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)

INTERIM RESULTS FOR 2009

PROFIT FOR THE FIRST HALF YEAR

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2009

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2009

	NOTES	**30th June, 2009 (Unaudited) *HK$'000***	31st December, 2008 (Audited) *HK$'000*
Non-current assets			
Investment properties		**1,174,159**	747,220
Property, plant and equipment		**213,965**	209,592
Prepaid lease rental on land		**20,102**	21,239
Goodwill		**84,950**	84,934
Other intangible assets		**238,498**	240,591
Interests in associates		**413,266**	418,860
Interests in jointly controlled entities		**219,905**	222,800
Available-for-sale financial asset		**2,920**	2,920
Loans receivable		**121,284**	130,138
Deferred tax assets		**1,980**	1,908
		2,491,029	2,080,202
Current assets			
Inventories of properties		**5,232,157**	6,099,493
Other inventories		**84,167**	124,228
Trade and other receivables, prepayments and deposits	*(9)*	**930,551**	1,036,644
Prepaid lease rental on land		**526**	524
Loans receivable		**15,351**	15,345
Amounts due from jointly controlled entities		**76,482**	77,295
Amount due from an investee		**7,744**	20,831
Amounts due from minority shareholders		**33,871**	33,856
Investments held for trading		**40,228**	20,643
Tax prepaid		**2,956**	8,704
Restricted cash and deposits		**312,360**	52,582
Cash and cash equivalents		**878,363**	873,326
		7,614,756	8,363,471
Assets classified as held for sale		**815,568**	–
		8,430,324	8,363,471
Current liabilities			
Trade and other payables	*(9)*	**2,011,651**	2,378,746
Sales deposits received		**960,532**	772,395
Amount due to an associate		**156**	118
Amount due to a jointly controlled entity		**226**	226
Amount due to a minority shareholder		**82,383**	186,612
Amount due to a related party		**291**	291
Consideration payable on acquisition of a subsidiary		**161,887**	210,097
Taxation liabilities		**685,332**	607,398
Bank borrowings		**552,687**	929,179
		4,455,145	5,085,062
Liabilities associated to assets classified as held for sale		**640,851**	–
		5,095,996	5,085,062
Net current assets		**3,334,328**	3,278,409
Total assets less current liabilities		**5,825,357**	5,358,611

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30th June, 2009

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited condensed consolidated financial statements for the six months ended 30th June, 2009 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group's annual financial statements for the year ended 31st December, 2008.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company.

2. Principal Accounting Policies

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

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

3. Adoption of New and Revised HKFRSs

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

3. Adoption of New and Revised HKFRSs *(Continued)*

Impact of new and revised HKFRSs which are effective during the current interim period (Continued)

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

HKAS 1 (Revised 2007) Presentation of financial statements

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

HKFRS 8 Operating segments

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

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

4 Revenue

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

5. Segment Information

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

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

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

5. Segment Information *(Continued)*

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

6. Operating Profit

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Operating profit is arrived at after charging:		
Amortisation	**2,509**	2,502
Depreciation of property, plant and equipment	**14,450**	10,256
Equity-settled share-based payments	**27,906**	42,109

7. Income Tax Expense

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

8. Earnings Per Share

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

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

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

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 period of 524,066,000 (30th June, 2008: 525,485,000).

9. Trade and Other Receivables, Prepayments and Deposits/Trade and Other Payables

Based on invoice date, the ageing analysis of trade receivables net of impairment allowance and trade payables as at the end of the reporting period are as follows:

	Trade Receivables		Trade Payables	
	30th June, 2009	31st December, 2008	**30th June, 2009**	31st December, 2008
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
30 days or below	**78,052**	108,982	**575,239**	670,690
31 – 60 days	**54,093**	66,713	**77,464**	27,639
61 – 90 days	**23,495**	45,710	**478,757**	15,521
91– 180 days	**6,576**	38,071	**3,022**	10,424
181 – 360 days	**1,736**	916	**41,380**	166,389
Over 360 days	**245**	1,297	**432,399**	571,589
	164,197	261,689	**1,608,261**	1,462,252

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.

10. Dividends

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

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 21st October, 2009 to Friday, 23rd October, 2009, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to qualify for the interim dividend, all share certificates with the duly completed transfer forms must be lodged with the Company's Registrars, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 20th October, 2009.

BUSINESS REVIEW

Ceiling Fans

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

Contract Manufacturing – Optics and Imaging

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

Contract Manufacturing – Electric and Electronics

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

Taxi Operation

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

BUSINESS REVIEW *(Continued)*

Real Estate Investment & Development

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

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

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

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

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

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

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

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

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

BUSINESS REVIEW *(Continued)*

Real Estate Investment & Development *(Continued)*

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

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

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

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

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

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

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

Technology Investment Projects

Enterprise Software Solutions

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

Computing and Data Storage System

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

Financial Investment

For the six months ended 30th June, 2009, the Group's financial investment activities recorded profit of approximately HK$17,268,000 and the market value of the Group's financial investment holdings amounted to about HK$40,228,000.

FINANCIAL REVIEW

Revenue and Operating Results

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

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

Financial Resources and Liquidity

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

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

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

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

FINANCIAL REVIEW *(Continued)*

Foreign Exchange Exposure

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

Gearing Ratio

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

Significant Disposals

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

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

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

Capital Commitments and Guarantee

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

Capital Expenditure and Charges on Assets

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

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

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

FINANCIAL REVIEW *(Continued)*

Capital Expenditure and Charges on Assets *(Continued)*

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

Employees

As at 30th June, 2009, the Group has approximately 3,470 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Code Provision A.2.1

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

Code Provision A.4.1

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

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

Code Provision D.1.1

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

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

LITIGATION

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

SIGNIFICANT TRANSACTION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.smc.com.hk) and the designated website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2009 interim 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, 23rd September, 2009

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 Mr. Peter WONG Chung On, Mr. Peter LAM and Mr. Lawrence LEUNG Man Chiu as independent non-executive directors.