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 2008

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 2008 amounted to HK$153,314,000. Basic earnings per share was HK$0.2918.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2008

		Six months ended 30th June,	
		2008	2007
		(Unaudited)	(Unaudited)
			(Restated)
	NOTES	***HK$'000***	*HK$'000*
Revenue	*(4)*	**1,588,404**	1,363,920
Cost of sales		**(1,028,157)**	(1,184,052)
Gross profit		**560,247**	179,868
Other income		**23,034**	20,964
Distribution and selling expenses		**(45,872)**	(22,147)
Administrative expenses		**(181,915)**	(97,521)
Other operating expenses		**(54,637)**	(13,965)
Other gains/(losses)			
Gain/(Loss) on disposal of a subsidiary		**56,115**	(3,955)
Fair value gain on investment properties		**17,387**	26,743
Fair value (loss)/gain on investments held for trading		**(27,367)**	27,250
Reversal of impairment of financial assets		**1,716**	21,008
Reversal of unutilised provision		**67,309**	–
Impairment loss on property, plant and equipment		**(5,948)**	–
Others		**12,861**	91
Operating profit	*(5)*	**422,930**	138,336
Finance costs		**(48,480)**	(21,413)
Share of results of associates		**41,324**	33,324
Share of results of jointly controlled entities		**(130)**	5,006
Gain on disposal of an associate		**–**	45,913
Gain on disposal of a jointly controlled entity		**176,533**	–
Profit before income tax		**592,177**	201,166
Income tax expense	*(6)*	**(361,442)**	(25,071)
Profit for the period		**230,735**	176,095
Attributable to:			
Equity holders of the Company		**153,314**	169,020
Minority interests		**77,421**	7,075
		230,735	176,095
Dividends	*(7)*	**15,765**	42,039
		HK Cents	*HK Cents*
Earnings per share	*(8)*		
– Basic		**29.18**	32.16
– Diluted		**28.06**	32.16

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30th June, 2008

	NOTES	30th June, 2008 (Unaudited) HK$'000	31st December, 2007 (Audited) HK$'000
Non-current assets			
Investment properties		**815,038**	791,956
Property, plant and equipment		**191,178**	180,936
Prepaid lease rental on land		**21,218**	20,592
Goodwill		**87,144**	106,173
Other intangible assets		**243,390**	230,813
Interests in associates		**414,001**	366,962
Interests in jointly controlled entities		**245,238**	232,591
Available-for-sale financial assets		**7,990**	7,990
Loans receivable		**141,609**	152,668
Deposit paid for acquisition of other investment		**–**	77,496
		2,166,806	2,168,177
Current assets			
Inventories of properties		**4,933,488**	4,946,397
Other inventories		**96,669**	113,789
Trade and other receivables, prepayments and deposits	*(9)*	**1,341,616**	1,058,792
Prepaid lease rental on land		**521**	489
Loans receivable		**2,101**	3,853
Amounts due from associates		**359**	6,535
Amounts due from jointly controlled entities		**74,912**	177,140
Amounts due from investees		**7,946**	6,717
Amount due from a related party		**–**	1,367
Amounts due from minority shareholders		**51,099**	44,448
Investments held for trading		**64,023**	48,381
Tax prepaid		**2,061**	–
Pledged cash deposits		**816,039**	876,858
Restricted cash and deposits		**182,401**	116,288
Cash and cash equivalents		**859,702**	704,716
		8,432,937	8,105,770
Assets classified as held for sale		**–**	434,442
		8,432,937	8,540,212
Current liabilities			
Trade and other payables	*(9)*	**2,061,464**	2,165,436
Sales deposits received		**481,355**	776,671
Amounts due to jointly controlled entities		**–**	2,044
Amounts due to minority shareholders		**164,168**	164,000
Amounts due to related parties		**291**	474,439
Consideration payable on acquisition of subsidiaries		**197,835**	290,473
Provisions		**–**	64,733
Taxation liabilities		**518,172**	215,696
Derivative financial instruments		**4,410**	6,738
Bank and other borrowings		**1,839,169**	1,885,688
		5,266,864	6,045,918
Net current assets		**3,166,073**	2,494,294
Total assets less current liabilities		**5,332,879**	4,662,471

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	30th June, 2008 (Unaudited) *HK$'000*	31st December, 2007 (Audited) *HK$'000*
Capital and reserves		
Share capital	**262,742**	262,742
Share premium and reserves	**2,965,111**	2,745,913
Equity attributable to equity holders of the Company	**3,227,853**	3,008,655
Minority interests	**572,203**	460,234
Total equity	**3,800,056**	3,468,889
Non-current liabilities		
Bank and other borrowings	**996,576**	673,652
Loan from a minority shareholder	**3,295**	3,005
Deferred tax liabilities	**532,952**	516,925
	1,532,823	1,193,582
	5,332,879	4,662,471

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited condensed consolidated financial statements for the six months ended 30th June, 2008 (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, 2007.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 18th September, 2008.

