



Interim Report  
**2007**



SINCE 1952

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

(Stock Code:00081)

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# Chairman's Statement

## PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited consolidated profit attributable to the equity holders of the Company for the first half of 2007 amounted to HK\$169,020,000. Earnings per share were HK\$0.3216.

## INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30th June, 2007 of HK\$0.08 per share (six months ended 30th June, 2006: HK\$0.04 per share) payable to shareholders whose names appear on the Register of Members of the Company on Friday, 12th October, 2007. Dividend warrants will be dispatched to shareholders on Wednesday, 17th October, 2007.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 10th October, 2007 to Friday, 12th October, 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms together with the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 9th October, 2007.

## BUSINESS REVIEW

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

During the period, profit margin for the Group's ceiling fan business improved compared to the prior year period. Sales in the North America markets were stable; the Middle East and Europe markets had increased while the Africa and Australia markets had declined. Due to the reduction in export tax rebate in China and the appreciation of Renminbi, results will be affected in the second half of the year. The Group will continue to develop new opportunities and control its costs to maintain competitiveness.

Performance of the table fan business division lagged behind the previous year. Due to increasing competition and the expiration of a long term agency agreement, this business will be gradually wound down in 2007 as planned to stop further losses.

With the added production of the new rechargeable work light product, the vacuum cleaner contract manufacturing division's sales increased over 70% compared to the first half of 2006. It is anticipated that the division's business will continue to grow steadily for the second half of the year.

### Optics and Imaging

With new model additions, the laser scanner and fuser EMS business recorded continuous growth and the annual sales are projected to grow by 30% this year. Another new project for the paper handling option is under development; there will be nine models in its first phase and volume production is expected to start in the middle of 2008. Furthermore, an advanced production control system called "Cell Manufacturing" has been implemented. This system is expected to increase production efficiency considerably and reduce costs.

### Electric Wire and Cable

The Group's 98% owned Guangdong Macro Cable Company reported a 10% decline in sales in the period under review due to changes in copper prices. For the second half of the year, both copper prices and the company's business are expected to be stable.

### Taxi Operation

The Group completed the acquisition of the remaining 5% interest and now owns 100% of this taxi company as of June 2007. Under the new guidance from the Guangzhou municipal government transportation authority, the company is adopting a new operating model that will gradually switch from a lease-to-own model to a rental model for taxi drivers. The Guangzhou economy remains robust and the company's income is expected to remain stable.

### Real Estate Investment & Development

Rental income from the CITIC Plaza commercial offices were steady during the period under review. With the opening of the subway station exit connected to CITIC Plaza, the retail spaces are fully let with increased renewal rent to provide a satisfactory income. The Group continues to take advantage of strong market demands for high end office properties in Guangzhou and will capture profit opportunity through the sale of certain CITIC Plaza office units.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution to the Group. The Group is in discussion with the current tenant and other parties on a prospective plan for an expansion phase development.

The rental of the Group's office property complex in Livermore, California was stable during the period under review. The management is considering to seek qualified buyers by tender.

The Group had a 20% interest in a Guangzhou property development project comprising a 5 star hotel, office and retail facilities with a total GFA of about 127,000 m<sup>2</sup>. A conditional sales and purchase agreement for the sale of the 20% interest was signed on 2nd March, 2007. The sale was completed in May 2007 and cash proceeds of HK\$177 million were received.

# Chairman's Statement

## BUSINESS REVIEW (continued)

### Real Estate Investment & Development (continued)

The Group owns 70% interest in China Everbright Real Estate Development Limited ("EBRE") and a review of the company's major projects as follows:

EBRE owns 100% interest in the EverBright World Center development located in Beijing. The project comprises of three commercial towers with a total GFA of about 147,000 m<sup>2</sup> (saleable/leaseable GFA\* of about 130,000 m<sup>2</sup>) and occupancy has commenced. Two of the towers in the project were sold and the revenue will be recognized in 2007. Leasing has commenced for the remaining office tower with 58,000 m<sup>2</sup> of saleable/leaseable GFA\*. EBRE's office will occupy five thousand square meters and has moved into the tower in August.

To facilitate management under consolidated interests, EBRE has purchased the 8% equity interest in the Guangzhou EverBright Garden project company previously held by the Group and increased its equity interest from 50% to 58%. Construction of Phase E of this residential property development comprising total GFA of about 250,000 m<sup>2</sup> (saleable/leaseable GFA\* of about 240,000 m<sup>2</sup>) has been substantially completed; about 85% of the units have been pre-sold and occupancy delivery has commenced in August 2007. Building design for Phase F2 of the development with a total GFA of about 390,000 m<sup>2</sup> (saleable/leaseable GFA\* of about 350,000 m<sup>2</sup>) is underway.

EBRE holds 100% interest in EverBright International Plaza in Heifei; the project comprises of a total GFA of about 100,000 m<sup>2</sup> (saleable/leaseable GFA\* of about 94,000 m<sup>2</sup>) and all structural construction has been completed. The commercial building with saleable GFA of about 36,000 m<sup>2</sup> is planned for a lot sale and over half of the remaining integrated use property complex has been sold.

EBRE owns 65% interest in an R&D office project in the ZhangJiang High-tech Zone in Pudong, Shanghai. The project comprises of a total GFA of about 17,000 m<sup>2</sup> (saleable/leaseable GFA of about 11,000 m<sup>2</sup>) and will be ready for occupancy in the third quarter. About 40% of the space has been pre-leased.

EBRE owns 45.9% of a commercial and residential development project located in Haidian district in Beijing with a total GFA of about 115,000 m<sup>2</sup> (saleable/leaseable GFA\* of about 105,000 m<sup>2</sup>) and maintains intention to increase its interest to 51%. Construction started at the end of 2006 with scheduled completion in mid-2008. Pre-sale for the residential units has started and the commercial property pre-sale is tentatively planned for 2008.

EBRE owns 100% interest in a residential and retail shopping mall development project located in Haizhu district in Guangzhou. The land parcel is directly connected to an inter-change station of the Guangzhou – Foshan light rail line and the Guangzhou extended #2 subway line. This will provide the development with superior shopper traffic flow advantage upon completion. The total GFA is approximately 205,000 m<sup>2</sup> (saleable/leaseable GFA\* of about 200,000 m<sup>2</sup>); the initial design of the project has been approved. Construction is expected to commence in early 2008 with completion in 2009.

EBRE has increased the attributable interest in the Guilin project to 54.04%. The project is located next to the Guilin city ring road and along the highway connecting Guilin and Yangshuo; traffic access is expected to further enhance when the new Guilin city ring road highway completes at the end of the year. Land use rights for 343,000 m<sup>2</sup> has been obtained and greenery and leisure facilities are being planned to prepare the site for a resort and residential property development.

The primary land development project in Hohhot, Inner Mongolia where EBRE owns 80% interest has obtained government permission to commence work on a land parcel of about 975 mu (about 650,000 m<sup>2</sup>). After the completion of relocation and infrastructure construction, the resultant saleable land parcel will be auctioned off. Development permission for the remaining 8,625 mu (about 5,750,000 m<sup>2</sup>) of land for primary land development is anticipated to be granted over multiple years and stable development income will be generated.

EBRE holds 50% interest in an exhibition centre development project company in Guangzhou and there were disputes between the two shareholders. For the best interest of the Group, EBRE has entered into a settlement agreement to dispose of its 50% interest to the other shareholder for a total consideration of RMB545 million.

