statements.

## 30. RELATED PARTY TRANSACTIONS

Total staff costs include compensations to the key management personnel (including directors), the details of which are as follows:

	<b>Six months ended 30th June, 2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
Short-term employee benefits	<b>5,200</b>	6,211
Share-based payments	<b>13,270</b>	20,024
Post-employment benefits	<b>130</b>	107
	<b>18,600</b>	26,342

Save as disclosed above, the Group did not enter into any significant related party transactions during the current period.

## 31. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 9th September, 2009, the Company entered into a conditional subscription agreement in relation to a possible group restructuring and capital restructuring of the Company which will involve a distribution of certain business of the Group to the shareholders of the Company. Further details about the transactions are set out in the announcement of the Company issued on 16th September, 2009.

## 32. LITIGATION

A writ of summons dated 18th August, 2009 was served to the Company and certain subsidiaries of the Company as defendants by a minority shareholder of another subsidiary (the "PRC Entity") claiming the defendants for disposing of their interests in the PRC Entity without first allowing the minority shareholder to consider the interests, and for termination of the general manager and director of the PRC Entity without going through proper procedures as disclosed in the announcements made by the Company dated 20th August, 2009. The Company has instructed its legal advisors to commence defence on the claims. As assessed by the directors, the financial impact arising from the litigation, if any, is not material to the Group at this stage.