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)

2007 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, 2007 amounted to HK$434,359,000. Basic earnings per share were HK$0.8266.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000 (Restated)
Revenue	(4)	**3,552,030**	1,553,063
Cost of sales		**(2,827,559)**	(1,217,911)
Gross profit		**724,471**	335,152
Other income		**68,781**	68,433
Distribution and selling expenses		**(65,048)**	(38,918)
Administrative expenses		**(227,391)**	(188,415)
Other operating expenses		**(70,684)**	(42,867)
Other gains/(losses)			
Fair value gain on investment properties		**92,794**	126,659
Fair value loss on share-based payment		**–**	(1,000)
Fair value gain on investments held for trading		**20,779**	54,034
Fair value (loss)/gain on derivative financial instruments		**(8,030)**	1,292
Impairment losses on goodwill		**–**	(1,473)
Impairment losses on other assets		**(5,494)**	(6,949)
Reversal of impairment of financial assets		**21,008**	–
Gain arising on acquisition of minority interests		**106,987**	–
Reversal of unutilised provision		**23,478**	–
Others		**1,516**	(256)
Operating profit	(5)	**683,167**	305,692

CONSOLIDATED INCOME STATEMENT *(Continued)*

	NOTES	2007 HK$'000	2006 HK$'000 (Restated)
Finance costs		**(69,284)**	(31,867)
Share of results of associates		**80,512**	53,336
Share of results of jointly controlled entities		**1,635**	(145,350)
Gain on disposal of an associate		**45,302**	–
Profit before income tax		**741,332**	181,811
Income tax expense	*(6)*	**(198,787)**	(95,416)
Profit for the year		**542,545**	86,395
Attributable to:			
Equity holders of the Company		**434,359**	138,833
Minority interests		**108,186**	(52,438)
		542,545	86,395
Dividends	*(7)*	**105,097**	62,058
		HK Cents	*HK Cents*
Earnings per share	*(8)*		
– Basic		**82.66**	27.70
– Diluted		**82.55**	27.70

CONSOLIDATED BALANCE SHEET
As at 31st December, 2007

	NOTES	**2007** **HK$'000**	2006 HK$'000 (Restated)
Non-current assets			
Investment properties		**791,956**	708,118
Property, plant and equipment		**180,936**	139,024
Prepaid lease rental on land		**20,592**	16,621
Goodwill		**106,173**	66,643
Other intangible assets		**230,813**	219,100
Interests in associates		**366,962**	289,383
Interests in jointly controlled entities		**232,591**	377,189
Available-for-sale financial assets		**7,990**	2,920
Loans receivable		**152,668**	166,805
Other receivable		–	502
Deposit paid for acquisition of other investment		**77,496**	10,139
		2,168,177	1,996,444
Current assets			
Inventories of properties		**4,946,397**	1,946,909
Other inventories		**113,789**	99,266
Trade and other receivables	*(9)*	**1,058,792**	468,483
Prepaid lease rental on land		**489**	390
Loans receivable		**3,853**	17,787
Amounts due from associates		**6,535**	1,075
Amounts due from jointly controlled entities		**177,140**	240,349
Amounts due from investees		**6,717**	12,013
Amount due from a related party		**1,367**	44,203
Amounts due from minority shareholders		**44,448**	–
Investments held for trading		**48,381**	187,952
Derivative financial instruments		–	1,292
Pledged deposits		**876,858**	–
Restricted cash and deposit		**116,288**	–
Cash and cash equivalents		**704,716**	488,753
		8,105,770	3,508,472
Assets classified as held for sale		**434,442**	156,504
		8,540,212	3,664,976

