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 under the Companies Ordinance)
(Stock Code: 00081)

2005 FINAL RESULTS

PROFIT FOR THE YEAR
The Group's audited consolidated profit attributable to the equity holders of the Company for the year ended 31st December, 2005 amounted to HK$157,171,000. Earnings per share were 33.07 cents.

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December, 2005

	Notes	**2005** **HK$'000**	2004 (Restated) *HK$'000*
Continuing operations:			
Revenue	(3)	**1,318,168**	1,176,754
Cost of Sales		**(1,081,369)**	(953,462)
Gross profit		**236,799**	223,292
Other income		**77,373**	51,019
Distribution and selling expenses		**(38,146)**	(31,201)
Administrative expenses		**(156,362)**	(136,975)
Other operating expenses		**(61,507)**	(53,266)
Other gains/(losses)			
Fair value gain on investment properties		**45,826**	–
Fair value loss on share-based payment		**(4,000)**	–
Fair value gain on investments held for trading/ investments in securities		**34,193**	74,541
Excess of interest in fair values of identifiable net assets of subsidiaries acquired		**15,446**	–
Impairment losses on goodwill		**(7,731)**	(14,581)
Impairment losses on other non-current assets		**(6,531)**	(191,032)
Others		**10,320**	9,057
Operating profit/(loss)		**145,680**	(69,146)
Finance costs		**(24,764)**	(9,322)
Share of results of associates		**14,048**	26,898
Share of results of jointly controlled entities		**23,604**	–
Excess of interest in fair values of identifiable net assets of an associate acquired		**1,491**	–
Gain on disposal of interest in a jointly controlled entity		**5,437**	–
Loss on deemed and partial disposal of interest in an associate		**–**	(7,926)
Profit/(Loss) before income tax	(4)	**165,496**	(59,496)
Income tax expense	(5)	**(7,561)**	(14,336)
Profit/(Loss) for the year from continuing operations		**157,935**	(73,832)
Discontinued operations:			
Profit for the year from discontinued operations		**13,006**	197,476
Profit for the year		**170,941**	123,644
Attributable to:			
Equity holders of the Company		**157,171**	137,883
Minority interests		**13,770**	(14,239)
		170,941	123,644
Dividends	(6)	**60,058**	44,650
		HK cents	HK cents
Earnings/(Loss) per share – Basic	(7)		
From continuing and discontinued operations		**33.07**	31.05
From continuing operations		**30.33**	(15.87)
Earnings per share – Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31st December, 2005

	Note	2005 HK$'000	2004 (Restated) HK$'000
Non-current assets			
Investment properties		**594,377**	560,341
Property, plant and equipment		**135,724**	185,664
Prepaid lease rental on land		**16,426**	21,424
Goodwill		**26,402**	–
Intangible assets		**215,421**	160,287
Interests in associates		**577,562**	478,714
Interests in jointly controlled entities		**483,248**	–
Available-for-sale financial assets		**13,020**	–
Club debenture		**2,920**	2,920
Loans receivable		**7,439**	204,185
Deferred tax assets		**584**	2,958
Deposits paid for acquisition of investment properties		**–**	4,725
Deposit paid for acquisition of interest in a jointly controlled entity		**14,997**	–
		2,088,120	1,621,218
Current assets			
Inventories of properties		**1,419,094**	–
Other inventories		**88,764**	91,672
Trade and other receivables	*(8)*	**295,141**	241,718
Prepaid lease rental on land		**428**	542
Loans receivable		**143,112**	37,059
Amounts due from associates		**18,760**	2,086
Amounts due from jointly controlled entities		**73,044**	–
Amounts due from investees		**6,750**	11,012
Amounts due from a related company		**27**	–
Investments held for trading		**106,832**	–
Investments in securities		**–**	211,987
Bank balances and cash		**376,581**	439,342
		2,528,533	1,035,418
Assets classified as held for sale		**50,005**	–
		2,578,538	1,035,418
Current liabilities			
Trade and other payables	*(8)*	**955,282**	235,647
Deposit received for disposal of land		**–**	33,213
Sales deposits received		**59,763**	–
Amounts due to associates		**101**	227
Amounts due to jointly controlled entities		**2,018**	–
Amounts due to minority shareholders		**17,599**	–
Provisions		**23,478**	12,870
Taxation liabilities		**32,457**	22,727
Liability for share-based payment		**6,000**	–
Bank and other borrowings		**334,501**	147,339
		1,431,199	452,023
Net current assets		**1,147,339**	583,395
Total assets less current liabilities		**3,235,459**	2,204,613
Capital and reserves			
Share capital		**250,242**	223,946
Share premium and reserves		**2,020,700**	1,835,991
Equity attributable to equity holders of the Company		**2,270,942**	2,059,937
Minority interests		**410,385**	3,781
Total equity		**2,681,327**	2,063,718
Non-current liabilities			
Bank and other borrowings		**378,893**	112,517
Loan from a minority shareholder		**2,366**	9,210
Deferred tax liabilities		**172,873**	19,168
		554,132	140,895
		3,235,459	2,204,613