During the year, EBRE has acquired interests in two new projects. The project in the northern suburb of Beijing is a low density residential development and comprises of total GFA of about 200,000 m<sup>2</sup> (saleable/leaseable GFA of about 165,000 m<sup>2</sup>); the project is anticipated to be completed in 2009. EBRE currently owns 70% interest in the project and will increase to 90% interest on further payment tranches under the agreement. The other project is a residential development with estimated land area of about 67,000 m<sup>2</sup> and total GFA of about 137,000 m<sup>2</sup> (saleable/leaseable GFA\* of about 130,000 m<sup>2</sup>) located in Laoshan Region in Qingdao. EBRE purchased 70% interest in this project and pre-sale is anticipated to commence in 2009.

\* Saleable/leaseable area includes carpark areas.

# Chairman's Statement

## **BUSINESS REVIEW** (continued)

### **Technology Investment Projects**

#### **Internet Automatic Web Migration Software for Enterprises**

Following the re-structuring of this operation earlier in the year, the Group now owns 50% interest of the new streamlined organization. Business is gradually improving and the continuous losses for the past five years have reduced. A stable recurring revenue stream and a cost reduction structure have contributed to a better operation. The company plans to increase its revenue by marketing its Web Migration Software for development of new Web applications under the joint Sybase® and Appeon® brand. It will also leverage its existing global customers base to market new IT services and products.

#### **Computing and Data Storage System**

During the first half of 2007, Galactic Computing has a smaller loss compared to the same period last year. The company currently offers three major product series: data storage systems, enterprise servers, super-computing products and associated software. It is also developing data storage solutions targeting mid-range customers to increase market penetration and explore new markets. Revenue for the first seven months of 2007 has exceeded the 2006 full year total and the company expects further improvement with break even results by the end of 2007.

#### **System Integration and Software Development**

MDCL-Frontline (China) Limited in which the Group owns 26.66% continues to develop its current business and maintains stable income.

#### **Electronic Integrated Rectifier Chips**

The asset sale by APD was completed in November 2006 and the liquidation distribution process followed immediately. Up to June 2007, the Group has already received US\$4.7 million. The sale also involved deferred payments based on revenue earn-outs for 2007 and 2008. If these earn outs are realized, the Group will receive further liquidation distributions from this company.

### **Financial Investment**

For the six months ended 30th June, 2007, the Group's financial investment activities recorded profit of approximately HK\$26,155,000 and the market value of the Group's financial investment holdings amounted to about HK\$100,569,000.

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

Hong Kong, 19th September, 2007

# Disclosure of Interests

## DIRECTORS' INTEREST

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

As at 30th June, 2007, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued shares capital of the Company
Mr. Billy K Yung	Beneficial owner Interest of child under 18 or spouse (Note 1)	Personal	28,536,000	254,865,084	48.50%
		Other	216,329,084		
	Other	10,000,000			
Dr. Leo Tung-Hai Lee	Beneficial owner	Personal	3,206,000	3,206,000	0.61%
Peter Lam	Beneficiary of a trust (Note 3)	Other	1,300,000	1,300,000	0.25%
Madam Yung Ho Wun Ching	Beneficial owner Interest of spouse (Note 4)	Personal Family	53,196,300 10,000,000	63,196,300	12.03%
Mr. Leung Chun Wah	Beneficial owner	Personal	1,057,400	1,057,400	0.20%
Mr. Plato Poon Chak Sang	Beneficial owner	Personal	639,200	639,200	0.12%
Mr. Simon Yung Kwok Choi	Beneficial owner Interest of controlled corporation (Note 5)	Personal	39,147,911	43,577,351	8.29%
		Corporate	3,529,440		
	Family	900,000			
	Interest of spouse (Note 6)				

Notes:

- (1) These shares are held by a trust for the benefit of Mr. Billy K Yung's family members.
- (2) These shares are held jointly with his wife, Madam Hsu Vivian.
- (3) These shares are held by a trust for the benefit of Mr. Peter Lam.
- (4) This interest represents the holding of shares held by the late Dr. Yung Yau.
- (5) These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.
- (6) This interest represents the holding of shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

### (b) Disclosure of other interest

- (i) Certain directors held shares in subsidiaries as trustees for the Company.
- (ii) During the current period, the Group disposed of a subsidiary to Mr. Billy K Yung, a director of the Company, at a consideration of HK\$100,000.

Save as disclosed above and the section headed "Share Option Scheme" below, none of the directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 30th June, 2007.



# Disclosure of Interests

## SHARE OPTION SCHEME

### (a) Share option to subscribe Company's shares

At the annual general meeting of the Company held on 11th May, 2005, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") for a period of 10 years commencing on the adoption date. Since 11th May, 2005, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period since adoption.

### (b) Share option to subscribe for shares in Apeeon Corporation

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2007	Cancelled during the period	Granted during the period	As at 30.06.2007
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000
Other directors of Apeeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	563	–	–	563
	02.06.2003	02.06.2003 – 10.11.2012	2.50	2,250	–	–	2,250
	02.06.2003	01.10.2003 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2006 – 10.11.2012	2.50	1,125	–	–	1,125
	25.05.2005	25.05.2005 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.07.2005 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.01.2006 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.07.2006 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.01.2007 – 10.11.2012	3.00	10,000	–	–	10,000
25.05.2005	01.07.2007 – 10.11.2012	3.00	10,000	(10,000)	–	–	
25.05.2005	01.01.2008 – 10.11.2012	3.00	10,000	(10,000)	–	–	
25.05.2005	01.07.2008 – 10.11.2012	3.00	10,000	(10,000)	–	–	
				93,500	(30,000)	–	63,500

# Disclosure of Interests

## SHARE OPTION SCHEME (continued)

### (b) Share option to subscribe for shares in Apeon Corporation (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2007	Cancelled during the period	Granted during the period	As at 30.06.2007
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	7,687	(3,750)	–	3,937
	25.11.2002	01.04.2003 – 10.11.2012	2.50	5,813	(1,875)	–	3,938
	25.11.2002	01.10.2003 – 10.11.2012	2.50	5,812	(1,875)	–	3,937
	25.11.2002	01.04.2004 – 10.11.2012	2.50	5,813	(1,875)	–	3,938
	25.11.2002	01.10.2004 – 10.11.2012	2.50	5,812	(1,875)	–	3,937
	25.11.2002	01.04.2005 – 10.11.2012	2.50	5,813	(1,875)	–	3,938
	25.11.2002	01.10.2005 – 10.11.2012	2.50	5,812	(1,875)	–	3,937
	25.11.2002	01.04.2006 – 10.11.2012	2.50	3,938	–	–	3,938
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	–	–	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	–	–	375
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2008 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2009 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2009 – 10.11.2012	3.00	1,625	(375)	–	1,250
	18.01.2006	17.07.2006 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2007 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2007 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2008 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2008 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2009 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2009 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2010 – 10.11.2012	3.00	1,250	(1,250)	–	–
	01.06.2006	14.10.2006 – 10.11.2012	3.00	875	(875)	–	–
01.06.2006	14.04.2007 – 10.11.2012	3.00	875	(875)	–	–	
01.06.2006	14.10.2007 – 10.11.2012	3.00	875	(875)	–	–	
01.06.2006	14.04.2008 – 10.11.2012	3.00	875	(875)	–	–	
01.06.2006	14.10.2008 – 10.11.2012	3.00	875	(875)	–	–	
01.06.2006	14.04.2009 – 10.11.2012	3.00	875	(875)	–	–	
01.06.2006	14.10.2009 – 10.11.2012	3.00	875	(875)	–	–	
01.06.2006	14.04.2010 – 10.11.2012	3.00	875	(875)	–	–	
				79,500	(35,000)	–	44,500



# Disclosure of Interests

## SHARE OPTION SCHEME (continued)

### (b) Share option to subscribe for shares in Apeon Corporation (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options				
				As at 1.1.2007	Cancelled during the period	Granted during the period	As at 30.06.2007	
Consultants of Apeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250	
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250	
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250	
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250	
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250	
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250	
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250	
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	1,250	
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106	
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553	
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553	
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553	
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553	
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553	
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554	
					30,425	–	–	30,425
					230,425	(65,000)	–	165,425

No option was exercised by the grantees during the period.