CONSOLIDATED BALANCE SHEET *(Continued)*

	NOTES	2007 HK$'000	2006 HK$'000 (Restated)
Current liabilities			
Trade and other payables	(9)	**2,165,436**	906,353
Sales deposits received		**776,671**	433,230
Amount due to an associate		–	101
Amounts due to jointly controlled entities		**2,044**	302,576
Amounts due to minority shareholders		**164,000**	50,760
Amounts due to related parties		**474,439**	–
Consideration payable on acquisition of subsidiaries		**290,473**	–
Consideration payable on acquisition of a jointly controlled entity		–	4,977
Provisions		**64,733**	23,478
Taxation liabilities		**215,696**	95,199
Derivative financial instruments		**6,738**	–
Bank borrowings		**1,885,688**	832,434
		6,045,918	2,649,108
Net current assets		**2,494,294**	1,015,868
Total assets less current liabilities		**4,662,471**	3,012,312
Capital and reserves			
Share capital		**262,742**	262,742
Share premium and reserves		**2,745,913**	2,180,789
Equity attributable to equity holders of the Company		**3,008,655**	2,443,531
Minority interests		**460,234**	270,762
Total equity		**3,468,889**	2,714,293
Non-current liabilities			
Bank borrowings		**673,652**	106,576
Loan from a minority shareholder		**3,005**	2,639
Deferred tax liabilities		**516,925**	188,804
		1,193,582	298,019
		4,662,471	3,012,312

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Presentation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the Hong Kong Companies Ordinance and the applicable disclosure required by 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 basis except for certain properties, financial assets and financial liabilities, 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 consolidated financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2006 unless otherwise stated.

3. Changes in Accounting Policies

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

The Group has adopted all the new and revised HKFRSs which are first effective during the current financial year and are relevant to the Group. The adoption of these 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. Accordingly, no prior year adjustment has been required.

The Group has applied the disclosure requirements under the amendment to HKAS 1 "Presentation of Financial Statements – Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures". Certain information presented in prior year under the requirements of HKAS 32 "Financial Instruments: Disclosure and presentation" has been removed and the relevant comparative information based on the requirements of this amendment to HKAS 1 and HKFRS 7 has been presented for the first time in the current year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. Changes in Accounting Policies *(Continued)*

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

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective in the current financial year:

HKAS 1 (Revised)	Presentation of Financial Statements[4]
HKAS 23 (Revised)	Borrowing Costs[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations[4]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[4]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

1 Effective for annual periods beginning on or after 1st March, 2007
2 Effective for annual periods beginning on or after 1st January, 2008
3 Effective for annual periods beginning on or after 1st July, 2008
4 Effective for annual periods beginning on or after 1st January, 2009
5 Effective for annual periods beginning on or after 1st July, 2009

HKAS 1 (Revised) will not have impact on the results and financial position of the Group, but will give rise to additional disclosures.

The revised HKFRS 3 introduced a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and the future reported results. The revised HKAS 27 requires that a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Furthermore, it changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The revised HKFRS 3 and HKAS 27 shall be applied prospectively and will affect future acquisition and transactions with minority interests.

The Group is in the process of assessing the impact of the other new or revised HKFRSs but is not yet in a position to state whether they would have material impact on the Group's financial statements.

3.3 *Other changes during the year*

Presentation of PRC land appreciation tax

In light of the conclusion of the Financial Reporting Standards Committee ("FRSC") of HKICPA on the scope of HKAS 12 "Income Taxes" and the nature of PRC land appreciation tax, the directors decided that it is more appropriate to account for and present PRC land appreciation tax as income tax. As a result of this change, PRC land appreciation tax in prior year amounting to HK$9,316,000 has been reclassified from cost of sales to income tax in the consolidated income statement of the current year. Certain other comparative figures have been reclassified to conform with the current year's presentation. The above changes have no net impact on result for the year ended 31st December 2006.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4. Revenue and Segment Information

The Group's revenue and segment results analysed by business are as follows:

	Revenue		Segment results	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000* *(Restated)*
Manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and EMS business	**1,272,443**	1,190,840	**71,642**	56,524
Manufacturing and trading of electric cables	**31,145**	36,520	**5,510**	8,079
Property leasing	**78,992**	72,910	**135,605**	191,169
Property investment and development	**2,120,976**	217,845	**460,171**	52,002
Taxi rental operation	**23,395**	16,791	**18,681**	14,936
Trading of securities	**–**	–	**13,493**	59,101
Development and trading of computer hardware and software	**17,607**	18,157	**(22,816)**	(43,084)
Direct investments	**–**	–	**14,407**	(4,870)
Others	**7,472**	–	**6,678**	–
	3,552,030	1,553,063	**703,371**	333,857
Corporate and other unallocated income and expenses			**(20,204)**	(28,165)
			683,167	305,692
Finance costs			**(69,284)**	(31,867)
Share of results of associates			**80,512**	53,336
Share of results of jointly controlled entities			**1,635**	(145,350)
Gain on disposal of an associate			**45,302**	–
Profit before income tax			**741,332**	181,811
Income tax expense			**(198,787)**	(95,416)
Profit for the year			**542,545**	86,395