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. Disposal groups and non-current assets held for sale (other than investment properties which are stated at fair values) 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, 2007 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. Changes in Accounting Policies

3.1 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, all the new and revised HKFRSs which are effective for annual periods beginning on or after 1st January, 2008 and are relevant to the Group. The adoption of these new and revised HKFRSs did not result in significant changes in the Group's accounting policies and had no significant financial impact on the Group's financial statements. Accordingly, no prior period adjustment has been recognised.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

3. Changes in Accounting Policies *(Continued)*

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

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

HKAS 1 (Revised)	Presentation of Financial Statements [3]
HKAS 23 (Revised)	Borrowing Costs [3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [4]
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation [3]
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations [3]
HKFRS 3 (Revised)	Business Combinations [4]
HKFRS 8	Operating Segments [3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [1]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [2]

[1] Effective for annual periods beginning on or after 1st July, 2008
[2] Effective for annual periods beginning on or after 1st October, 2008
[3] Effective for annual periods beginning on or after 1st January, 2009
[4] Effective for annual periods beginning on or after 1st July, 2009

The revised HKFRS 3 and HKAS 27 shall be applied prospectively and will affect future acquisition and transactions with minority interests. The Group is in the process of assessing the impact of the other new and revised HKFRSs upon initial application. The Group anticipates that these new and revised HKFRSs are unlikely to have material impact on the Group's financial statements except for HKAS 1 (Revised) which would affect the presentation of financial statements as disclosed in the Group's annual financial statements for the year ended 31st December, 2007.

3.3. Other changes in last financial year

In light of the conclusion of the Financial Reporting Standards Committee of HKICPA on the scope of HKAS 12 "Income Taxes" and the nature of PRC land appreciation tax, the directors have in last financial year decided that it is more appropriate to account for and present PRC land appreciation tax as income tax. As a result of this new policy in last financial year, PRC land appreciation tax amounting to HK$20,531,000 has been reclassified from cost of sales to income tax in the comparatives of the condensed consolidated income statement of the current period. This change has no net impact on results for the period ended 30th June, 2007.

4. Business and Geographical Segments

4.1 Business segments

The Group's primary format for reporting segment information is business segments. An analysis of the Group's revenue and results for the period by business segments is as follows:

	Six months ended 30th June, 2008 (Unaudited)									
	Electrical household appliances*	Manufacturing and trading of electric cables	Leasing of properties	Property investment and development	Trading of securities	Taxi rental operation	Development and trading of computer hardware and software	Direct investments	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue **	524,217	13,196	50,352	972,232	–	17,544	10,863	–	–	1,588,404
Segment results	26,045	(773)	51,200	385,019	(26,812)	11,985	(2,872)	9,578	–	453,370
Corporate and other unallocated income and expenses										(30,440)
										422,930
Finance costs										(48,480)
Share of results of associates	–	–	40,477	–	–	–	–	847	–	41,324
Share of results of jointly controlled entities ("JCE")	–	–	139	(1,036)	–	–	767	–	–	(130)
Gain on disposal of a JCE										176,533
Profit before income tax										592,177
Income tax expense										(361,442)
Profit for the period										230,735

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

4. Business and Geographical Segments *(Continued)*

4.1 Business segments *(Continued)*

	Six months ended 30th June, 2007 (Unaudited)									
	Electrical household appliances*	Manufacturing and trading of electric cables	Leasing of properties	Property investment and development	Trading of securities	Taxi rental operation	Development and trading of computer hardware and software	Direct investments	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue **	702,455	14,139	39,575	582,796	–	10,266	7,188	–	7,501	1,363,920
Segment results (restated)	41,715	1,194	56,872	13,400	26,155	8,791	(14,340)	20,995	6,924	161,706
Corporate and other unallocated income and expenses										(23,370)
										138,336
Finance costs										(21,413)
Share of results of associates	–	–	31,620	–	–	–	–	1,704	–	33,324
Share of results of JCE	–	–	–	5,006	–	–	–	–	–	5,006
Gain on disposal of an associate										45,913
Profit before income tax										201,166
Income tax expense (restated)										(25,071)
Profit for the period										176,095

* The business segment of electrical household appliances consists of manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and EMS business.