### (c) Share option to subscribe for shares in Galactic Computing Corporation

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2007	Cancelled during the period	Granted during the period	As at 30.06.2007
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	25,000
					200,000	–	–

# Disclosure of Interests

## SHARE OPTION SCHEME (continued)

### (c) Share option to subscribe for shares in Galactic Computing Corporation (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 30.06.2007	
				As at 1.1.2007	Cancelled during the period	Granted during the period		
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	–	–	22,500	
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	–	–	22,500	
	09.06.2003	09.06.2003 – 10.11.2012	0.45	41,250	–	–	41,250	
	09.06.2003	01.12.2003 – 10.11.2012	0.45	41,250	–	–	41,250	
	09.06.2003	01.06.2004 – 10.11.2012	0.45	41,250	–	–	41,250	
	09.06.2003	01.12.2004 – 10.11.2012	0.45	41,250	–	–	41,250	
	09.06.2003	01.06.2005 – 10.11.2012	0.45	41,250	–	–	41,250	
	09.06.2003	01.12.2005 – 10.11.2012	0.45	41,250	–	–	41,250	
	09.06.2003	01.06.2006 – 10.11.2012	0.45	41,250	–	–	41,250	
	09.06.2003	01.12.2006 – 10.11.2012	0.45	41,250	–	–	41,250	
					510,000	–	–	510,000
	Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
25.11.2002		01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250	
25.11.2002		01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250	
25.11.2002		01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250	
25.11.2002		01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250	
25.11.2002		01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250	
25.11.2002		01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250	
25.11.2002		01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250	
01.06.2004		01.06.2004 – 10.11.2012	0.45	18,750	(18,750)	–	–	
01.06.2004		01.01.2005 – 10.11.2012	0.45	18,750	(18,750)	–	–	
01.06.2004		01.07.2005 – 10.11.2012	0.45	18,750	(18,750)	–	–	
01.06.2004		01.01.2006 – 10.11.2012	0.45	18,750	(18,750)	–	–	
01.06.2004		01.07.2006 – 10.11.2012	0.45	18,750	(18,750)	–	–	
01.06.2004		01.01.2007 – 10.11.2012	0.45	18,750	(18,750)	–	–	
01.06.2004		01.07.2007 – 10.11.2012	0.45	18,750	(18,750)	–	–	
01.06.2004		01.01.2008 – 10.11.2012	0.45	18,750	(18,750)	–	–	
25.05.2005		25.05.2005 – 10.11.2012	0.60	16,250	–	–	16,250	
25.05.2005		01.10.2005 – 10.11.2012	0.60	16,250	–	–	16,250	
25.05.2005		01.04.2006 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005		01.10.2006 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005		01.04.2007 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005		01.10.2007 – 10.11.2012	0.60	6,250	–	–	6,250	
25.05.2005	01.04.2008 – 10.11.2012	0.60	6,250	–	–	6,250		
25.05.2005	01.10.2008 – 10.11.2012	0.60	6,250	–	–	6,250		
				270,000	(150,000)	–	120,000	

# Disclosure of Interests

## SHARE OPTION SCHEME (continued)

### (c) Share option to subscribe for shares in Galactic Computing Corporation (continued)

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2007	Cancelled during the period	Granted during the period	As at 30.06.2007
Consultants of Galactic	25.11.2002	01.06.2003 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.12.2003 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.06.2004 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.12.2004 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.06.2005 – 16.12.2007	0.45	31,250	–	–	31,250
				156,250	–	–	156,250
				1,136,250	(150,000)	–	986,250

No option was exercised by the grantees during the period.

## SUBSTANTIAL SHAREHOLDERS

At 30th June, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain directors, the following shareholders had relevant interests and short positions in the issued share capital of the Company.

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
UBS Trustees (BVI) Limited	Trustee of a trust (Note 1)	Other	224,437,334	224,437,334	42.71%
Diamond Key Enterprises Inc.	Beneficial owner (Note 1)	Beneficial	143,612,287	143,612,287	27.33%
On Fat Profits Corporation	Beneficial owner (Note 1)	Beneficial	72,716,797	72,716,797	13.84%
Madam Chiu Man	Beneficial owner Interest of spouse (Note 2)	Personal Family	900,000 42,677,351	43,577,351	8.29%
Madam Hsu Vivian	Interest of spouse Interest held jointly with another person (Note 3)	Family Other	28,536,000 10,000,000	38,536,000	7.33%
Madam Yung Siu Chee Margaret	Beneficial owner	Personal	28,154,604	28,154,604	5.36%

#### Notes:

- 143,612,287 shares and 72,716,797 shares form part of the 224,437,334 shares held by UBS Trustees (BVI) Limited which are disclosed in the section headed "DIRECTORS' INTEREST" above as being held under a trust with Mr. Billy K Yung's family members as the beneficiaries.
- Madam Chiu Man's shares under personal interest and family interest are in fact the same block of shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi as disclosed in the section headed "DIRECTORS' INTEREST" above.
- Madam Hsu Vivian's shares under family interest and other interest is in fact the same block of shares already disclosed respectively under personal interest and other interests of her husband, Mr. Billy K Yung as disclosed in the section headed "DIRECTORS' INTEREST" above.

Other than as disclosed above, there was no person, other than the director of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO.

## REVENUE AND OPERATING RESULTS

Revenue for the Group during the six months ended 30th June, 2007 reached HK\$1,363,920,000 representing an increase of HK\$574,431,000 or 72.76% compared to HK\$789,489,000 for the corresponding period last year. Completion of the sales of Tower II of the EverBright World Center located in Beijing that took place during the period under review accounted for most of the sharp increase in the Group's revenue.

Profit attributable to equity holders for the period ended 30th June, 2007 surged to HK\$169,020,000 from HK\$41,980,000 representing an increase of HK\$127,040,000 or 303% over the corresponding period in 2006. The increase was mainly attributable to (i) a gain on disposal of an associated company of approximately HK\$46 million; (ii) a recoupment of a direct investment previously written down amounting to HK\$21 million; (iii) an increase in fair value gain totalling approximately HK\$25 million on certain investment properties within the Group and (iv) an increase in profits from investment in securities totalling approximately HK\$14 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 the first half of 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, six bank loans were put in place totalling RMB516,000,000 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 P.R.C. term loans of approximately US\$13,878,000 and RMB456,000,000 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.

## GEARING RATIO

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 30th June, 2007, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash to shareholders' funds, of 14.48% (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 is expected to take place on or about 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 despatched 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.

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, 2006.

## **CAPITAL EXPENDITURE AND CHARGES ON ASSETS**

The Group had a total capital expenditure amounting to HK\$13,840,000 during the period under review.

Based on certain real estate in Mainland China, the Group secured four mortgage loans totalling RMB259,000,000 from certain PRC banks during the period under review.

Other than the above, there was no significant change in charges on assets of the Group as at 30th June, 2007 compared to the position as at 31st December, 2006.

## **EMPLOYEES**

As at 30th June, 2007, the Group has approximately 2,650 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

The Group's co-operative joint venture companies in Mainland China continued to provide employment to approximately 4,250 people.

