SMC ®

SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED

蜆殼電器工業（集團）有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 00081)

2006 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 2006 amounted to HK$138,833,000. Earnings per share were 27.70 cents.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2006

	NOTES	2006 HK$'000	2005 HK$'000
Continuing operations:			
Revenue	(3)	**1,553,063**	1,318,168
Cost of sales		**(1,227,227)**	(1,081,369)
Gross profit		**325,836**	236,799
Other income		**68,433**	77,373
Distribution and selling expenses		**(38,918)**	(38,146)
Administrative expenses		**(188,415)**	(156,362)
Other operating expenses		**(42,867)**	(61,507)
Other gains/(losses)			
Fair value gain on investment properties		**126,659**	45,826
Fair value loss on share-based payment		**(1,000)**	(4,000)
Fair value gain on investments held for trading		**54,034**	34,193
Excess of interest in fair values of identifiable net assets of subsidiaries acquired		**–**	15,446
Impairment losses on goodwill		**(1,473)**	(7,731)
Impairment losses on non-current assets		**(6,949)**	(6,531)
Others		**1,036**	10,320
Operating profit	(4)	**296,376**	145,680
Finance costs		**(31,867)**	(24,764)
Share of results of associates		**53,336**	14,048
Share of results of jointly controlled entities		**(145,350)**	23,604
Excess of interest in fair value of identifiable net assets of an associate acquired		**–**	1,491
Gain on disposal of interest in a jointly controlled entity		**–**	5,437
Profit before income tax		**172,495**	165,496
Income tax expense	(5)	**(86,100)**	(7,561)
Profit for the year from continuing operations		**86,395**	157,935
Discontinued operations:			
Profit for the year from discontinued operations		**–**	13,006
Profit for the year		**86,395**	170,941
Attributable to:			
Equity holders of the Company		**138,833**	157,171
Minority interests		**(52,438)**	13,770
		86,395	170,941
Dividends	(6)	**62,058**	60,058
		HK Cents	*HK Cents*
Earnings per share	(7)		
– Basic			
From continuing and discontinued operations		**27.70**	33.07
From continuing operations		**27.70**	30.33
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31st December, 2006

	NOTES	2006 HK$'000	2005 HK$'000
Non-current assets			
Investment properties		**708,118**	594,377
Property, plant and equipment		**139,024**	135,724
Prepaid lease rental on land		**16,621**	16,426
Goodwill		**66,643**	26,402
Other intangible assets		**219,100**	215,421
Interests in associates		**454,357**	577,562
Interests in jointly controlled entities		**377,189**	483,248
Available-for-sale financial assets		**2,920**	15,940
Loans receivable		**1,831**	7,439
Other receivable		**502**	–
Deferred tax assets		**–**	584
Deposit paid for acquisition of interest in a jointly controlled entity		**–**	14,997
Deposit paid for acquisition of other investment		**10,139**	–
		1,996,444	2,088,120
Current assets			
Inventory of properties		**1,946,909**	1,419,094
Other inventories		**99,266**	88,764
Trade and other receivables	(8)	**471,021**	295,168
Prepaid lease rental on land		**390**	428
Loans receivable		**17,787**	143,112
Amounts due from associates		**1,075**	18,760
Amounts due from jointly controlled entities		**240,349**	73,044
Amounts due from investees		**12,013**	6,750
Amount due from a related party		**44,203**	–
Investments held for trading		**187,952**	106,832
Derivative financial instruments		**1,292**	–
Bank balances and cash		**488,753**	376,581
		3,511,010	2,528,533
Assets classified as held for sale		**156,504**	50,005
		3,667,514	2,578,538
Current liabilities			
Trade and other payables	(8)	**915,669**	955,282
Sales deposits received		**433,230**	59,763
Amounts due to associates		**101**	101
Amounts due to jointly controlled entities		**302,576**	2,018
Consideration payable on acquisition of a jointly controlled entity		**4,977**	–
Amounts due to minority shareholders		**50,760**	17,599
Provisions		**23,478**	23,478
Taxation liabilities		**88,421**	32,457
Liability for share-based payment		**–**	6,000
Bank and other borrowings		**832,434**	334,501
		2,651,646	1,431,199
Net current assets		**1,015,868**	1,147,339
Total assets less current liabilities		**3,012,312**	3,235,459