** There were no inter-segment sales between different business segments for the six months period ended 30th June, 2008 and 2007.

4.2 Geographical segments

An analysis of the Group's revenue for the period by geographical markets, irrespective of the origin of the goods, is as follows:

	Six months ended 30th June,	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**12,379**	12,172
Other regions of the People's Republic of China (the "PRC")	**1,299,134**	923,129
Asia, other than the PRC	**36,433**	35,805
North America (mainly in the United States)	**162,381**	256,237
Europe (mainly in Belgium and the United Kingdom)	**35,547**	73,078
Others	**42,530**	63,499
	1,588,404	1,363,920

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

5. Operating Profit

	Six months ended 30th June, 2008 (Unaudited) *HK$'000*	2007 (Unaudited) *HK$'000*
Operating profit is arrived at after charging:		
Amortisation	**2,502**	2,277
Depreciation of property, plant and equipment	**10,256**	8,104

6. Income Tax Expense

	Six months ended 30th June, 2008 (Unaudited) *HK$'000*	2007 (Unaudited) (Restated) *HK$'000*
Income tax expenses comprise:		
Current tax for the period:		
Hong Kong profits tax	**1,431**	6,929
Other regions of the PRC		
– Enterprise income tax	**224,487**	29,120
– Land appreciation tax *(note 3.3)*	**134,522**	20,531
	360,440	56,580
(Over)/Under provision in prior years:		
Hong Kong	**(117)**	506
Other regions of the PRC	**12,810**	30
	12,693	536
Deferred tax	**(11,691)**	(32,045)
	361,442	25,071

Hong Kong profits tax is calculated at 16.5% (six months ended 30th June, 2007: 17.5%) of the estimated assessable profits for the period. Enterprise income tax arising from other regions of the PRC is calculated at 10%–25% (six months ended 30th June, 2007: 15%–33%) of the estimated assessable profits.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

7. Dividends

On 18th September, 2008, the directors declared an interim dividend of HK$0.03 (six months ended 30th June, 2007: HK$0.08) per share, amounting to HK$15,765,000 (six months ended 30th June, 2007: HK$42,039,000), to be paid to the shareholders of the Company whose names appear in the Register of Members on Friday, 10th October, 2008.

During the period, a dividend of HK$0.12 (six months ended 30th June, 2007: HK$0.08) per share, amounting to HK$63,058,000 (six months ended 30th June, 2007: HK$42,039,000) was paid to shareholders as the final dividend for the immediate preceding financial year end.

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 equity holders of the Company of HK$153,314,000 (six months ended 30th June, 2007: HK$169,020,000) and the weighted average number of ordinary shares in issue during the period of 525,485,000 (six months ended 30th June, 2007: 525,485,000).

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

	Six months ended 30th June,	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Earnings used in calculating basic earnings per share	**153,314**	169,020
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share *(note)*	**(5,843)**	–
Earnings for the purpose of calculating diluted earnings per share	**147,471**	169,020

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 525,485,000 (30th June, 2007: 525,485,000).

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

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

	Trade Receivables		Trade Payables	
	30th June, 2008	31st December, 2007	**30th June, 2008**	31st December, 2007
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
30 days or below	**98,394**	86,339	**98,642**	381,047
31 – 60 days	**76,099**	71,379	**35,256**	43,480
61 – 90 days	**20,599**	13,722	**31,245**	18,597
91 – 180 days	**7,318**	21,592	**5,156**	453,855
181 – 360 days	**12,172**	2,292	**313,060**	1,655
Over 360 days	**2,058**	3,516	**667,566**	392,028
	216,640	198,840	**1,150,925**	1,290,662

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.

INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30th June, 2008 of HK$0.03 per share (six months ended 30th June, 2007: HK$0.08 per share) payable to shareholders whose names appear on the Register of Members of the Company on Friday, 10th October, 2008. Dividend warrants will be dispatched to shareholders on Wednesday, 15th October, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 8th October, 2008 to Friday, 10th October, 2008, 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 4:00 p.m. on Monday, 6th October, 2008.

BUSINESS REVIEW

Ceiling Fans

The ceiling fans business in the first half of 2008 was affected by the rapid Renminbi appreciation and high material prices, lowered sales and profits were recorded. Due to the weak US dollar and its slow economy the North America market has receded more severely; the Middle East and Asia markets were stable; and the Australia market has grown. Similar situations are expected to prevail in the whole year. Besides controlling costs and developing new opportunities, the Group continues to develop new fan designs to cater to new markets.

