



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 2006

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 2006 amounted to HK\$41,980,000. Earnings per share were 8.39 cents.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2006

		Six months ended 30th June, 2006	2005 (Restated)
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Continuing operations:			
Revenue	(3)	789,489	745,575
Cost of sales		(655,291)	(623,203)
Gross profit		134,198	122,372
Other income		37,599	37,344
Distribution and selling expenses		(19,934)	(15,220)
Administrative expenses		(87,137)	(63,071)
Other operating expenses		(16,027)	(21,596)
Other gains/(losses)			
Loss on disposal of investment properties		(27)	–
Fair value gain on investment properties		13,717	14,650
Fair value loss on derivative financial instrument		(1,120)	–
Fair value loss on share-based payment		(1,000)	–
Fair value gain/(loss) on investments held for trading		13,571	(7,437)
Revaluation deficit on property, plant and equipment		(296)	–
Impairment losses on goodwill		(1,473)	(7,731)
Others		(1,457)	4,833
Operating profit	(4)	70,614	64,144
Finance costs		(18,336)	(7,131)
Share of results of associates		20,528	23,297
Share of results of jointly controlled entities		(48,000)	–
Excess of interest in identifiable net assets of a jointly controlled entity acquired		1,559	–
Profit before income tax		26,365	80,310
Income tax expense	(5)	(11,755)	(2,605)
Profit for the period from continuing operations		14,610	77,705
Discontinued operations:			
Profit for the period from discontinued operations		–	192
Profit for the period		14,610	77,897
Attributable to:			
Equity holders of the Company		41,980	79,219
Minority interests		(27,370)	(1,322)
		14,610	77,897
Dividends	(6)	20,019	20,019
		HK Cents	HK Cents
Earnings per share for profit attributable to equity holders of the Company	(7)		
– Basic		8.39	17.61
From continuing and discontinued operations		8.39	17.30
From continuing operations		N/A	N/A
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2006

		30th June, 2006	31st December, 2005
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
Non-current assets			
Investment properties		614,108	594,377
Property, plant and equipment		132,451	135,724
Prepaid lease rental on land		16,371	16,426
Goodwill		26,402	26,402
Intangible assets		214,914	215,421
Interests in associates		554,097	577,562
Interests in jointly controlled entities		427,362	483,248
Available-for-sale financial assets		13,020	13,020
Club debenture		2,920	2,920
Loans receivable		7,663	7,439
Deferred tax assets		616	584
Deposits paid for acquisition of interest in a jointly controlled entity		–	14,997
		2,009,924	2,088,120
Current assets			
Inventories of properties		1,788,106	1,419,094
Other inventories		93,464	88,764
Trade and other receivables	(8)	375,756	295,141
Prepaid lease rental on land		380	428
Loans receivable		156,637	143,112
Amounts due from associates		1,409	18,760
Amounts due from jointly controlled entities		77,607	73,044
Amounts due from investees		7,799	6,750
Amount due from a related company		–	27
Investments held for trading		153,346	106,832
Bank balances and cash		453,235	376,581
		3,107,739	2,528,533
Assets classified as held for sale		–	50,005
		3,107,739	2,578,538

		30th June, 2006	31st December, 2005
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
Current liabilities			
Trade and other payables	(8)	1,124,331	955,282
Sales deposits received		76,143	59,763
Amounts due to associates		101	101
Amounts due to jointly controlled entities		123,268	2,018
Amounts due to investees		77	–
Amounts due to minority shareholders		24,531	17,599
Provisions		23,478	23,478
Taxation liabilities		40,699	32,457
Derivative financial instruments		1,120	–
Liability for share based payment		7,000	6,000
Bank and other borrowings		359,440	334,501
		1,780,188	1,431,199
Net current assets		1,327,551	1,147,339
Total assets less current liabilities		3,337,475	3,235,459
Capital and reserves			
Share capital		250,242	250,242
Share premium and reserves		2,030,311	2,020,700
Equity attributable to equity holders of the Company		2,280,553	2,270,942
Minority interests		384,081	410,385
Total equity		2,664,634	2,681,327
Non-current liabilities			
Bank and other borrowings		495,252	378,893
Loan from a minority shareholder		2,490	2,366
Deferred tax liabilities		175,099	172,873
		672,841	554,132
		3,337,475	3,235,459

Notes:

1. Basis of Presentation

The unaudited condensed consolidated financial statements for six months ended 30th June, 2006 (the "Interim Financial Statements") are 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 Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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, 2005.

The presentation of analysis of expenses on the face of the condensed consolidated income statement has been changed to the function of the expenses method during the current period. Previously, expenses were classified and presented on the face of the condensed consolidated income statement based on the nature of expenses method, whereby expenses were classified according to their nature. In the opinion of the directors, the function of expenses method can provide a more relevant and appropriate analysis of expenses in the income statement to the financial statements users than the nature of expenses method. The expenses analysis of prior period is reclassified for comparative purposes.

2. Principal Accounting Policies

The Interim Financial Statements are prepared under the historical cost basis except for certain properties, financial assets and financial liabilities, which are measured at fair values/amortised costs 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, 2005 with the addition of certain standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") issued and became effective in the current period as described below.

2.1 Impact of new and revised HKFRS which are effective in the current financial period

In the current period, the Group has applied, for the first time, of the following new and revised standards and interpretations of HKFRS relevant to its operations which are effective for accounting periods beginning on or after 1st January, 2006:–

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above standards and interpretations does not result in significant changes in the Group's accounting policies and has no significant financial effect on the Interim Financial Statements.