	2006 HK$'000	2005 HK$'000
Capital and reserves		
Share capital	**262,742**	250,242
Share premium and reserves	**2,180,789**	2,020,700
Equity attributable to equity holders of the Company	**2,443,531**	2,270,942
Minority interests	**270,762**	410,385
Total equity	**2,714,293**	2,681,327
Non-current liabilities		
Bank and other borrowings	**106,576**	378,893
Loan from a minority shareholder	**2,639**	2,366
Deferred tax liabilities	**188,804**	172,873
	298,019	554,132
	3,012,312	3,235,459

Notes:

1. **Basis of Presentation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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. **Principal Accounting Policies**

The consolidated financial statements have been prepared under the historical cost convention except for certain properties, financial assets and financial liabilities which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005 with the addition of certain HKFRSs issued and became effective in the current period as described below.

2.1 *Impact of new and revised HKFRSs which are effective during the year*

During the year, the Group has adopted the following new and revised HKFRs which are relevant to its operations:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Seperate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

(i) HKAS 21 Amendment - Net Investment in a Foreign Operation

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated.

(ii) HKAS 27 Amendment - Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements as described in note 3 "Summary of significant accounting policies" in Year 2006 Annual Report.

(iii) HKAS 39 Amendment - Cash Flow Hedge Accounting of Forecast Intragroup Transactions

This amendment has revised HKAS 39 "Financial Instruments: Recognition and Measurement" to permit the foreign currency risk of a highly probable intra-group forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement.

(iv) HKAS 39 Amendment - The Fair Value Option

This amendment has changed the definition of a financial instrument at fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement.

(v) HKAS 39 & HKFRS 4 Amendments - Financial Guarantee Contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered as insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

(vi) HK(IFRIC)-Int 4 - Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1st January, 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied.

The adoption of the above new and revised HKFRSs did not result in significant changes in the Group's accounting policies and had no significant financial impact on the Group's financial statements.

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

The following are new and revised HKFRSs relevant to the operations of the Group which are issued but not yet effective in the current financial year:

HKAS 1 Amendment	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st May, 2006
[4] Effective for annual periods beginning on or after 1st June, 2006
[5] Effective for annual periods beginning on or after 1st November, 2006

HKAS 1 Amendment will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial statements and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32 " Financial Instruments: Disclosure and Presentation".

HKFRS 8 requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues for the Group's major customers. This standard will supersede HKAS 14 "Segment Reporting".

The Group has not early adopted the above HKFRSs. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far the Group has concluded that while the adoption of HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's financial statements.

3. Revenue and Segment Information

The Group's revenue and contribution to operating profit/(loss) before finance costs, share of results of associates and jointly controlled entities and income tax expense analysed by principal activities (i.e. business segments which are primary segments) are as follows:

	Revenue		Contribution to Operating profit/(loss)	
	2006	2005	**2006**	2005
	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	**1,190,840**	1,117,386	**56,524**	65,764
– Manufacturing and trading of electric cables	**36,520**	40,505	**8,079**	2,793
– Leasing of properties	**72,910**	62,328	**191,169**	99,500
– Property investment and development	**217,845**	73,348	**42,686**	(13,820)
– Taxi rental operation	**16,791**	15,069	**14,936**	14,223
– Trading of securities	**–**	–	**59,101**	43,732
– Development and trading of computer hardware and software	**18,157**	9,532	**(43,084)**	(63,565)
– Direct investments	**–**	–	**(4,870)**	(14,013)
	1,553,063	1,318,168	**324,541**	134,614
Discontinued operations:				
– Manufacturing and trading of steel pipes	**–**	34,504	**–**	12,968
	1,553,063	1,352,672	**324,541**	147,582
Unallocated corporate expenses, net			**(57,875)**	(26,851)
Interest income			**29,710**	37,955
			296,376	158,686
Finance costs			**(31,867)**	(24,764)
Share of results of associates			**53,336**	14,048
Share of results of jointly controlled entities			**(145,350)**	23,604
Excess of interest in fair value of identifiable net assets of an associate acquired			**–**	1,491
Gain on disposal of interest in a jointly controlled entity			**–**	5,437
Profit before income tax			**172,495**	178,502
Income tax expense			**(86,100)**	(7,561)
Profit for the year			**86,395**	170,941