Optics and Imaging EMS Business

Due to slower market demand in the beginning of the year, sales of laser scanner and fuser could not reach its target in the first half of the year. Sales are expected to pick up later in the year with the launch of new models. Full year sales are projected to be similar to last year. The paper handling option project progresses on target and volume production has commenced in the third quarter of 2008.

Electric and Electronics Contract Manufacturing

Due to the global economic slow down and continuing material costs escalations, sales from the contract manufacturing business has dropped by about 10% in the first half of the year. With the production of new projects such as LED spot light, power generator control panel etc. and improvement of production efficiency by "Cell Manufacturing" technology, it is anticipated that sales in the whole year will have a slight increase compared with last year.

Electric Wire and Cable

The electric wire and cable business was affected by the slowing domestic economy, its revenue and profits were lowered compared to the prior period. Sections of the factory were ordered to shut down in June due to heavy rainfall endangering the stability of the nearby slope and an impairment loss on the affected property was made. Effective measures have been taken for the early resumption of production affected by the incident.

Taxi Operation

The taxi company's results in the first half of the year recorded double digit growth compared to the same period last year due to more company-owned vehicles were operating under the new rental operating model. The number of company-owned vehicles will continue to increase in the second half of the year and total revenue for the year is expected to be better than last year's. The company will be hiring more Guangdong province drivers to improve service quality. The next step is to build its own parking facilities and provide repair and maintenance facilities to support its operations.

BUSINESS REVIEW *(Continued)*

Real Estate Investment & Development

Rental income from the retail properties of CITIC Plaza in Guangzhou recorded double digit increase for the first half of 2008. The increase is due to new rental agreements signed in 2007 taking full effect in 2008. The Group expects the retail properties rental income for the full year to have a similar increase. The office rental income for the first six months of 2008 was slightly lower than the same period last year as some units were sold for profit. The Group expects the office rental income for the second half of 2008 to remain stable.

The construction of an annex extension funded by the tenant, adding about 1,200 sq. m. or four percent of additional gross floor area to the hi-tech manufacturing facility in Shenzhen has completed. This property continues to provide stable rental contribution to the Group.

During the period under review, the Group's office complex in Livermore, California was able to maintain stable occupancy rate and rental income. With the prolonged sub-prime crisis continues to pose adverse effect on the US property market, the original plan to dispose of this property has been further delayed indefinitely. We expect to maintain stable rental income in the second half of 2008.

The Group holds 70% interest in China Ever Bright Real Estate Development Limited ("EBRE"). During the period, the global economy and financial markets were affected by tightening and deteriorating credits environment set off by the US sub prime mortgage problem and soaring energy prices. The properties demand growth in China has also started to slow down. The series of austerity measures imposed in China and in particular measures in tightening credits for real estates investments and development activities as well as land control policies have curtailed financing channels for property investments. In view of the changes in the markets, EBRE maintains a conservative stance and makes appropriate adjustments in progressing its projects. The economic development in China continues to maintain on a long term growth track and shall provide positive support to properties demand; the Group maintains a positive view on the prospects 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 48,000 sq. m. of saleable/leaseable area (and additional 400 underground parking spaces); about 2,400 sq. m. was sold and 11,700 sq. m. were leased. EBRE owns 100% of the project.

The commercial and residential development project located in Haidian district in Beijing has pre-sold about 7,000 sq. m.. EBRE owns 100% of the project.

The low density residential development project located in the northern suburb of Beijing will have its construction delayed to 2009 due to the Olympics. EBRE currently owns 70% of this project.

EBRE owns 67% interest in a primary land development project in the southern suburb of Beijing consisting of approximately 374,000 sq. m.. The relocation process has started and is estimated to take more than one year to complete.

Ninety-eight percent of Guangzhou Ever Bright Garden Phase E were sold and Phase K has pre-sold about 27,000 sq. m.. Phase J is expected to start work in second half of 2008 with pre-sale targeted in the second quarter of 2009. EBRE owns 100% of the project.