Notes:

1. Basis of Presentation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

2. Adoption of New and Revised HKFRS

2.1 Impact of new and revised HKFRS which are effective in the current financial year

During the year, the Group has adopted the following new and revised standards and interpretations of HKFRS which are relevant to its operations:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separated Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HK-Int 3	Revenue – Pre-Completion Contracts for the Sale of Development Properties

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment. Accordingly, the financial statements for the year ended 31st December, 2004 including their presentation have been amended in accordance with HKAS 8 and comparative figures for 2004 contained in these financial statements differ from those published in the financial statements for the year ended 31st December, 2004.

Significant effects on current, prior or future periods arising from the first-time application of the standards and interpretation listed above in respect to presentation, recognition and measurement of accounts are described in the following paragraphs:

(a) Adoption of HKAS 1

The adoption of HKAS 1 has resulted in a change of the presentation of financial statements. In particular, minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year. In addition, share of tax of associates/jointly controlled entities which was previously included under taxation is now included in share of results of associates/jointly controlled entities.

(b) Adoption of HKAS 17

In prior years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. 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.

(c) Adoption of HKAS 32 and HKAS 39

HKAS 32 requires retrospective application while HKAS 39 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 summarized 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.

In previous years, 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 "investments held for trading" (i.e. "financial assets at fair value through profit or loss" as defined in HKAS 39), "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 "investments held for trading", "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.

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.

(d) Adoption of HKAS 36, HKAS 38 and HKFRS 3

Goodwill

In prior years, 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 and was subject to impairment testing when there was indication of impairment. The adoption of HKFRS 3 has resulted in the Group ceasing goodwill amortisation and commencing testing for impairment annually as well as when there is indication of impairment following HKAS 36. The Group has adopted the relevant transitional provisions in HKFRS 3, under which goodwill previously recognised in reserves has been transferred to the Group's retained profits on 1st January, 2005. Regarding goodwill previously capitalised on the consolidated balance sheet, the carrying amount of the accumulated amortisation as at 1st January, 2005 was eliminated against the gross amount of goodwill. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. With respect to goodwill previously capitalised on the consolidated 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.

Intangible assets

In prior years, the taxi licences with indefinite useful lives were amortised over 50 years. In accordance with HKAS 38, an intangible asset with an indefinite useful life shall not be amortised. Instead, in accordance with HKAS 36, 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 as well as 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.

(e) Adoption of HKAS 40 and HK(SIC)-Int 21

The Group has elected to use the fair value model HKAS 40 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 income statement for the period they arise. In prior years, 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 accordingly, the amount held in investment property revaluation reserve at 1st January, 2005 has been transferred to the opening balance of retained profits.

In prior years, 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 year, the Group has applied HK(SIC)-Int 21 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 HK(SIC)-Int 21, this change in accounting policy has been applied retrospectively and comparative figures for 2004 have been restated.

(f) Adoption of HKFRS 2

HKFRS 2 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 adoption 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 to adopt 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.

Share options were granted by certain of the Company's unlisted subsidiaries to their directors, employees and consultants on or after 7th November, 2002 which 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, forfeited or lapsed, with any change in intrinsic value recognised in profit or loss. Since the subsidiaries issuing the Relevant Share Options have 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 year adjustment has been made.