# Other Information

## 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 six months ended 30th June, 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 six months ended 30th June, 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 unaudited Interim Financial Statements for the six months ended 30th June, 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 2006 Annual Report.

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, 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. 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.

- (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.

## RESIGNATION OF DIRECTOR

Mr. Plato Poon Chak Sang resigned as an executive Director of the Company with effect from 1st July, 2007. The Board would like to express sincere gratitude to Mr. Plato Poon Chak Sang for his contribution to the Company in the past and wish him a happy retirement. Details of information are set out in the announcement of the Company dated 29th June, 2007.



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

蜆壳電器工業(集團)有限公司

*(incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 15 to 34 which comprises the condensed consolidated balance sheet of Shell Electric Mfg. (Holdings) Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) as at 30th June, 2007 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Grant Thornton**

*Certified Public Accountants*

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Hong Kong

19th September, 2007

# Condensed Consolidated Income Statement

For the six months ended 30th June, 2007

		Six months ended 30th June,	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
	Notes		
Revenue	3	1,363,920	789,489
Cost of sales		<u>(1,204,583)</u>	<u>(655,291)</u>
Gross profit		159,337	134,198
Other income	5	20,964	37,599
Distribution and selling expenses		(22,147)	(19,934)
Administrative expenses		(97,521)	(87,137)
Other operating expenses		(13,965)	(16,027)
Other gains/(losses)			
Loss on disposal of investment properties		-	(27)
Loss on disposal of a subsidiary		(3,955)	-
Fair value gain on investment properties		26,743	13,717
Fair value loss on share-based payment		-	(1,000)
Fair value gain on investments held for trading		27,250	13,571
Reversal of impairment of financial assets		21,008	-
Revaluation deficit on property, plant and equipment		-	(296)
Impairment losses on goodwill		-	(1,473)
Others		91	(2,577)
Operating profit	6	117,805	70,614
Finance costs	7	(21,413)	(18,336)
Share of results of associates		33,324	20,528
Share of results of jointly controlled entities		5,006	(48,000)
Excess of interest in fair value of identifiable net assets of a jointly controlled entity acquired		-	1,559
Gain on disposal of an associate		45,913	-
<b>Profit before income tax</b>		<b>180,635</b>	<b>26,365</b>
Income tax expense	8	(4,540)	(11,755)
<b>Profit for the period</b>		<b>176,095</b>	<b>14,610</b>
Attributable to:			
Equity holders of the Company		169,020	41,980
Minority interests		7,075	(27,370)
		<b>176,095</b>	<b>14,610</b>
Dividends	9	42,039	20,019
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share	10		
– Basic		32.16	8.39
– Diluted		N/A	N/A

# Condensed Consolidated Balance Sheet

As at 30th June, 2007

	Notes	30th June, 2007 (Unaudited) HK\$'000	31st December, 2006 (Audited) HK\$'000
<b>Non-current assets</b>			
Investment properties	11	786,983	708,118
Property, plant and equipment	12	149,521	139,024
Prepaid lease rental on land		16,910	16,621
Goodwill	13	73,342	66,643
Other intangible assets		223,873	219,100
Interests in associates	14	480,496	454,357
Interests in jointly controlled entities	15	41,516	377,189
Available-for-sale financial assets		2,920	2,920
Loans receivable		–	1,831
Other receivable		143	502
Deposit paid for acquisition of investment	16	87,635	10,139
		<b>1,863,339</b>	<b>1,996,444</b>
<b>Current assets</b>			
Inventories of properties	17	4,370,139	1,946,909
Other inventories		94,692	99,266
Trade and other receivables	18	829,212	471,021
Prepaid lease rental on land		402	390
Loans receivable		3,352	17,787
Amounts due from associates		853	1,075
Amounts due from jointly controlled entities		186,891	240,349
Amounts due from investees		1,992	12,013
Amount due from a related party		–	44,203
Investments held for trading	19	100,573	187,952
Tax prepaid		47,433	–
Derivative financial instruments		237	1,292
Pledged deposits	27	200,866	–
Restricted cash and cash equivalents	20	236,028	–
Cash and cash equivalents	21	862,557	488,753
		<b>6,935,227</b>	<b>3,511,010</b>
Assets classified as held for sales	22	351,448	156,504
		<b>7,286,675</b>	<b>3,667,514</b>
<b>Current liabilities</b>			
Trade and other payables	23	1,795,933	915,669
Sales deposits received		1,901,154	433,230
Amount due to an associate		–	101
Amounts due to jointly controlled entities		7,749	302,576
Consideration payable on acquisition of a jointly controlled entity		5,131	4,977
Amounts due to minority shareholders		342,644	50,760
Provisions	24	99,755	23,478
Taxation liabilities		88,347	88,421
Bank borrowings	25	974,414	832,434
		<b>5,215,127</b>	<b>2,651,646</b>
<b>Net current assets</b>		<b>2,071,548</b>	<b>1,015,868</b>
<b>Total assets less current liabilities</b>		<b>3,934,887</b>	<b>3,012,312</b>

# Condensed Consolidated Balance Sheet

As at 30th June, 2007

	Notes	30th June, 2007 (Unaudited) HK\$'000	31st December, 2006 (Audited) HK\$'000
<b>Capital and reserves</b>			
Share capital	26	262,742	262,742
Share premium and reserves		2,485,497	2,180,789
Equity attributable to equity holders of the Company		2,748,239	2,443,531
Minority interests		562,539	270,762
<b>Total equity</b>		<b>3,310,778</b>	2,714,293
<b>Non-current liabilities</b>			
Bank borrowings	25	186,093	106,576
Loan from a minority shareholder		2,804	2,639
Deferred tax liabilities		435,212	188,804
		624,109	298,019
		<b>3,934,887</b>	3,012,312

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2007

Attributable to equity holders of the Company

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital redemption reserve	Available-for-sale financial assets revaluation reserve	Translation reserve	Assets revaluation reserve	Dividend reserve	Statutory reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2006	250,242	581,349	43,822	13,020	14,148	1,481	40,039	3,264	1,323,577	2,270,942	410,385	2,681,327
Exchange difference arising on translation of overseas operations / Net income recognised directly in equity	-	-	-	-	7,660	10	-	-	-	7,670	1,066	8,736
Net profit for the period	-	-	-	-	-	-	-	-	41,980	41,980	(27,370)	14,610
Total recognised income and expense for the period	-	-	-	-	7,660	10	-	-	41,980	49,650	(26,304)	23,346
Interim dividend declared	-	-	-	-	-	-	20,019	-	(20,019)	-	-	-
Dividends paid	-	-	-	-	-	-	(40,039)	-	-	(40,039)	-	(40,039)
Appropriations	-	-	-	-	-	-	-	49	(49)	-	-	-
At 30th June, 2006 (Unaudited)	250,242	581,349	43,822	13,020	21,808	1,491	20,019	3,313	1,345,489	2,280,553	384,081	2,664,634
At 1st January, 2007	262,742	640,099	43,822	-	49,271	1,534	42,039	8,525	1,395,499	2,443,531	270,762	2,714,293
Exchange difference arising on translation of overseas operations	-	-	-	-	28,131	48	-	-	-	28,179	2,595	30,774
Exchange difference arising on translation of financial statements of associates and jointly controlled entities	-	-	-	-	1,975	-	-	-	-	1,975	-	1,975
Exchange effect on deferred tax	-	-	-	-	(430)	-	-	-	-	(430)	-	(430)
Net income recognised directly in equity	-	-	-	-	29,676	48	-	-	-	29,724	2,595	32,319
Net profit for the period	-	-	-	-	-	-	-	-	169,020	169,020	7,075	176,095
Total recognised income and expense for the period	-	-	-	-	29,676	48	-	-	169,020	198,744	9,670	208,414
Deemed acquisition of subsidiary	-	-	-	-	-	148,003	-	-	-	148,003	207,483	355,486
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	74,624	74,624
Interim dividend declared	-	-	-	-	-	-	42,039	-	(42,039)	-	-	-
Dividends paid	-	-	-	-	-	-	(42,039)	-	-	(42,039)	-	(42,039)
At 30th June, 2007 (Unaudited)	262,742	640,099	43,822	-	78,947	149,585	42,039	8,525	1,522,480	2,748,239	562,539	3,310,778

# Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2007

	Six months ended 30th June,	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Net cash generated from/(used in) operating activities</b>	<b>835,587</b>	(97,865)
<b>Investing activities</b>		
Interest received	8,408	14,272
Dividend income from an associate	–	1,046
Dividend income from a jointly controlled entity	–	25,155
Deposit paid for investment	(77,496)	–
Acquisition of a subsidiary (note 28(b))	(407,947)	–
Deemed acquisition of interest in a subsidiary (note 28(a))	175,761	–
Additions to property, plant and equipment	(13,840)	–
Proceeds on disposal of property, plant and equipment	350	329
Proceeds on disposal of assets held for sales	–	31,393
Proceeds on disposal of an associate	177,302	–
Increase in pledged deposits and restricted cash and cash equivalent	(420,828)	–
Other investing activities	22,668	19,703
<b>Net cash (used in)/generated from investing activities</b>	<b>(535,622)</b>	91,898
<b>Financing activities</b>		
New bank borrowings	821,557	651,302
Repayment of bank borrowings	(695,243)	(512,550)
Dividends paid	(42,039)	(40,039)
Others	(23,024)	(18,106)
<b>Net cash generated from financing activities</b>	<b>61,251</b>	80,607
<b>Net increase in cash and cash equivalents</b>	<b>361,216</b>	74,640
<b>Cash and cash equivalents at beginning of the period</b>	<b>488,753</b>	376,581
<b>Effect of foreign exchange rate change</b>	<b>12,588</b>	2,014
<b>Cash and cash equivalents at end of the period</b>	<b>862,557</b>	453,235



# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 1. GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively, the "Group") comprise manufacturing and marketing of electric fans and other electrical household appliances and EMS business, investment holding, property investment and development and trading of and investments in securities.

The unaudited condensed consolidated financial statements for the six months ended 30th June, 2007 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Statements do not include all of the information required for full annual financial statements and thereby they should be read in conjunction with the Group's annual financial statements for the year ended 31st December, 2006.

The interim results of the Group are unaudited and have been reviewed by the Company's Audit Committee.

## 2. PRINCIPAL ACCOUNTING POLICIES

The Interim 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 or revalued amounts, as appropriate.

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, 2006 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:

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

In the current interim period, the Group has adopted, for the first time, all the new and revised HKFRSs which are effective for annual periods beginning on or after 1st January, 2007. The adoption of the new and revised HKFRSs did not result in significant changes in the Group's accounting policies and had no significant financial impact on the current or the prior accounting periods.

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

The following are new and revised HKFRSs which are issued but not yet effective in the current interim period:

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

The Group has not early adopted the above HKFRSs. The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new and revised HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new and revised HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 3. REVENUE

Breakdown of revenue is as follows:

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Sales of goods	731,283	737,301
Sales of properties	578,534	3,178
Property management fee income	4,262	4,142
Property rental income	39,575	36,780
Taxi licence fee income	10,266	8,088
<b>Total revenue</b>	<b>1,363,920</b>	<b>789,489</b>

## 4. REVENUE AND SEGMENT INFORMATION

The Group's revenue and segment results analysed by business segments:

	Revenue Six months ended 30th June,		Segment results Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and EMS business	702,455	712,567	41,715	40,886
Manufacturing and trading of electric cables	14,139	15,863	1,194	3,167
Property leasing	39,575	36,780	56,872	42,050
Property investment and development	582,796	7,320	(7,131)	(4,174)
Taxi rental operation	10,266	8,088	8,791	7,344
Trading of securities	–	–	26,155	15,021
Development and trading of computer hardware and software	7,188	8,871	(14,340)	(24,814)
Direct investments	–	–	20,995	(2,209)
Others	7,501	–	6,924	–
	<b>1,363,920</b>	<b>789,489</b>	<b>141,175</b>	<b>77,271</b>
Unallocated corporate expenses, net			(31,730)	(22,519)
Interest income			8,360	15,862
Finance costs			117,805	70,614
Share of results of associates*			(21,413)	(18,336)
Share of results of jointly controlled entities#			33,324	20,528
Excess of interest in fair value of identifiable net assets of a jointly controlled entity acquired			5,006	(48,000)
Gain on disposal of an associate			–	1,559
			45,913	–
Profit before income tax			180,635	26,365
Income tax expense			(4,540)	(11,755)
<b>Profit for the period</b>			<b>176,095</b>	<b>14,610</b>

\* belongs to the segment of "Property leasing"

# belongs to the segment of "Property investment and development"

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 4. REVENUE AND SEGMENT INFORMATION (continued)

The Group's revenue analysed by geographical markets:

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Hong Kong	12,172	10,823
Other regions of the PRC	923,129	220,206
North America	256,237	418,965
Europe	73,078	52,940
Asia, other than the PRC	35,805	34,033
Others	63,499	52,522
	<b>1,363,920</b>	<b>789,489</b>

## 5. OTHER INCOME

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Bank interest income	4,534	2,401
Interest income from loans to investees	578	729
Interest income from others, including loans receivables	3,248	12,732
Dividends from equity securities	939	2,571
Other rental income	1,523	2,084
Sundry income	10,142	17,082
	<b>20,964</b>	<b>37,599</b>

## 6. OPERATING PROFIT

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Operating profit is arrived at after charging/(crediting):		
Amortisation:		
Prepaid lease rental on land	226	215
Other intangible assets <sup>#</sup>	2,051	1,933
Depreciation of property, plant and equipment	8,104	7,379
Total amortisation and depreciation	<b>10,381</b>	<b>9,527</b>
Allowance for doubtful debts	4,601	720
Loss/(Gain) on disposal of property, plant and equipment	497	(13)
Reversal of allowance for inventories	(13,588)	(554)
Reversal of impairment of financial assets (note)	(21,008)	–

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

Note: The amount represents cash received on liquidation of one of the Group's investee. The Group's interests in this investee were fully impaired in previous years.

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 7. FINANCE COSTS

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Interest charges on:		
Bank loans and bank overdrafts		
– wholly repayable within five years	26,203	19,840
– wholly repayable over five years	3,879	3,668
Others loans wholly repayable within five years	1,725	4,128
Bank charges on loan facilities	1,033	105
	<hr/>	<hr/>
Total borrowing costs	32,840	27,741
Less: amount capitalised in properties under development	(11,427)	(9,405)
	<hr/>	<hr/>
	<b>21,413</b>	<b>18,336</b>

## 8. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Income tax expenses comprise:		
Current tax:		
Hong Kong	6,929	4,041
Other regions of the PRC	29,120	10
	<hr/>	<hr/>
	36,049	4,051
	<hr/>	<hr/>
Under provision in prior years:		
Hong Kong	506	5,502
Other regions of the PRC	30	–
	<hr/>	<hr/>
	536	5,502
	<hr/>	<hr/>
Deferred tax	(32,045)	2,202
	<hr/>	<hr/>
	<b>4,540</b>	<b>11,755</b>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30th June, 2006: 17.5%) of the estimated assessable profit for the period. Income tax arising from other regions of the PRC is calculated at 15%–33% (six months ended 30th June, 2006: 15%–33%) of the estimated assessable profit.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law"). The New EIT Law introduces a wide range of changes which include, but are not limited to, the unification of the Enterprise Income Tax (the "EIT") rate for domestic and foreign investment enterprises at a rate of 25%. This change in the EIT rate will directly affect the Group's effective tax rate prospectively from 2008. As a result of the New EIT Law, the carrying value of deferred tax liabilities has been reduced by approximately HK\$8,000,000 which is recognised in the condensed consolidated income statement of the current interim period.