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

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

	Continuing operations		Discontinued operations		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**22,164**	17,917	**–**	–	**22,164**	17,917
Other regions of the People's Republic of China ("PRC")	**759,833**	514,054	**–**	34,504	**759,833**	548,558
North America	**538,153**	573,665	**–**	–	**538,153**	573,665
Europe	**79,403**	84,275	**–**	–	**79,403**	84,275
Asia, other than the PRC	**46,342**	48,272	**–**	–	**46,342**	48,272
Others	**107,168**	79,985	**–**	–	**107,168**	79,985
	1,553,063	1,318,168	**–**	34,504	**1,553,063**	1,352,672

4. Operating Profit

	2006	2005
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Depreciation of property, plant and equipment	**14,190**	15,633
Amortisation	**4,417**	4,368

5. Income Tax Expense

	2006	2005
	HK$'000	*HK$'000*
Continuing operations:		
Current tax:		
Hong Kong	**9,682**	7,655
Other regions in the PRC	**29,862**	10,847
	39,544	18,502
Under/(Over) provision in prior years:		
Hong Kong	**30,164**	(680)
Deferred tax	**16,392**	(10,261)
Income tax expense attributable to continuing operations	**86,100**	7,561

There was no income tax expense attributable to discontinued operations for the year ended 31st December, 2006 and 2005.

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year. Income tax arising from other regions in the PRC is calculated at 15%-33% (2005: 15%-33%) of the estimated assessable profit.

6. Dividends

	2006	2005
	HK$'000	*HK$'000*
Ordinary shares:		
Interim, paid – 4.00 cents (2005: 4.00 cents) per share	**20,019**	20,019
Final, proposed – 8.00 cents (2005: 8.00 cents) per share	**42,039**	40,039
	62,058	60,058

7. Earnings 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$138,833,000 (2005: HK$157,171,000) and the weighted average number of ordinary shares of 501,169,000 (2005: 475,335,000) on issue during the year.

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

	2006	2005
	HK$'000	*HK$'000*
Profit for the year from continuing operations	**86,395**	157,935
Results attributable to minority interests	**52,438**	(13,755)
	138,833	144,180

The denominators used are the same as those detailed above for basic earnings 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, 2006 and 2005 were anti-dilutive to the Group's earnings per share.

8. Trade and Other Receivables/Trade and Other Payables

The aged analysis of trade receivables and trade payables as at balance sheet date are as follows:

	Trade Receivables		Trade Payables	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current	**93,037**	90,673	**52,887**	65,561
31-60 days	**53,355**	34,613	**352,060**	14,196
61-90 days	**8,879**	9,066	**21,722**	6,273
91-180 days	**4,051**	6,887	**5,431**	2,005
181-360 days	**978**	2,276	**9,731**	83,689
Over 360 days	**605**	1,153	**130,756**	104,254
	160,905	144,668	**572,587**	275,978

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 8 cents per share (2005: 8 cents per share) in respect of the year 2006 to shareholders whose names appear on the Register of Members of the Company on 29th May, 2007. Warrants for the final dividend will be posted on 5th June, 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 23rd May, 2007 to Tuesday, 29th May, 2007, both days inclusive, during which period no transfer of the Company's shares will be effected. In order to qualify for the final dividend and to determine the identity of the shareholders who are entitled to attend and vote at the forthcoming Annual General Meeting, 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 4:00p.m on Tuesday, 22nd May, 2007.