(g) The effects of the application of the new and revised HKFRS on the consolidated income statements for the years ended 31st December, 2004 and 31st December, 2005 are summarised below:

	HKAS 1 *HK$'000*	**HKAS 17** *HK$'000*	**Total** *HK$'000*
Year ended 31st December, 2004			
(Increase)/Decrease in administrative expenses:			
- reduction in depreciation charge due to reclassification of prepaid lease rental on land	–	550	550
- amortisation charge arising from the reclassification of prepaid lease rental on land	–	(550)	(550)
Decrease in share of results of associates	(4,441)	–	(4,441)
Decrease in income tax expense	4,441	–	4,441
Increase/(Decrease) in profit for the year	–	–	–

	HKAS 1	HKAS 17	HKAS 36, HKAS 38 and HKFRS 3	HKAS 40 and HK (SIC)-Int 21	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December, 2005					
(Increase)/Decrease in administrative expenses :					
– discontinuation of amortisation of goodwill	–	–	1,387	–	1,387
– discontinuation of amortisation of taxi licences	–	–	3,970	–	3,970
– reduction in depreciation charge due to reclassification of prepaid lease rental on land	–	527	–	–	527
– amortisation charge arising from the reclassification of prepaid lease rental on land	–	(527)	–	–	(527)
Fair value gain on investment properties	–	–	–	45,826	45,826
Increase/(Decrease) in share of results of associates					
– change in presentation	(3,557)	–	–	–	(3,557)
– fair value gain on investment properties held by associates (net of tax)	–	–	–	15,343	15,343
(Increase)/Decrease in income tax expense	3,557	–	–	(6,026)	(2,469)
Increase/(Decrease) in profit for the year	–	–	5,357	55,143	60,500

(h) The effects of the application of the new and revised HKFRS on the consolidated balance sheets as at 1st January, 2005 and 31st December, 2005 are summarised below:

	HKAS 17	HKAS 32 and HKAS 39	HKAS 36, HKAS 38 and HKFRS 3	HKAS 40 and HK(SIC)-Int 21	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2005					
Increase/(Decrease) in assets					
Property, plant and equipment	(21,966)	–	–	–	(21,966)
Prepaid lease rental on land included in:					
– non-current assets	21,424	–	–	–	21,424
– current assets	542	–	–	–	542
Investments in securities	–	(211,987)	–	–	(211,987)
Investments held for trading	–	211,987	–	–	211,987
(Increase)/Decrease in liabilities					
Deferred tax liabilities	–	–	–	(7,894)	(7,894)
Loan from a minority shareholder	–	6,996	–	–	6,996
(Increase)/Decrease in equity					
Retained profits	–	–	20,890	(14,528)	(6,362)
Goodwill reserve	–	–	(20,890)	–	(20,890)
Investment property revaluation reserve	–	–	–	22,422	22,422
Minority interests	–	(6,996)	–	–	(6,996)
At 31st December, 2005					
Increase/(Decrease) in assets					
Property, plant and equipment	(16,854)	–	–	–	(16,854)
Prepaid lease rental on land included in:					
– non-current assets	16,426	–	–	–	16,426
– current assets	428	–	–	–	428
Investments in securities	–	(104,713)	–	–	(104,713)
Investments held for trading	–	104,713	–	–	104,713
(Increase)/Decrease in liabilities					
Deferred tax liabilities	–	–	–	(13,920)	(13,920)
Loan from a minority shareholder	–	6,893	–	–	6,893
(Increase)/Decrease in equity					
Retained profits	–	–	20,890	(60,354)	(39,434)
Goodwill reserve	–	–	(20,890)	–	(20,890)
Investment property revaluation reserve	–	–	–	22,422	22,422
Minority interests	–	(6,893)	–	–	(6,893)

2.2 Impact of new and revised HKFRS which are issued but not yet effective

The following are standards and interpretations relevant to the operations of the Group which have been issued but are not yet effective:

HKAS 1 (Amendment)	Capital Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[1]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[1]
HKAS 39 (Amendment)	The Fair Value Option[1]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[1]
HKFRS 7	Financial Instruments – Disclosures[2]
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease[1]

Notes:

1. Effective for annual periods beginning on or after 1st January, 2006.

2. Effective for annual periods beginning on or after 1st January, 2007.

The directors anticipate that the adoption of the above standards and interpretations will not have any significant impact on the Group's financial statements in the period of initial application.