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 9. DIVIDENDS

On 19th September, 2007, the directors declared an interim dividend of HK\$0.08 (six months ended 30th June, 2006: HK\$0.04) per share, amounting to HK\$42,039,000 (six months ended 30th June, 2006: HK\$20,019,000), to be paid to the shareholders of the Company whose names appear in the Register of Members on Friday, 12th October, 2007.

During the period, a dividend of HK\$0.08 (six months ended 30th June, 2006: HK\$0.08) per share, amounting to HK\$42,039,000 (six months ended 30th June, 2006: HK\$40,039,000) was paid to the shareholders as the final dividend for the immediate preceding financial year end.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the equity holders of the Company of HK\$169,020,000 (six months ended 30th June, 2006: HK\$41,980,000) and the weighted average number of ordinary shares of 525,485,000 (six months ended 30th June, 2006: 500,485,000) in issue during the period.

No diluted earnings per share has been presented as the options of the Company's subsidiaries outstanding for the periods ended 30th June, 2007 and 2006 were anti-dilutive to the Group's earnings per share.

## 11. INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 30th June, 2007 on open market basis by independent firms of qualified property valuers. The fair value gain during the current interim period of HK\$26,743,000 (six months ended 30th June, 2006: HK\$13,717,000) is recognised in the condensed consolidated income statement of the current interim period.

At 30th June, 2007, certain investment properties were pledged as further explained in note 27.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2007,

- (a) the Group incurred capital expenditure of approximately HK\$132,000 in land and buildings, approximately HK\$2,753,000 in plant and machinery, approximately HK\$10,262,000 in motor vehicles (including HK\$2,427,000 through acquisition of subsidiaries) and approximately HK\$4,178,000 in furniture, fixtures and office equipment (including HK\$1,140,000 through acquisition of subsidiaries);
- (b) the Group disposed of certain items of property, plant and equipment with carrying value amounting to HK\$1,923,000 (six months ended 30th June, 2006: HK\$316,000) and recognised a loss of HK\$497,000 (six months ended 30th June, 2006: gain of HK\$13,000) in the condensed consolidated income statement of the current interim period.

## 13. GOODWILL

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Carrying amount at beginning of the period/year	66,643	26,402
Acquisitions of subsidiaries (note 28)	6,699	–
Additional interests in subsidiaries	–	41,714
Impairment recognised	–	(1,473)
	<hr/>	<hr/>
Carrying amount at end of the period/year	<b>73,342</b>	<b>66,643</b>

Goodwill arising during the current interim period comprise HK\$3,168,000 reclassified from "Interests in jointly controlled entities" arising from obtaining control over 廣州市光大花園房地產開發有限公司 ("廣州光大花園") as mentioned in Note 28(a) and HK\$3,531,000 arising from the acquisition of 北京華世柏利房地產開發有限公司 ("Beijing Huashiboli") as mentioned in Note 28(b).

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 14. INTERESTS IN ASSOCIATES

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Share of net assets	<b>319,272</b>	288,533
Goodwill on acquisition	<b>850</b>	850
Loans to associates	<b>160,374</b>	164,974
	<b>480,496</b>	454,357

The loans to associates are unsecured, interest-free and have no fixed repayment terms. Since the loans will not be repayable within twelve months from the balance sheet date, they are classified as non-current assets.

## 15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Share of net assets	<b>31,545</b>	362,992
Goodwill on acquisition	<b>9,971</b>	14,197
	<b>41,516</b>	377,189

## 16. DEPOSIT PAID FOR ACQUISITION OF INVESTMENT

The Company entered into a legally binding memorandum of undertaking with certain independent third parties on 27th December, 2006, pursuant to which the Company proposed to subscribe for convertible and non-convertible notes in an aggregate principal amount of S\$17,000,000 (equivalent to approximately HK\$87,600,000) in cash (the "Subscription").

On 26th April, 2007, the Company and the third parties entered into an agreement for the Subscription. As at 30th June, 2007, the whole amount of S\$17,000,000 as required under the agreement was paid to the issuer of the convertible and non-convertible notes and the Escrow Account as mentioned in the agreement. Some of the subscription conditions in relation to the Subscription are not yet fulfilled as at 30th June, 2007 and the parties to the agreement have agreed to extend the fulfillment date of those conditions.

## 17. INVENTORIES OF PROPERTIES

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Properties under development, at cost	<b>3,008,506</b>	1,860,095
Properties held for sale, at cost	<b>1,361,633</b>	86,814
	<b>4,370,139</b>	1,946,909

At 30th June, 2007, certain inventories of properties were pledged as further explained in note 27.



# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 18. TRADE AND OTHER RECEIVABLES

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Trade receivables	275,137	160,905
Prepayments and deposits	453,657	223,584
Other receivables	100,418	86,532
	<hr/>	<hr/>
	<b>829,212</b>	<b>471,021</b>
	<hr/>	<hr/>

The Group maintains a defined credit policy. 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. 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.

The aged analysis of the trade receivables of the Group as at the balance sheet date is as follows:

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Current	177,651	93,037
31 – 60 days	69,080	53,355
61 – 90 days	20,642	8,879
91 – 180 days	5,862	4,051
181 – 360 days	998	978
Over 360 days	904	605
	<hr/>	<hr/>
	<b>275,137</b>	<b>160,905</b>
	<hr/>	<hr/>

The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

## 19. INVESTMENTS HELD FOR TRADING

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Equity securities, at fair value		
Unlisted	4	4
Listed in Hong Kong	95,620	109,043
Listed outside Hong Kong	4,949	78,905
	<hr/>	<hr/>
	<b>100,573</b>	<b>187,952</b>
	<hr/>	<hr/>

The fair values of the listed equity securities are based on quoted market prices available on the relevant stock exchange. As at 30th June, 2007, certain equity securities were pledged as further explained in note 27.

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 20. RESTRICTED CASH AND CASH EQUIVALENTS

The balance consists of:

- (a) In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier. The amount of cash restricted for such purpose as at 30th June, 2007 was HK\$173,476,000.
- (b) Cash balance placed with certain security brokers is restricted for the purpose of trading securities. As at 30th June, 2007, the amount of cash restricted for such purpose was HK\$46,486,000.
- (c) As at 30th June, 2007, a bank balance of HK\$16,066,000 was restricted from use by the court order of the PRC as further explained in note 24(b).

## 21. CASH AND CASH EQUIVALENTS

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Cash at bank, in hand and deposited with security brokers	<b>1,098,585</b>	488,753
Less: restricted cash classified under current assets ( <i>note 20</i> )	<b>(236,028)</b>	–
	<b>862,557</b>	488,753

As at 30th June, 2007, cash balance including restricted cash denominated in Renminbi (“RMB”) amounted to approximately HK\$721,320,000 (At 31st December, 2006: HK\$403,160,000). The RMB is not freely convertible into other currencies.