BUSINESS REVIEW *(Continued)*

Real Estate Investment & Development *(Continued)*

The residential and retail shopping mall development project located in Haizhu district in Guangzhou will start construction in the second half of 2008 with completion targeted for 2011. This project is directly connected to an inter-change station of the Guangzhou – Foshan light rail line and the Guangzhou extended Number Two subway line. The station is scheduled to open in 2009. The residential portion (about 67,000 sq. m.) is planned for sale whereas the mall (comprising about 83,000 sq. m.) is planned to be maintained for long term investment. 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 2009. EBRE owns 80% interest of the primary land development project company.

The property development project company in Hohhot, Inner Mongolia has successfully bid for two parcels of land totaling 170,000 sq. m. of usable land which can be developed into 380,000 sq. m. GFA of residential properties. Construction work is planned for the forth quarter of 2008. Another project company has also successfully bid for another three parcels of land with usable area of 240,000 sq. m.. EBRE owns 100% interest of these secondary property development project companies.

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

The Guilin project is in preparation stage and preliminary planning is in progress. EBRE owns 65.8% of this project.

EBRE completed the sale of its 50% interest in the Pazhou exhibition centre development project company in Guangzhou in the first quarter of 2008.

The full disposal of the Ever Bright International Plaza project in Heifei was completed in the first quarter of 2008.

Technology Investment Projects

Enterprise Software Solutions

Appeon continues to operate a profitable business of providing IT outsourcing services and Web development software – Appeon® for PowerBuilder®. The appreciation of the Renminbi and US-led economic slowdown has led to increased operational costs and decreased sales. The company is transitioning from a low-cost IT services provider to a value-added IT services provider and is focusing on expanding its sales channels via partnerships in Europe.

Computing and Data Storage System

During the first half of 2008, Galactic Computing achieved revenue growth compared to the same period of last year. The company 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 export markets. The company expects improvement with break even results by the end of 2008.

BUSINESS REVIEW *(Continued)*

Financial Investment

Due to the serious down turn of the Hong Kong stock market in the first half of 2008, the Group's financial investment activities for the six months ended 30th June, 2008 recorded loss of approximately HK$26,812,000 and the market value of the Group's financial investment holdings amounted to about HK$64,023,000.

FINANCIAL REVIEW

Revenue and Operating Results

During the six months ended 30th June, 2008 the Group reported a revenue of HK$1,588,404,000, representing an increase of HK$224,484,000 or 16.5% compared to HK$1,363,920,000 for the corresponding period last year. Completion of the sales of certain units of Guangzhou Ever Bright Garden Phase E that took place during the period under review accounted for most of the increase in the Group's revenue.

Profit attributable to equity holders for the period ended 30th June, 2008 dipped from HK$169,020,000 to HK$153,314,000 representing a mild decline of HK$15,706,000 or 9.3% over the corresponding period in 2007.

Financial Resources and Liquidity

The Group continued to be in a strong financial position with its financial resources and liquidity position consistently maintained 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.

During the period under review, certain bank loans were put in place totalling RMB1,955,000,000 to finance the Group's property development projects in the PRC.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. The U.S. and the PRC long term loans of approximately US$13,412,000 and RMB565,000,000 respectively were secured by certain assets of the group located in the United States and Mainland China respectively. The Group has converted a short-term loan of HK$250,000,000 into a three-year term loan during the period under review. More conversion will materialize in the second half of 2008. Apart from the above, all banking facilities of the Group have been arranged on short-term basis.

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, 2008, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and pledged deposit to total equity of the Company of 30.5% (31st December, 2007: 28.2%(restated)).

FINANCIAL REVIEW *(Continued)*

Significant Acquisitions and 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 安徽博鴻房地產開發有限公司 to an independent third party at a cash consideration of RMB121,000,000. The transaction was completed in the first quarter of 2008 and resulted in a gain before tax of HK$56,115,000.

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 (including repayment of shareholder loan) of approximately RMB545,000,000. Completion of the transaction took place in the first quarter of 2008 thus giving rise to a gain of HK$176,535,000 before tax and minority interests.

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 Guarantees

The group had capital commitments and guarantees totalling HK$2,108,481,000 and HK$1,183,884,000 respectively during the period under review.

Capital Expenditure and Charges on Assets

The Group had a capital expenditure totalling HK$9,403,000 during the period under review.

Based on certain real estate in Mainland China, the Group secured certain mortgage loans totalling RMB1,815,000,000 from certain PRC banks during the period under review.

The Group had charges on assets totalling HK$4,737,000,000 during the period under review.

Employees

As at 30th June, 2008, the Group has approximately 4,270 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, 2008 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.

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

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.

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, 2008.

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, 2008.

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, 2008.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.smc.com.hk) and the designated website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2008 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, 18th September, 2008

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