3. **Segment Information**

The Group's revenue and contribution to profit/(loss) from ordinary activities before income tax, analysed by business segments (primary segments) are as follows:

	Revenue		Contribution to profit (loss) from ordinary activities before income tax	
	2005	2004 (Restated)	**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	**1,117,386**	1,058,762	**65,764**	44,393
– Manufacturing and trading of electric cables	**40,505**	40,097	**2,793**	(2,663)
– Leasing of properties	**62,328**	60,653	**99,500**	53,239
– Property development	**73,348**	–	**(13,820)**	(34)
– Trading of securities	**–**	–	**43,732**	75,222
– Taxi rental operation	**15,069**	13,618	**14,223**	(26,677)
– Development and trading of computer hardware and software	**9,532**	3,624	**(63,565)**	(93,383)
– Direct investments	**–**	–	**(14,013)**	(102,597)
	1,318,168	1,176,754	**134,614**	(52,500)
Discontinued operations:				
– Manufacturing and trading of steel pipes	**34,504**	17,118	**12,968**	(20,402)
– Steel processing and trading	**–**	47,999	**–**	(125)
– Toll road management and operation	**–**	15,363	**–**	(2,106)
	34,504	80,480	**12,968**	(22,633)
	1,352,672	1,257,234	**147,582**	(75,133)
Unallocated corporate expense			**(32,463)**	(38,737)
Other operating income excluding interest income			**5,612**	1,625
Interest income			**37,955**	20,654
Operating profit/(loss)			**158,686**	(91,591)
Finance costs			**(24,764)**	(22,060)
Gain/(Loss) on disposal of discontinued operations			**–**	232,659
Share of results of associates			**14,048**	26,898
Share of results of jointly controlled entities			**23,604**	–
Excess of interest in fair values of identifiable net assets of an associate acquired			**1,491**	–
Gain on disposal of interest in a jointly controlled entity			**5,437**	–
Loss on deemed and partial disposal of interest in an associate			**–**	(7,926)
Profit before income tax			**178,502**	137,980
Income tax expense			**(7,561)**	(14,336)
Profit for the year			**170,941**	123,644

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

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

	Continuing Operations		Discontinued Operations		Total	
	2005	2004 (Restated)	**2005**	2004	**2005**	2004 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
– Hong Kong	**17,917**	14,684	**–**	–	**17,917**	14,684
– People's Republic of China ("PRC")	**514,054**	329,153	**34,504**	80,480	**548,558**	409,633
– North America	**573,665**	597,938	**–**	–	**573,665**	597,938
– Europe	**84,275**	119,533	**–**	–	**84,275**	119,533
– Asia, other than Hong Kong and the PRC	**48,272**	45,754	**–**	–	**48,272**	45,754
– Others	**79,985**	69,692	**–**	–	**79,985**	69,692
	1,318,168	1,176,754	**34,504**	80,480	**1,352,672**	1,257,234

4. Profit/(Loss) Before Income Tax

	2005	2004
	HK$'000	*HK$'000*
Profit/(loss) before income tax is arrived at after charging:		
Depreciation of property, plant and equipment	**15,633**	32,895
Amortisation	**4,368**	11,104

5. Income Tax Expense

	2005	2004
	HK$'000	*HK$'000*
Income tax expenses comprise:		
Current tax		
Hong Kong	**7,655**	10,874
Other regions in the PRC	**10,847**	288
	18,502	11,162
Under/(Over) provision in prior years		
Hong Kong	**(680)**	270
Other regions in the PRC	**–**	(266)
	(680)	4
Deferred tax	**(10,261)**	3,170
	7,561	14,336

Hong Kong profits tax is calculated at 17.5% (2004: 17.5 %) of the estimated assessable profits for the year. Income tax arising from other region in the PRC is calculated at 15%-33% (2004: 33%) of the estimated assessable profit.

6. Dividends

	2005	2004
	HK$'000	*HK$'000*
Ordinary shares:		
Interim, paid – 4.00 cents (2004: 3.00 cents) per share	**20,019**	13,298
Final, proposed – 8.00 cents (2004: 7.00 cents) per share	**40,039**	31,352
	60,058	44,650

Share scrip alternatives were offered in respect of the 2004 interim and final dividends. These share scrip alternatives were accepted by the shareholders, as follows:

	2004 final dividends *HK$'000*	2004 interim dividends *HK$'000*
Cash	18,096	6,790
Share scrip alternative	13,256	6,508
	31,352	13,298

7. Earnings/(Loss) Per Share

The calculation of the basic earnings per share for continuing and discontinued operations is based on the profit for the year attributable to the equity holders of the Company of HK$157,171,000 (2004: HK$137,883,000) and the weighted average number of ordinary shares of 475,335,000 (2004: 444,132,000) on issue during the year.