## 22. ASSETS CLASSIFIED AS HELD FOR SALES

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Investment properties	<b>24,914</b>	24,914
Interest in an associate	–	131,590
Interests in a jointly controlled entity ( <i>note</i> )	<b>326,534</b>	–
	<b>351,448</b>	156,504

*Note:* On 24th April, 2007, 中國光大房地產開發有限公司 (“EB Real Estate”), an indirect 70% owned subsidiary of the Company, entered into a sale and purchase agreement (the “SP Agreement”) with Guangzhou Yingyi Enterprises Group Limited (“Guangzhou Yingyi”) and 廣州市環博展覽有限公司 (“Guangzhou Huan Bo”). The registered capital of Guangzhou Huan Bo is owned as to 50% by EB Real Estate and 50% by Guangzhou Yingyi. Pursuant to the SP Agreement, EB Real Estate agreed to dispose of its 50% registered capital in Guangzhou Huan Bo to Guangzhou Yingyi at a consideration of RMB469 million (equivalent to approximately HK\$473 million) and Guangzhou Huan Bo agreed to repay the shareholder’s loan of RMB76 million (equivalent to approximately HK\$77 million) to EB Real Estate (the “Sale”). On 2nd May, 2007, the board of directors convened a meeting to approve the SP Agreement. The Sale is not yet completed up to the balance sheet date and accordingly, the Group’s interests in Guangzhou Huan Bo were reclassified and presented in the condensed consolidated balance sheet as “assets classified as held for sales” as at 30th June, 2007. Further details about the Sale are set out in the Circular to the shareholders of the Company dated 30th May, 2007.

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 23. TRADE AND OTHER PAYABLES

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Trade payables	1,316,445	572,587
Temporary receipts	49,516	37,904
Deferred income	26,586	29,725
Other payable and accruals	403,386	275,453
	<b>1,795,933</b>	<b>915,669</b>
Current	1,115,068	52,887
31 – 60 days	44,536	352,060
61 – 90 days	35,147	21,722
91 – 180 days	11,133	5,431
181 – 360 days	9,451	9,731
Over 360 days	101,110	130,756
	<b>1,316,445</b>	<b>572,587</b>

The directors consider that the carrying amounts of trade and other payables approximate their fair values.

## 24. PROVISIONS

	Provision for claim HK\$'000	Guarantee HK\$'000	Total HK\$'000
At 1st January, 2006, 31st December, 2006, and 1st January, 2007	–	23,478	23,478
Recognised on acquisition of a subsidiary	16,000	60,277	76,277
At 30th June, 2007	<b>16,000</b>	<b>83,755</b>	<b>99,755</b>

Provisions recognised for the current interim period consist of:

- (a) Provision for the maximum amount of bank guarantee given to a former shareholder of 廣州光大花園 (the "Former Shareholder") together with interest accrued for the respective bank loans amounting to HK\$60,277,000. 廣州光大花園 has become a subsidiary of the Group since 27th June, 2007 as mentioned in note 28(a).
- (b) Pursuant to the court order of the PRC issued during the current interim period, 廣州光大花園 is liable for the claim from one of the creditors of the Former Shareholder (the "Claim") and bank deposit of 廣州光大花園 amounting to RMB15,600,000 (equivalent to approximately HK\$16,066,000) has been frozen since 10th May, 2007 for a period of six months. Provision for the Claim amounting to HK\$16,000,000 was made accordingly.

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 25. BANK BORROWINGS

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Bank loans		
Secured	<b>576,241</b>	512,905
Unsecured	<b>584,266</b>	426,105
	<b>1,160,507</b>	939,010
The maturity of the bank loans is as follows:		
Due within one year	<b>974,414</b>	832,434
Due more than one year, but not exceeding two years	<b>84,548</b>	3,470
Due more than two years but not exceeding five years	<b>11,720</b>	11,720
Due more than five years	<b>89,825</b>	91,386
	<b>1,160,507</b>	939,010
Less: Amounts due within one year included in current liabilities	<b>(974,414)</b>	(832,434)
Amounts due after one year included in non-current liabilities	<b>186,093</b>	106,576

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

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Hong Kong Dollar	<b>506,012</b>	363,922
RMB	<b>529,571</b>	452,862
US Dollar	<b>124,924</b>	122,226
	<b>1,160,507</b>	939,010

The RMB bank loans as at 30th June, 2007 were arranged at fixed interest rates of 5.27% to 7.49% (2006: 5.76% to 7.49%) per annum. Other bank loans denominated in HK Dollar and US Dollar are arranged at floating rates ranging from 4.80% to 5.82% (2006: 1.51% to 5.90%) per annum.

In the opinion of the directors, the carrying amounts of the Group's current and non-current bank borrowings approximate their fair values.

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 26. SHARE CAPITAL

	30th June, 2007		31st December, 2006	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
<b>Authorised:</b>				
<i>Ordinary shares of HK\$0.50 each</i>				
Balance at beginning and end of the period/year	<b>900,000</b>	<b>450,000</b>	900,000	450,000
<b>Issued and fully paid:</b>				
<i>Ordinary shares of HK\$0.50 each</i>				
Balance at beginning of the period/year	<b>525,485</b>	<b>262,742</b>	500,485	250,242
Shares issued on acquisitions	-	-	25,000	12,500
Balance at end of the period/year	<b>525,485</b>	<b>262,742</b>	525,485	262,742

## 27. PLEDGE OF ASSETS

As at 30th June, 2007, the carrying amount of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group are analysed as follows:

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Investment properties	<b>326,078</b>	326,040
Inventories of properties	<b>603,868</b>	1,140,678
Investments held for trading	<b>12,182</b>	14,862
Bank deposits	<b>200,866</b>	-
	<b>1,142,994</b>	1,481,580

In addition to the above, the Group has pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure for the banking facilities granted to the Group.

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 28. ACQUISITION OF SUBSIDIARIES

### (a) Additional interest in 廣州光大花園

During the current interim period, 廣東萬家樂電纜有限公司, a subsidiary of the Company, transferred its 8% interest in 廣州光大花園, a jointly controlled entity of the Group, to EB Real Estate, another subsidiary, at a consideration of RMB17,334,000. Upon completion of the transfer on 27th June, 2007, EB Real Estate's interest in the registered capital of 廣州光大花園 has increased from 50% to 58% while the Group's effective interest in 廣州光大花園 has reduced from 43% to 40.6%. On the same date, the shareholders of 廣州光大花園 approved for the reduction of the number of directors from five to three, two of whom are appointed by EB Real Estate and the remaining one is appointed by the minority shareholder. As a result of the change in the composition of the board of directors on 27th June, 2007, 廣州光大花園 has become a subsidiary of the Group (the "Deemed Acquisition").