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4. Revenue and Segment Information *(Continued)*

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**25,667**	22,164
Other regions of the People's Republic of China (the "PRC")	**2,905,023**	759,833
Asia, other than the PRC	**49,188**	46,342
North America	**342,196**	538,153
Europe (mainly in the United Kingdom)	**105,448**	79,403
Others	**124,508**	107,168
	3,552,030	1,553,063

5. Operating Profit

	2007	2006
	HK$'000	*HK$'000*
Operating profit is arrived at after charging:		
Depreciation of property, plant and equipment	**18,872**	14,190
Amortisation	**4,973**	4,417

6. Income Tax Expense

	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Income tax expenses comprise:		
Current tax for the year		
Hong Kong profits tax	**5,017**	9,682
Other regions of the PRC		
– Enterprise income tax	**165,837**	29,862
– Land appreciation tax	**125,082**	9,316
	295,936	48,860
Under/(Over) provision in prior years		
Hong Kong	**5,305**	30,164
Other regions of the PRC	**(3,947)**	–
	1,358	30,164
Deferred tax	**(98,507)**	16,392
	198,787	95,416

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

6. Income Tax Expense *(Continued)*

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Enterprise Income Tax (the "EIT") arising from other regions of the PRC is calculated at 15%–33% (2006: 15%–33%) of the estimated assessable profits.

PRC land appreciation tax is levied at progressive rates ranging from 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.

7. Dividends

	2007	2006
	HK$'000	*HK$'000*
Interim dividend declared and paid during the year of HK$0.08 (2006: HK$0.04) per ordinary share	**42,039**	20,019
Final dividend proposed after the balance sheet date of HK$0.12 (2006: HK$0.08) per ordinary share	**63,058**	42,039
	105,097	62,058

The final dividend of HK$0.12 (2006: HK$0.08) per ordinary share has been proposed by the Directors and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting.

8. Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the year attributable to the equity holders of the Company of HK$434,359,000 (2006: HK$138,833,000) and the weighted average number of ordinary shares in issue during the year of 525,485,000 (2006: 501,169,000).

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

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Earnings used in calculating basic earnings per share	**434,359**	138,833
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share *(note)*	**(568)**	–
Earnings for the purpose of calculating diluted earnings per share	**433,791**	138,833

Note: 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 year of 525,485,000 (2006: 501,169,000).

9. Trade and Other Receivables/Trade and Other Payables

Based on invoice date, the aged analysis of trade receivables net of allowance for doubtful debts and trade payables as at balance sheet date are as follows:

	Trade Receivables		Trade Payables	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 – 30 days	**86,339**	93,037	**381,047**	52,887
31 – 60 days	**71,379**	53,355	**43,480**	352,060
61 – 90 days	**13,722**	8,879	**18,597**	21,722
91 – 180 days	**21,592**	4,051	**453,855**	5,431
181 – 360 days	**2,292**	978	**1,655**	9,731
Over 360 days	**3,516**	605	**392,028**	130,756
	198,840	160,905	**1,290,662**	572,587

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.

FINAL DIVIDEND

The board of directors recommends a final dividend of HK$0.12 per share for the year ended 31st December, 2007. This proposed final dividend, subject to approval by the Shareholders of the Company at the annual general meeting to be held on Tuesday, 20th May, 2008, will be payable on Tuesday, 27th May, 2008 to the Shareholders on the Register of Members of the Company on Tuesday, 20th May, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 16th May, 2008 to Tuesday, 20th May, 2008, 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 and to determine the identity of the Shareholders who are entitled to attend and vote at the annual general meeting, 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 4:00 p.m. on Thursday, 15th May, 2008.