BUSINESS REVIEW

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

Due to severe material price inflation during the year, the Group's ceiling fans business margin dropped compared against the year before. The North America and Europe markets margins were the most affected; the Middle East, Africa and Asia markets maintained profitability. With material prices moderating and selling prices improving this year business shall be stable.

Table fans business results last year were desirable despite continual material price escalations; profits were higher than the prior year. With the 20-year term agreement with the production partner expiring, this business will be downsized next year.

Although material price increases affected profits, the vacuum cleaner contract manufacturing business achieved steady growth during the year. Production of a new product, the rechargeable work light project is expected to start in the second quarter of 2007, and a compact model of the product will be launched in the forth quarter of 2007.

Optics and Imaging

During the year the EMS business recorded increases in laser scanner and fuser shipments by 30% and 300% respectively, the growth was attributable to high volumes of low end models production. This trend is expected to continue. Profit margin is expected to decrease due to a higher proportion of low end models contributions in the coming year. However, overall profit will still enjoy handsome growth.

Electric Wire and Cable

The Group's 98% owned Guangdong Macro Cable Company reported profit growth for the year. Higher selling prices realized for the company's inventory stock also resulted in higher gross margin for the year. As major materials' prices have receded from high levels since 2006, business is expected to stabilize in 2007.

Taxi Operation

The Guangzhou SMC Taxi company had another stable year of operation in 2006 and maintained the number of taxi licenses at 775. The Group is in the process of reorganizing the taxi joint venture company structure to facilitate future expansion. The Group is also acquiring the remaining 5% interest from its joint venture partner and the transaction is anticipated to be completed by mid of 2007.

Real Estate Investment & Development

In 2006, the Group's Citic Plaza properties portfolio recorded stable average rental price increases for its office properties. Citic Plaza's retail properties were fully leased and generated double digit income growth. The Group also took advantage of strong market demands for high end office properties and captured profits through the sales of certain office unit holdings.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution. The Group has commenced study for an expansion development phase for this property to increase its income potential. It is expected that the total GFA of this property can be increased by a maximum of 47,000 m^2.

The US property rental market in 2006 was better than expected and the Group's office property complex in Livermore, California was 95% leased. If the conditions are favorable, the Group may consider realizing this investment in 2007.

The Group invested in a 20% interest in a Guangzhou property development project in January 2005. The project includes office and retail facilities with a five-star international hotel comprising total GFA of about 127,000 m^2; construction is near completion. The Group entered into a conditional sales and purchase agreement on 2nd March 2007 for the disposal of this 20% equity interest and the related shareholders' loan. The total consideration is about HK$177,000,000. The sale is expected to be completed on or before 10th May 2007 and a gain on disposal of about HK$55,644,000 will result.

In December 2006, the Group increased its interest in China Ever Bright Real Estate Development Limited ("EBRE") from 56% to 70%. The Group continues to develop the company according to the original plans, EBRE's major projects are as follows:

EBRE owns 100% interest in a Beijing commercial property development project comprising three office towers with total GFA of about 148,000 m^2 (saleable GFA of about 110,000 m^2). Installation of equipment has been completed at the end of 2006 and delivery for usage is expected in the second quarter of 2007. Two of the three towers were sold under pre-sale agreements, the relevant sales are expected to be recognized in the first half of 2007. The remaining tower will be held for lease.

EBRE holds 50% interest and the Group holds another 8% interest in the Guangzhou Guangda Huayuan multi-phase residential and retail development project located in Haizhu district in Guangzhou. Phase E of the development project comprises total GFA of 250,000 m^2. Over half of the construction of the apartment units in phase E composing saleable GFA of 194,000 m^2 was completed, pre-sale percentage had also reached about 60%. The pre-sold units will be delivered in August 2007. Under favorable prevailing market conditions, design features are being upgraded and the average selling prices have also been increasing accordingly. The company is evaluating various design plans for the next phase F2 development which comprises a site area of 129,000 m^2 with total GFA of about 360,000 m^2, of which the saleable GFA of the residential and retail properties will be about 290,000 m^2. The final plan will strive to achieve the best possible profitability results while also meeting the new government policies and market demand expectations.