The fair values of the identifiable assets and liabilities of 廣州光大花園 as at the date of the Deemed Acquisition and the corresponding carrying amounts immediately before the Deemed Acquisition are as follows:

	<b>Carrying amount on date of Deemed Acquisition</b>	<b>Revaluation</b>	<b>Fair value on date of Deemed Acquisition</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	2,952	–	2,952
Investment properties	51,303	–	51,303
Interests in jointly controlled entities	9,327	–	9,327
Inventories of properties	1,473,648	473,981	1,947,629
Trade and other receivables	158,767	–	158,767
Amounts due from shareholders	31,321	–	31,321
Amounts due from jointly controlled entities	13,197	–	13,197
Amounts due from related companies	503,625	–	503,625
Restricted bank deposit	16,066	–	16,066
Bank balances and cash	175,761	–	175,761
Trade and other payables	(785,134)	–	(785,134)
Sales deposits received	(1,417,860)	–	(1,417,860)
Provision	(76,277)	–	(76,277)
Tax liabilities	(50)	–	(50)
Bank borrowings	(81,078)	–	(81,078)
Deferred tax liabilities	(24,112)	(118,495)	(142,607)
	<u>51,456</u>	<u>355,486</u>	<u>406,942</u>

Notes:

- (i) Inflow of cash and cash equivalents of HK\$175,761,000 is resulted in respect of the Deemed Acquisition.
- (ii) The adjustment to the identifiable assets and liabilities of 廣州光大花園 on the date of Deemed Acquisition amounting to HK\$355,486,000 solely relates to the interest held by the Group prior to the Deemed Acquisition and accordingly, the entire amount is treated as a revaluation which is dealt with in equity.
- (iii) Since the Deemed Acquisition is completed on 27th June, 2007, it did not have significant contribution to the Group's revenue and profit for the period between the date of the Deemed Acquisition and the balance sheet date. Had the Deemed Acquisition taken place on 1st January, 2007, the revenue of the Group and the profit of the Group for the period would have been HK\$1,384,999,000 and HK\$165,146,000 respectively.

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 28. ACQUISITION OF SUBSIDIARIES (continued)

### (b) Acquisition of Beijing Huashiboli

On 21st May, 2007, 北京光大房地產開發有限公司 (“Beijing EB Real Estate”), a subsidiary of the Company, entered into a co-operation agreement with 北京世紀隆興投資有限公司 (“Beijing Century Longxing”) and 北京世紀恆信投資諮詢有限公司 (“Beijing Century Hengxin”). Pursuant to the co-operation agreement, Beijing EB Real Estate agreed to acquire 90% of the registered capital of Beijing Huashiboli at a total consideration of RMB630 million (equivalent to approximately HK\$647 million) which is to be satisfied by way of cash (the “Acquisition”). Beijing Huashiboli is principally engaged in property development in the PRC.

Details of this transaction are set out in the Circular to the shareholders of the Company despatched on 31st August, 2007.

As at the date of Acquisition, 1st June, 2007, the fair values of the identifiable assets and liabilities of Beijing Huashiboli and the corresponding carrying amounts immediately before the Acquisition are as follows:

	Acquiree's carrying amount HK\$'000	Provisional fair value adjustments HK\$'000	Fair value HK\$'000
Property, plant and equipment	473	–	473
Inventories of properties	249,358	536,494	785,852
Trade and other receivables	42,942	–	42,942
Bank balances and cash	10,292	–	10,292
Trade and other payables	(17,133)	–	(17,133)
Amounts due to minority shareholders	(513)	–	(513)
Minority interest	(4,514)	(40,237)	(44,751)
Deferred tax liabilities	–	(134,124)	(134,124)
	<u>280,905</u>	<u>362,133</u>	
Assets and liabilities acquired			643,038
Goodwill on Acquisition ( <i>note 13</i> )			<u>3,531</u>
Total consideration			<u>646,569</u>

An analysis of the net cash outflow arising on the Acquisition is as follows:

	HK\$'000
Cash consideration paid ( <i>note (i)</i> )	418,239
Bank balances and cash acquired	<u>(10,292)</u>
Net outflow of cash and cash equivalents in respect of the Acquisition	<u>407,947</u>

Notes:

- (i) As at 30th June, 2007, cash consideration amounting to HK\$228,330,000 remained unpaid. The outstanding amount would be settled by monthly instalment and the consideration would be fully paid by June 2008. As at 30th June, 2007, the Group has already held the legal title in 70% of the registered capital of Beijing Huashiboli and the legal title of the remaining 20% registered capital would be transferred to the Group as to 10% by the time of further settlement of approximately HK\$113 million and remaining 10% by the time the consideration are fully paid.
- (ii) The above fair values of the assets and liabilities acquired are determined provisionally based on the information available up to the date of this report. The directors of the Company are still in the process of finalising the fair values of the assets and liabilities acquired.
- (iii) The goodwill arising from the Acquisition is attributable to the anticipated profitability of the property development market in the PRC and the expected continuing growth of the economy of the PRC.
- (iv) Since Beijing Huashiboli is still in its early stage of development which did not generate revenue and recorded net loss of approximately HK\$924,000 for the six months ended 30th June, 2007, it did not have significant contribution to the Group's revenue and profit for the period between the date of the Acquisition and the balance sheet date or for the current interim period had the Acquisition been taken place on 1st January, 2007.



# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 29. GUARANTEES

As at the balance sheet date, the Group had issued the following significant guarantees:

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Guarantees given to:		
A supplier of an associate, to secure the repayment of balance due by the associate to the supplier	<b>26,980</b>	26,980
Banks for credit facilities granted to		
– an associate	<b>22,400</b>	102,400
– a jointly controlled entity	<b>46,184</b>	44,789
Banks for mortgage loans granted to purchasers of certain subsidiaries' properties	<b>843,316</b>	290,946
	<b>938,880</b>	465,115

As at 30th June, 2007, the Group provided guarantees in respect of the mortgage bank loans granted by certain banks to purchasers of certain jointly controlled entities' properties amounted to HK\$Nil (At 31st December, 2006: HK\$216,200,000).

## 30. COMMITMENTS

As at the balance sheet date, the Group had significant commitments as follows:

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
Contracted for but not provided in the financial statements:		
Subscription of convertible and non-convertible notes	–	75,711
Property development expenditure	<b>1,869,384</b>	1,446,291
	<b>1,869,384</b>	1,522,002

In addition, the Group's share of the jointly controlled entities' own capital commitments, which are contracted but not provided for and are not included in the above, is HK\$35,636,000 (At 31st December, 2006: HK\$296,089,000).

## 31. POST BALANCE SHEET EVENT

On 2nd August, 2007, Beijing EB Real Estate entered into a co-operation agreement with 青島崇杰集團有限公司 ("Qingdao Chongjie") and Mr. Wu Zu Hua. Pursuant to the agreement, Beijing EB Real Estate agreed to acquire and Qingdao Chongjie agreed to dispose of its 70% equity interest in 青島頤景房地產開發有限公司 ("Qingdao Yijing") at an aggregate payment of RMB560 million in cash which comprises RMB7 million (approximately HK\$7 million) to Qingdao Chongjie and Beijing EB Real Estate agreed to provide financial assistance in the amount of RMB553 million (approximately HK\$572 million) to Qingdao Yijing for property development. Qingdao Yijing is principally engaged in property development business in the PRC. Upon completion of this acquisition, Qingdao Yijing is treated as non-wholly owned subsidiary of the Group.

Details of this transaction are set out in the Circular to the shareholders of the Company dated 13th September, 2007.

# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2007

## 32. RELATED PARTY TRANSACTIONS

During the interim period, the Group entered into the following transactions with related parties which are not members of the Group:

	Notes	Minority Shareholders		Associate		Related company	
		Six months ended 30th June,					
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest received from	(a)	-	491	-	-	-	-
Commission paid to	(b)	-	-	54	98	-	3

Notes:

- (a) The transactions were based on interest rates agreed by the parties concerned.
- (b) The commission paid to an associate is calculated based on a fixed rate charged on the provision of property leasing management services. Commission paid to a related company in 2006 was based on a fixed rate charged on the value of trading of securities on an agreed amount. One of the independent non-executive Directors of the Group had a beneficial interest in the related company.

In addition to the above, a subsidiary was disposed of to a director of the Company at a consideration of HK\$100,000.