BUSINESS REVIEW

Ceiling Fans, Table Fans

Overall performance of the Group's ceiling fans business has recovered in 2007 given the more stable material cost conditions as compared to 2006. Under fierce market competition, the Group was unable to maintain its sales and profit margin in the North American markets, especially in the US market. Sales to the European markets were stable while businesses in the Australian, Middle Eastern, African and South American markets increased. External factors including the continual appreciation of the Renminbi, reduction in export tax rebates and a slowing US economy etc. will affect business performance in 2008. The Group will continue to develop new opportunities, explore new emerging markets and take cost control measures to improve profitability.

Due to the expiration of a long term agency agreement, the table fan business was closed down completely at the end of 2007.

Optics and Imaging

The Group's laser scanner and fuser EMS business recorded an approximately 56% increase in revenue in 2007. It is expected that this line of business will continue to enjoy moderate growth rate with the addition of new models. The new paper handling options project has successfully completed its test run and mass production is expected to commence in the third quarter of 2008. Following the implementation of "Cell Manufacturing" technology in 2007, the division will implement "Lean Manufacturing" system in 2008 to enhance its overall operating efficiency and reinforce cost reduction.

Electric and Electronics Contract Manufacturing

The contract manufacturing business for vacuum cleaner recorded a small increase in revenue in 2007. As technical problems delayed the launching of the new rechargeable work lights product and sales in other products decreased, the overall electric and electronics contract manufacturing business recorded only 18% increase in revenue in 2007. With initiations of new projects and the implementation of "Cell Manufacturing" technology to improve production efficiency, it is anticipated that business will grow steadily in 2008.

Electric Wire and Cable

The electric wire and cable company reported a decrease in profit in 2007. The company's sales were affected by rising copper prices during the year, resulting in a drop in its revenue. The company will continue to control costs to maintain competitiveness and business is anticipated to be stable in 2008.

BUSINESS REVIEW (Continued)

Taxi Operation

Under the new guidance from the Guangzhou transportation authority, the company has started adopting the new rental operating model gradually. Under this new operating model, the company will need to increase its vehicle purchases expenditures and per vehicle rental income and operating profit will also increase. The Guangzhou economy is expected to remain robust and the company foresees the taxi business will generate stable income in 2008. The company plans to increase capital expenditure to purchase new vehicles, acquire new licenses and build its own parking and maintenance facilities to support its expansion. The company will focus more on its training for drivers to improve their service quality level and strengthen its presence in the taxi business arena.

Real Estate Investment & Development

Rental income from the retail properties of CITIC Plaza in Guangzhou was steady and an 8% increase was recorded. The retail properties are fully leased and there is also a healthy waiting list of potential tenants. The Group expects the 2008 retail properties rental income to grow at a similar rate as in 2007. The office rental income in 2007 was stable with a few office units being sold for profit. The Group expects the 2008 office properties rental income to increase with rising rental rates.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution to the Group. Discussions are continuing with the current tenant for a prospective plan for an expansion phase development; progress has been slower than anticipated pending the tenant's completion of its expansion requirement assessment.

For the office complex in Livermore, California, rental income increased by 22% in 2007 in comparison to 2006 and the occupancy rate was stable at around 90%. With the sub-prime crisis affecting the US property market, the original plan to dispose of this property has been delayed until the US property market recovers.

An agreement for the sale of the Group's 20% interest in a Guangzhou five-star hotel development project, including office and retail facilities with total GFA of about 127,000 sq. m. was signed on 2nd March, 2007. The transaction was completed in May 2007 and total cash proceeds of HK$177,300,000 had been received.

The Group acquired China Ever Bright Real Estate Development Limited ("EBRE") in 2005 and now owns 70% interest. In 2007, EBRE recorded revenue from primarily three development projects and generated profits contribution to the Group. We expect the saleable area to increase in both 2008 and 2009 as various on-going property and land development projects are underway. A review of EBRE's major projects is as follows:

BUSINESS REVIEW (Continued)

Real Estate Investment & Development (Continued)

The Ever Bright World Center in Beijing comprises three commercial towers. Tower 2 and Tower 3 were pre-sold in 2006 and the sale was completed with revenue recorded in 2007. Tower 1 is a commercial office building with approximately 48,000 sq. m. of saleable/ leaseable area (and additional 400 underground parking spaces); EBRE's headquarters occupies the top floor. EBRE owns 100% of the project.