EBRE owns 100% interest in a multi-purpose development project in Hefei which comprises total GFA of about 110,000 m^2 (saleable GFA of about 95,000 m^2). The properties were nearly half sold and revenue were recognized in 2006. The remaining properties will be sold subsequently. The remaining land of the project is under construction for a retail commercial and hotel property.

EBRE owns 65% interest in a R & D office development project in the ZhangJiang High-tech Zone in Pudong, Shanghai. The project comprises total GFA of about 17,000 m^2 (saleable GFA of about 14,000 m^2), installation of equipment was completed at the end of 2006. Delivery for possession is expected to be in the second quarter of 2007. The project is planned to be held for lease.

EBRE owns 100% interest in another development project located in Haizhu district in Guangzhou. The land parcel under the project covers an area of about 43,000 m^2 and is connected to an inter-change station of the Guangzhou – Foshan light rail line and a Guangzhou subway line. The development prospect is quite attractive. The total GFA of the project is about 234,000 m^2 and a large scale retail complex combined with residential development with estimated saleable GFA of about 150,000 m^2 is under plan.

The Guilin project which EBRE owns 49.7% interest has obtained land use rights for 343,000 m^2 of land in Guilin. The company plans to develop a high class hotel resort and residential community for the project.

EBRE owns 80% of a land development project company in Hohhot, Inner Mongolia. The project company is obtaining government permission to commence work for the primary development of about 975 mu (about 650,000 m^2) of rural land. Income will be generated through auctioning of the resulting saleable land parcels after the infrastructure for the land is completed by the company. Development franchise and permission for the remaining 8,625 mu (about 5,750,000 m^2) of land for primary development is anticipated to be obtained gradually over multiple years and stable income will be generated from the development.

EBRE holds 50% interest in an exhibition centre development project company in Guangzhou and disputes have arisen between EBRE and the other 50% shareholder over issues concerning the operations and financing management for the company. EBRE has concerns over the other shareholder's improper management behavior. EBRE is engaging in both negotiation and legal proceedings to settle the disputes in order to protect the Group's interest.

Technology Investment Projects

Internet Automatic Migration Software for Enterprises

Notwithstanding increase in revenue generation, Appeon continued to make considerable losses during the year. The company's performance has lagged behind budget substantially and its financial targets have repeatedly lapsed. In an effort to end such prolonged losses, the Group took actions to restructure Appeon's operations in early 2007 to result in a leaner organization in the future. The Group has made a provision of HK$393,000 as re-structuring costs for Appeon.

Super Blade Computing System

Galactic Computing continued to win government and institutional tenders in the mainland and Hong Kong, including contracts for the installation of Galactic's supercomputing blade system, mid-range computing servers, data storage systems, system management software and associated professional services. The company achieved revenue growth in 2006. To meet rapidly growing data storage market demand, the company has focused on data storage systems and associated software development. The storage products are expected to increase the company revenue and profit margin.

System Integration and Software Development

The Group owns 26.66% of MDCL-Frontline (China) Limited. The company's low end hardware trading business was stable and its enterprise services business recorded desirable growth. As profits from the latter business is relatively higher, the company maintained profitability in 2006 and its turnover has grown slightly as per the unaudited accounts of the company.

Electronic Integrated Rectifier Chips

APD entered into an agreement with an independent buyer in October 2006 and has sold substantially all its assets including its intellectual property, outstanding orders and customer accounts portfolio. It is a cash installment sale composed of initial payments and deferred payments based on revenue earn-outs for the 2007 and 2008 calendar years. Following the assets sale, APD will liquidate its remaining assets and distribute periodic payments to its shareholders as the assets sale installment payments are received. Since completion of the assets sale, SMC has received US$5,254,000.

Financial Investment

During the year, the world's major stock markets had a weighted average rise of about 19%. For the year ended 31st December 2006, the Group's financial investment activities recorded profit of approximately HK$59,101,000 and the market value of the Group's financial investment holdings amounted to HK$187,948,000.