The calculation of the basic earnings/(loss) per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	2005 ***HK$'000***	2004 *HK$'000*
Profit/(Loss) for the year from the continuing operations	**157,935**	(73,832)
Results attributable to minority interests	**(13,755)**	3,333
	144,180	(70,499)

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

No diluted earnings per share has been presented as the options of the Company's subsidiaries outstanding as at the years ended 31st December, 2005 and 2004, except for the option of Tigerlily Overseas Limited ("Tigerlily") outstanding as at 31st December, 2005, were anti-dilutive to the Group's earnings/(loss) per share.

In respect of the option of Tigerlily, the exercise of such would have no dilutive effect to the Group's earnings/(loss) per share.

8. Trade and Other Receivables/Trade and Other Payables

The ageing analysis of trade receivables and trade payables as at balance sheet date is as follows:

	Trade receivables		**Trade payables**	
	2005 ***HK$'000***	2004 *HK$'000*	**2005** ***HK$'000***	2004 *HK$'000*
Current	**90,673**	75,622	**65,561**	72,174
31-60 days	**34,613**	22,973	**14,196**	13,283
61-90 days	**9,066**	11,068	**6,273**	4,745
91-180 days	**6,887**	2,268	**2,005**	1,415
181-360 days	**2,276**	713	**83,689**	977
Over 360 days	**1,153**	470	**104,254**	2,089
	144,668	113,114	**275,978**	94,683

The Group maintains a defined credit policy of trade and other receivables. For sales of goods, the Group allows an average credit period of 60 days to its trade customers. Rentals receivables from tenants and service income receivable from customers are payable on presentation of invoices.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 8 cents per share (2004: 7 cents per share) in respect of the year 2005 to shareholders whose names appear on the Register of Members of the Company on 30th May, 2006. Warrants for the final dividend will be posted on 5th June, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 25th May, 2006 to Tuesday, 30th May, 2006, both days inclusive, during which period no transfer of the Company's shares will be effected. In order to qualify for the proposed final dividend, all share certificates with the duly completed transfer forms must be lodged with the Company's Registrars, Standard Registrars Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 24th May, 2006.

BUSINESS REVIEW

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

In 2005, profit margin of the ceiling fans business is comparable to the prior year. Sales to the Europe and North America markets have recorded slight decline while markets in the Middle East, Africa and Asia markets have generated growth. The higher value product series is gaining gradual market acceptance. This has helped to the maintenance of a reasonable profit margin amid prevailing high material price levels and the Group will continue to develop this market to improve sales and profit margin performance.

Turnover of the table fans business is comparable to that in the prior year; however profits have declined due to high material costs and currency impacts. Competitions and high material price levels are expected to remain key challenges and the Group maintains a cautious optimistic stance.

The vacuum cleaners contract manufacturing business has improved in the second half of the year with the addition of two new models under OEM contract. Production volume is expected to continue to grow in 2006 however, profit margin may tighten as plastics material costs have increased.

Optics and Imaging

Over the year, the EMS business recorded increases in laser scanner and fuser shipments by 45% and 90% respectively. Two additional fuser production lines are being installed and a new lower cost fuser model is expected to go into mass production in the second quarter of 2006. Due to the phase out of an old model a sales dip in the first quarter is expected however, over 2006 healthy revenue growth and modest profit improvement will be anticipated.

Electric Wire and Cable

The Group's 98% owned Guangdong Macro Cable company has returned to profitability in 2005. The sale of the company's factory land was completed and the factory facility in the new location had commenced operations. The re-location and the associated asset rationalization shall reduce depreciation and amortization costs and improve profit performance. During the year, costs of primary materials reached record highs and margins were affected. These prices are expected to stay at high levels during 2006 and the company shall further strengthen efficiency to maintain competitiveness.

Stainless Steel Welded Tubes Products

The Group's 90.1% owned Hua Feng Stainless Steel Welded Tubes company reported a small profit from operations for the year. In November, the company completed the disposal of its production equipment and the transfer of its operation staff team to an independent third party; its factory premise has also been leased to the buyer. This business 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 Guangzhou SMC Taxi company had a stable year of operation. Due to the continuing government order for the temporary suspension of registration for transfer of taxi licenses, the number of licenses in the Group's portfolio is maintained at 775. Under collaborative team efforts, the company's assessment by the industry has improved.