A portion of the saleable units of Guangzhou Ever Bright Garden Phase E were delivered with revenue being booked in 2007. The remaining pre-sold units are expected to be delivered in 2008. The original Phase F2 of the development with total GFA of about 390,000 sq. m. (saleable/leaseable GFA* of about 350,000 sq. m.) will be split into two phases, J and K. Construction is underway in 2008. In 2007, EBRE purchased all the remaining interest to own 100% of the Guangzhou Ever Bright Garden project company.

EBRE owned 100% interest in the Ever Bright International Plaza project in Heifei; the project comprised total GFA of about 100,000 sq. m. (saleable/leaseable GFA* of about 94,000 sq. m.) and construction was completed. A portion of the saleable units were sold with revenue booked in 2007. The remaining saleable units of the project comprising area in the mixed use commercial-residential building and another commercial building were sold through the disposal of the project company in January 2008 at a consideration of RMB121,000,000.

The R&D office building in the Zhang Jiang High-tech Zone in Pudong, Shanghai was completed in 2007. The project comprises total GFA of about 17,000 sq. m. (saleable/ leaseable GFA* of about 14,000 sq. m.) and about 80% of the space has been leased. EBRE owns 65% interest in this project.

During the year, EBRE acquired the remaining interest of the commercial and residential development project located in Haidian district in Beijing with total GFA of about 120,000 sq. m. (saleable/leaseable GFA* of about 110,000 sq. m.). EBRE now owns 100% of the project. Pre-sale for the project has started.

The residential and retail shopping mall development project located in Haizhu district in Guangzhou has total GFA of approximately 210,000 sq. m. (saleable/leaseable GFA of about 150,000 sq. m. and 700 parking spaces). The mall comprising about 80,000 sq. m. is planned to be kept for long term investment. The land parcel is directly connected to an inter-change station of the Guangzhou – Foshan light rail line and the Guangzhou extended No. 2 subway line. This will provide the development with superior shopper traffic advantage. Construction is expected to commence in 2008 with completion targeted in 2010. EBRE owns 100% interest in this project.

As a result of EBRE's acquisition of the remaining interest of the Guangzhou Ever Bright Garden project company, EBRE's interest in the Guilin project has increased from 54.04% to 65.8%. The project is located next to the Guilin city ring road and along the highway connecting Guilin and Yangshuo. Greenery and leisure facilities are being planned to prepare the site for a resort and residential property development.

BUSINESS REVIEW (Continued)

Real Estate Investment & Development (Continued)

The primary land development project in Hohhot, Inner Mongolia obtained government permission to commence work on about 900 mu of land in 2006. Among that, about 170,000 sq. m. of usable land for secondary development has been successfully bid by EBRE in auctions in 2007. The remaining usable land area is planned to be put through to the auction process in 2008. The company has further obtained government permission to commence work on about 1,300 mu of land in 2007. EBRE owns 80% interest of the primary land development project company.

The property development project companies in Hohhot, Inner Mongolia have successfully bid for two parcels of land totaling 170,000 sq. m. of usable land which can be developed into 380,000 sq. m. of residential GFA. EBRE will continue to strategically participate in future land auctions in Hohhot. EBRE owns 100% interest of these secondary property development project companies.

EBRE completed the sale of its 50% interest in the Pazhou exhibition centre development project company in Guangzhou in January 2008. The full consideration of RMB545,000,000 was received.

During the year, EBRE also acquired other new projects to add to its portfolio, the completed acquired interests include: 70% interest in a project located in the northern suburb of Beijing, it is a low density residential development and comprises saleable/leaseable GFA* of about 196,000 sq. m., the project construction is anticipated to start in 2008; 67% interest in a primary land development project in the southern suburb of Beijing consisting of 374,000 sq. m.; 70% interest in a project located in Qingdao in Laoshan District, the project is a residential development with land area of about 67,000 sq. m. and about 137,000 sq. m. of saleable/leaseable GFA*; 90% interest of a residential project in Guangzhou with superior view beside the Pearl River, the project has total saleable/leaseable GFA* of about 65,000 sq. m. and is anticipated to start construction in 2009.