FINANCIAL REVIEW

Revenue and Operating Results

For the period ended 31st December, 2006 the Group recorded a revenue from continuing operations of HK$1,553,063,000 representing an increase of HK$234,895,000 or 17.8% over HK$1,318,168,000 in the same period last year. The increase in the revenue mainly came from the business of property development in the PRC and increase in sales of EMS business.

Profit attributable to equity holders for the period ended 31st December, 2006 went down to HK$138,833,000 from HK$157,171,000 for the same period in 2005 as a result of (i) the effect of provision for loss resulting from loan and guarantee granted to certain related parties by a jointly controlled entity together with (ii) higher production costs of ceiling fans following the upsurge of costs of raw materials, partly offset by (iii) profits from investment in securities.

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. Other than the upsurge in receiving orders in the EMS business for the second half of 2006 partly offset by the pull-out of a major customer for the Table Fan division as from 1st July, 2006, 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$140,000,000 advanced to an independent third party in 2004 was fully repaid in August 2006.

During the period under review, the Group obtained two bank loans totalling to Rmb160,000,000 to finance its property development project in the PRC.

Most of the 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$14,078,000 and RMB405,000,000 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, 2005.

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 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, 2006, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash to shareholders' funds, of 18.4% (31st December, 2005: 12.67%). During the period under review, the Group obtained two bank loans totalling to Rmb160,000,000 to finance a property development project in the P.R.C.. As a result, both the total bank borrowings net of cash and the Group's gearing ratio went up considerably.

Significant Acquisitions and Disposals

In August 2006, the Group entered into an acquisition agreement with an independent third party to purchase 51% equity interest in Beijing Jin Hua Xing Properties Company Limited ("Jin Hua Xing") with cash consideration of around RMB125 million. The 70% owned subsidiary of Jin Hua Xing is the holder of the right to develop a piece of land located in Beijing into a residential and commercial building/complex.

On 22nd December, 2006, the Group acquired 20% equity interest of Jodrell Investments Limited ("Jodrell"), a non-wholly owned subsidiary of the Group, at an aggregate consideration of approximately HK$134,126,000.

On 2nd March, 2007, the Group entered into a sales and purchases agreement in relation to a proposed disposal of its 20% interest in a property project in Guangzhou, the PRC, comprising a five-star "Westin" hotel in one tower, an office tower and a shopping mall covering a total gross floor area of about 127,000 sq.m. The consideration is approximately HK$177,300,000. Details of this disposal are set out in the Circular to shareholders dated 28th March, 2007.

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 Contingent Liabilities

There was no significant change in capital commitments and contingent liabilities compared to the position as at 31st December, 2005.

Capital Expenditure and Charges on Assets

The Group had a total capital expenditure amounting to HK$27,818,000 during the period under review.

Based on certain real estate in Mainland China, the Group secured two mortgage loans totalling RMB160,000,000 from a PRC bank during the period under review.

Other than the above, there was no significant change in charges on assets of the Group as at 31st December, 2006 compared to the position as at 31st December, 2005.

Employees

As at 31st December, 2006, the Group has approximately 2,200 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 3,800 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 of Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the accounting period for the year ended 31st December, 2006, 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 Group Chairman and Chief Executive of the Company. The Board considers that the present structure is more suitable to the Company because it can better promote the efficient formulation and implementation of the Company's strategies.

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

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 3rd August, 2006, an indirectly owned subsidiary of the Company entered into certain agreements with certain independent third parties to purchase in aggregate 51% equity interest in Jin Hua Xing for a total consideration of RMB125,000,000 and to provide a financial assistance for RMB10,000,000 to a 70% owned subsidiary of Jin Xua Xing for its general working capital (the "Acquisition"). The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. Due to delays in the communication between the Group's staff in the P.R.C. and in Hong Kong, the Company is unable, within a reasonable time, to gather and to ascertain certain required information before it can publish a separate announcement. The Company's board of directors, however, has ratified on 21st September, 2006 and has announced on 9th November, 2006 the transactions contemplated under the Acquisition.

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, 2006.

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

The 2006 final report containing all the information in respect of the Group required by the Listing Rules will be dispatched 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, 26th April, 2007

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