Real Estate Investment & Development

During the year, Citic Plaza continued to attract quality tenants from multi-national and Fortune 500 companies and lease renewals have also recorded stable rate increases. The Citic Plaza Station on the Guangzhou Number Three Subway Line has opened and has further enhanced the convenience for visitors and tenants of the building. Rising 80 storey and 395 meters high, Citic Plaza maintains the seventh tallest building standing in the world. The Group has taken advantage of the strong market for high end offices and captured profits through a series of office unit disposals in 2005. The Group will continue to monitor the market and take advantage of opportunities in the rising trend.

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

The over supply conditions in the regional market continued to affect rental performance of the Group's office complex in Livermore, California. Several new leases are under negotiation and the Group expects to reduce the target vacancy rate from 25% to 20% in 2006.

In January 2005, the Group invested in 20% interest in a property project in Guangzhou. The project will include a five-star "Westin" hotel in one tower, an office tower and a shopping mall covering total gross floor area of about 127,000 m^2. The structural construction composing 46 storeys has been completed in January 2006. 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.

In June 2005, the Group completed the acquisition of a 56% indirect interest in China Ever Bright 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 PRC property sector. At completion, the company's project portfolio primarily consisted of six 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 m^2 and is composed of various residential, office, and commercial property projects. Subsequently, three new projects have been added that greatly expanded the land bank reserve of the company. These projects are progressing according to plan, based on current market conditions the company is expected to make significant profit contribution to the Group as each of these projects complete between 2007 and 2010.

Technology Investment Projects

Internet Automatic Migration Software for Enterprises

Appeon Corporation continues to make progress on the execution of the four stack value proposition strategy to service the Independent Software Vendor (ISV) and enterprise solution customers as well as building a viable installed base for future product and service revenue. The four stack value proposition strategy consists of offering a Web migration service platform; solution migration service; on-going maintenance and support services for the migrated solution; and new solution module development. The successful execution of this strategy during the year has enabled Appeon to grow its revenue and installed base many times throughout the world. The introduction of the Appeon for Power Builder 3.0 product gained great market acceptance and enabled the product license revenue to grow at a much faster pace than prior year. Appeon will introduce additional products in 2006 as well as introducing service platforms for the Java and .NET market. The company has put in place a professional services team to enable the company to offer Information Technology Outsourcing (ITO) services to the current installed base. The Company is confident to meet the sales target in 2006 through the product and service value-add strategy.

Super Blade Computing System

Galactic Computing has launched its GT4000 supercomputing blade product series; in June 2005 the company's 4.0 Teraflops supercomputing blade model achieved the World's 100th fastest ranking on the TOP500 List of supercomputers. The GT4000 series customers include research institutes and government departments in the Mainland and Hong Kong and these computers have been deployed for use in the high performance application area including biomedical research, medical picture archive and communication system, weather forecasting, newsgroup and high volume data hosting. The company also achieved ISO 9001:2000 certification and the Shenzhen High-tech Enterprise title in 2005. In 2006, Galactic's total product strategy will include extending the product offering from supercomputing to mid-range and entry-level computer servers, server management software and data storage system. The company projects to achieve significant revenue growth and maintains prospect for profit break even in 2006.

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. The company maintained profitability in 2005 and recorded moderate growth. Its application systems and software services business has successfully launched the complete software product.

Broadband Communication IC

Fund raising efforts for a new equity round to support this company's continual operation has proceeded continually throughout the year however no commitment has resulted. In March 2006, the company ran into unendurable insolvency condition and has to be dissolved. The company's assets are secured to the Group for the bridge funding extended and the Group is taking actions to close the company and take over its intellectual property assets including its patents and technology.

Electronic Integrated Rectifier Chips

During the year, APD has continued to expand its product range to meet the broader product needs of customers and has also improved its customer sample request response time. Market awareness for the company's SBR™ integrated rectifier IC products is expected to improve. In 2006, a new generation of products for high temperature applications in the high voltage (300V, 400V, 500V and 600V) range is expected to be introduced. This will be a new unique product range empowering high power product applications such as computer servers, large size LCD and Plasma displays etc. and its strong performance and price advantages shall further strengthen APD's unique and distinctive technology edge in the market.