* *Saleable/leaseable area includes carpark area.*

BUSINESS REVIEW (Continued)

Technology Investment Projects

Internet Automatic Web Migration Software for Enterprises

The re-structuring of Appeon's operations earlier in the year has given rise to a new streamlined organisation. A stable recurring revenue stream and an efficient cost structure which have contributed to profitable results. Sales of its flagship automatic Web migration product, Appeon® for PowerBuilder®, have increased several folds in 2007, marking the much anticipated maturity of the product. The company also offers IT outsourcing service, currently with a focus on serving customers using Appeon® or Sybase® products. The company plans to continue increasing its sales worldwide through a channel partnering strategy, thereby keeping costs and risks low.

Computing and Data Storage System

During 2007, Galactic was still facing rigorous competitions in China's IT market. The product development delay of the data storage system has affected its launching schedule. Although the company achieved revenue growth compared to the prior year, it still did not achieve break even. To enhance competitiveness and profit margin, the company shall focus on the development of a new version of proprietary data storage system with more features and target to break even by the end of 2008.

Financial Investment

For the year ended 31st December, 2007, the Group's financial investment activities recorded profit of approximately HK$13,493,000 and the market value of the Group's financial investment holdings amounted to about HK$48,381,000. The activity of this division had been scaled down in the third quarter of 2007 in anticipating of market correction and there is no planning for expansion in 2008.

FINANCIAL REVIEW

Revenue and Operating Results

Revenue for the Group during the year ended 31st December, 2007 reached HK$3,552,030,000 representing an increase of HK$1,998,967,000 or 128.71% compared to HK$1,553,063,000 for the corresponding period last year. Completion of the sales of Tower II and Tower III of the Ever Bright World Center located in Beijing and certain units of Guangzhou Ever Bright Gardens Phase E that took place during the year under review accounted for most of the sharp increase in the Group's revenue.

FINANCIAL REVIEW (Continued)

Revenue and Operating Results (Continued)

Profit attributable to equity holders for the year ended 31st December, 2007 surged to HK$434,359,000 from HK$138,833,000 representing an increase of HK$295,526,000 or 212.86% over the corresponding period in 2006. The increase was mainly attributable to (i) gain of approximately HK$107 million arising from acquisition of the minority interests of Guangzhou Ever Bright Gardens Real Estate Development Limited; (ii) a fair value gain totalling approximately HK$93 million on certain investment properties within the Group; (iii) a gain on disposal of an associated company of approximately HK$46 million; (iv) a reversal of provision previously made on a cross guarantee amounting to HK$23 million; and (v) a recoupment of a direct investment previously written down amounting to HK$21 million.

Financial Resources and Liquidity

The Group's financial position remained strong with its financial resources and liquidity position consistently maintained in a healthy state throughout the period under review. Other than the upsurge in receiving orders in the EMS business for 2007 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.

During the period under review, certain bank loans were put in place totalling RMB1,767,000,000 to finance the Group's property development projects in the PRC.

On 26th April, 2007, the Group entered into a subscription agreement with certain independent third parties to subscribe for certain convertible and non-convertible notes in an aggregate principal amount of S$17 million (approximately HK$87.6 million). Details of this transaction are set out in the Circular to shareholders dated 25th January, 2007.

Most of the banking facilities of the Group were subject to floating interest rates. Other than the U.S. and the P.R.C. term loans of approximately US$13,670,000 and RMB534,000,000 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, 2006.

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.

FINANCIAL REVIEW (Continued)

Gearing Ratio

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2007, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and pledge deposit to equity attributable to equity holders of the Company of 32.5% (31st December, 2006: 18.4%).

Significant Acquisitions and Disposals

On 2nd March, 2007 the Group entered into a sales and purchases agreement in relation to a 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.

On 24th April, 2007, the Group entered into a sales and purchases agreement in relation to a disposal of its 50% interest in Guangzhou City Huan Bo Exhibition Company Limited at a consideration of approximately RMB545 million. Completion took place on 29th January, 2008. Details of this disposal are set out in the Circular to shareholders dated 30th May, 2007.