Financial Investment

During the year, the world's major stock markets had a weighted average rise of about 9%. For the year ended 31st December 2005, the Group's financial investment activities recorded profit of approximately HK$43,732,000 and the market value of the Group's financial investment holdings amounted to HK$106,829,000.

FINANCIAL REVIEW

REVENUE AND OPERATING RESULTS

For the year ended 31st December, 2005 the Group recorded a turnover of HK$1,352,672,000 representing an increase of HK$95,438,000 or 8% over HK$1,257,234,000 in 2004. The increase in the turnover mainly came from the EMS business.

The Group achieved a profit attributable to shareholders of HK$157,171,000 for the year 2005 (2004: HK$137,883,000). As the Group adopted the new accounting standard HKAS40, it revalued its investment properties as at 31st December, 2005 thus resulting in a revaluation surplus of HK$45,826,000 being recognized as profits in the period under review.

FINANCIAL RESOURCES AND LIQUIDITY

With a view to achieving a strong and sustainable financial performance, the Group continued to maintain its financial 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 was reduced to HK$140,000,000 after a repayment of HK$20,000,000 took place in November 2005. The loan carried an interest rate of 15% per annum and was scheduled to be fully 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. The Group received the early repayment of the entire loan of Rmb81,000,000 together with accrued interest up to the date of loan retirement on 1st November, 2005.

During the period under review, the Group obtained new bank loans totalling HK$430,000,000 to finance the acquisition of the entire issued share capital of Tigerlily Overseas Limited ("Tigerlily"). The Group repaid part of these bank loans which were curtailed to HK$195,000,000 as at 31st December, 2005. In addition, the outstanding balance of the term loan which was obtained from a bank to finance the purchase of securities in 2005 stood at HK$20,000,000 as at 31st December, 2005.

All banking facilities of the Group were subject to floating interest rates. Other than the U.S. and P.R.C. term loans of approximately US$15,000,000 and RMB180,000,000 respectively which were secured by certain assets of the Group located in the United States and Mainland China respectively, 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 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 under Tigerlily conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi, the directors considered that a natural hedging existed. 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 31st December, 2005, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash to shareholders' funds, of 12.67% (31st December, 2004 (restated): zero). During the period under review, the Group obtained certain bank loans totalling approximately HK$430,000,000 and HK$283,000,000 to finance the acquisition of the entire issued share capital of Tigerlily and the property development projects of Tigerlily's subsidiary companies in the P.R.C. respectively. As a result, both the total bank borrowings net of cash and the Group's gearing ratio went up significantly.

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 28th June, 2005, the Group acquired 100% of the issued share capital of Tigerlily for a consideration of HK$515,473,000. 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.

During the period under review, Shunde Hua Feng Stainless Steel Welded Tubes Limited, an indirect 90.1% owned subsidiary of the Company sold machinery and equipment for the production of steel pipes to a third party with a cash consideration of US$2,500,000.

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

Tigerlily group had issued guarantee to banks for credit facilities to jointly controlled entities amounting to approximately HK$31,716,000 as at 31st December, 2005.

Tigerlily group and its jointly controlled entities had commitments on capital expenditures for property development projects amounting to approximately HK$1,767,494,000 and HK$512,888,000 respectively as at 31st December, 2005.

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

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had a total capital expenditure amounting to HK$38,732,000 during the period under review.

Based on certain real estate in Mainland China, the Group secured a mortgage loan of RMB180,000,000 from a P.R.C. bank during the period under review.

EMPLOYEES

As at 31st December, 2005, the Group has approximately 1,815 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 year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions (with exception of Code Provision C.2 on internal controls which will apply to accounting periods commencing on or after 1st July, 2005) of Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year up to 31st December, 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 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.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the management and the auditors of the company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31st December, 2005.

PUBLICATION OF FINAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG

The 2005 final report containing all the information in respect of the Group required by the Listing Rules will be despatched to shareholders and published on the web site of the Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) in due course.

By order of the Board
BILLY K YUNG
Chairman

Hong Kong, 20th April, 2006

As at the date of this announcement, the Board comprises Mr. Billy K YUNG, Madam YUNG HO Wun Ching, Mr. LEUNG Chun Wah and Mr. Plato POON Chak Sang as executive directors, Mr. Simon YUNG Kwok Choi as non-executive director and Dr. Leo Tung-Hai LEE, Mr. Shiu-Kit NGAI, Mr. WONG Chung On, Peter and Mr. Peter LAM as independent non-executive directors.

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