On 21st May, 2007, the Group entered into a co-operation agreement with certain independent third parties to acquire 90% equity interest in Beijing Huashiboli Property Development Limited (“Huashiboli”) at a consideration of around RMB630 million. Huashiboli is the holder of the right to develop a piece of land located in Beijing, PRC for residential and commercial purpose. Details of this acquisition are set out in the Circular to shareholders dispatched on 31st August, 2007.

On 2nd August, 2007, the Group entered into a co-operation agreement with an independent third party to acquire 70% equity interest in Qingdao Yijing Real Estate Development Limited (“Qingdao Yijing”) for a consideration totalling RMB560 million. Qingdao Yijing is the holder of the right to develop a piece of land located in Qingdao, PRC for residential purpose. Details of this acquisition are set out in the Circular to shareholders dated 13th September, 2007.

On 9th November, 2007, the Group entered into a Share Transfer Agreement and a Supplemental Agreement to acquire all the remaining 54.1% equity interest in Beijing Zhong Shun Chao Ke Property Development Company Limited. The aggregate consideration is approximately RMB337.62 million. Details of these transactions are set out in the Circular to shareholders dated 12th December, 2007.

On 15th November, 2007, the Group entered into the Equity Transfer Agreement with a substantial shareholder of Guangzhou Ever Bright Gardens to acquire the remaining 42% equity interest in the Guangzhou Ever Bright Gardens for a consideration totalling RMB58,657,000. Details of this acquisition are set out in the Circular to shareholders dated 6th December, 2007.

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

FINANCIAL REVIEW (Continued)

Capital Commitments and Guarantee

The group had capital commitments and guarantee totalling HK$1,750,102,000 and HK$1,098,604,000 respectively during the period under review.

Capital Expenditure And Charges On Assets

The Group had a capital expenditure totalling HK$70,000,000 during the period under review.

Based on certain real estate in Mainland China, the Group secured certain mortgage loans totalling RMB1,401,000,000 from certain PRC banks during the period under review.

The Group had charges on assets totalling HK$3,477,000,000 during the period under review.

Employees

As at 31st December, 2007, the Group has approximately 4,089 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.

On 29th November, 2007, an indirectly non-wholly owned subsidiary of the Company entered into the option deeds with certain directors and employees of the Group. Details of the share option schemes transaction are set out in the Announcement dated 29th November, 2007.

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. Detailed disclosure of the Company's corporate governance report is available in the 2007 Annual Report.

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2007 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 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

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 year, none of the other directors has or maintained any financial, business, family or other material, relevant relationship with any of the other directors.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

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.

(a) On 21st May, 2007, an indirectly owned subsidiary of the Company entered into a co-operation agreement with certain independent third parties to acquire 90% equity interest in Beijing Huashiboli Property Development Limited for a total consideration of RMB630,000,000 (the "Acquisition of Huashiboli").

(b) On 2nd August, 2007, an indirectly owned subsidiary of the Company entered into a co-operation agreement with an independent third party to acquire 70% equity interest in Qingdao Yijing Real Estate Development Limited for a total consideration of RMB560,000,000 (the "Acquisition of Qingdao Yijing").

The above acquisitions of subsidiaries constitute discloseable transactions for the Company under Rule 14.06(2) 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 have caused the Company not to be in a position to make an informed announcements of the transactions contemplated under the relevant co-operation agreements until such information are obtained. The Company's board of directors, however, has ratified and announced on 15th August, 2007 the transaction contemplated under the Acquisition of Huashiboli. The Company's board of directors has ratified on 24th August, 2007 and announced on 27th August, 2007 the transaction contemplated under the Acquisition of Qingdao Yijing.

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 ended 31st December, 2007.

DIRECTORS' 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 regarding securities transactions by the Directors. Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code throughout the year ended 31st December, 2007.

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, 2007.

PUBLICATION OF RESULTS ANNOUNCEMENT AND FINAL REPORT

This announcement is published on the websites of the Company (www.smc.com.hk) and the designated website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2007 final report will be dispatched to shareholders of the Company and available on the above websites in due course.

By order of the Board
BILLY K YUNG
Group Chairman and Chief Executive

Hong Kong, 3rd April, 2008

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. 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.