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

The following are standards and interpretations relevant to the operations of the Group which are issued but not yet effective in the current financial period:

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments – Disclosures ¹
HK(IFRIC) – Int 8	Scope of HKFRS 2 ²
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ³

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st May, 2006

³ Effective for annual periods beginning on or after 1st June, 2006

The Group had not early adopted the above standards and interpretations. The directors anticipate that the adoption of the above standards and interpretations will not result in significant changes in accounting policies of the Group or have significant financial impact on the Group's financial statements in the period of initial application.

3. Revenue and segment information

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

	Revenue Six months ended 30th June,		Contribution to operating profit/(loss) Six months ended 30th June,	
	2006	2005 (Restated)	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
– Manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and EMS business	712,567	688,437	40,886	49,200
– Manufacturing and trading of electric cables	15,863	15,700	3,167	2,243
– Leasing of properties	36,780	30,814	42,050	41,067
– Property investment and development	7,320	–	(4,174)	(4)
– Taxi rental operation	8,088	7,354	7,344	6,746
– Trading of securities	–	–	15,021	(4,661)
– Development and trading of computer hardware and software	8,871	3,270	(24,814)	(34,640)
– Direct investment	–	–	(2,209)	(1,539)
	789,489	745,575	77,271	58,412
Discontinued operations:				
– Manufacturing and trading of steel pipes	–	17,431	–	175
	789,489	763,006	77,271	58,587
Unallocated corporate expenses, net of unallocated corporate income (excluding interest income)			(22,519)	(16,598)
Interest income			15,862	22,347
Finance costs			(18,336)	(7,131)
Share of results of associates			20,528	23,297
Share of results of jointly controlled entities			(48,000)	–
Excess of interest in identifiable net assets of a jointly controlled entity acquired			1,559	–
Profit before income tax			26,365	80,502
Income tax expense			(11,755)	(2,605)
Profit for the period			14,610	77,897

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

The Group’s revenue from the continuing and discontinued operations analysed by geographical market is as follows:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30th June, 2006	2005 (Restated) HK\$'000	Six months ended 30th June, 2006	2005 (Restated) HK\$'000	Six months ended 30th June, 2006	2005 (Restated) HK\$'000
Hong Kong	10,823	8,149	–	–	10,823	8,149
People’s Republic of China, except Hong Kong (“PRC”)	220,206	212,951	–	17,431	220,206	230,382
North America	418,965	391,666	–	–	418,965	391,666
Europe	52,940	59,129	–	–	52,940	59,129
Asia, other than Hong Kong and PRC	34,033	35,422	–	–	34,033	35,422
Others	52,522	38,258	–	–	52,522	38,258
	789,489	745,575	–	17,431	789,489	763,006

4.	Operating Profit					
				Six months ended 30th June, 2006	2005	
				HK\$'000	HK\$'000	
	Operating profit is arrived at after charging:					
	Depreciation of property, plant and equipment			7,379	8,262	
	Amortisation			2,148	271	
5.	Income Tax Expense					
				Six months ended 30th June, 2006	2005	
				HK\$'000	HK\$'000	
	Continuing operations:					
	Current tax:					
	Hong Kong			4,041	3,652	
	PRC			10	–	
	Deferred taxation			2,202	(1,047)	
				6,253	2,605	
	Under provision in prior years:					
	Hong Kong			5,502	–	
	Income tax expense attributable to continuing operations			11,755	2,605	

There was no income tax expense attributable to discontinued operations for the six months ended 30th June, 2006 and 2005.

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30th June, 2005: 17.5%) of the estimated assessable profit for the period. Income tax arising from other regions in the PRC is calculated at 15%-33% of the estimated assessable profit.

6. **Dividends**
- On 21st September, 2006, the directors declared an interim dividend of 4 cents (six months ended 30th June, 2005: 4 cents) per share, amounting to HK\$20,019,000 (six months ended 30th June, 2005: HK\$20,019,000), to be paid to the shareholders of the Company whose names appear in the Register of Members on 13th October, 2006.
- During the period, a dividend of 8 cents (six months ended 30th June, 2005: 7 cents) per share, amounting to HK\$40,039,000 (six months ended 30th June, 2005: HK\$31,352,000) was paid to shareholders as the final dividend for the immediate preceding financial year end.
7. **Earnings per share for profit attributable to equity holders of the Company**
- The calculation of the basic earnings per share for continuing and discontinued operations is based on the profit for the period attributable to the equity holders of the Company of HK\$41,980,000 (six months ended 30th June, 2005: HK\$79,219,000) and the weighted average number of ordinary shares of 500,485,000 (six months ended 30th June, 2005: 449,769,000) in issue during the period.
- The calculation of the basic earnings per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	Six months ended 30th June, 2006		2005	
	HK\$'000		HK\$'000	
Profit for the period from the continuing operations	14,610		77,705	
Results attributable to minority interests	27,370		124	
	41,980		77,829	

The denominators used are the same as those detailed above for basic earning per share for continuing and discontinued operations.

No diluted earnings per share has been presented as the options of the Company’s subsidiaries outstanding for the periods ended 30th June, 2006 and 30th June, 2005 were anti-dilutive to the Group’s earnings per share.

In respect of the option granted to a firm of financial advisors (the “Advisor”) on 25th April, 2005 which confers right to the Advisor to purchase shares of Tigerlily Overseas Limited, a subsidiary, the exercise of such option would have no dilutive effect to the Group’s earnings per share.

8. **Trade and Other Receivables/Trade and Other Payables**
- The aged analysis of trade receivables and trade payables as at balance sheet date are as follows:

	Trade Receivables		Trade Payables	
	30th June, 2006	31st December, 2005	30th June, 2006	31st December, 2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current	129,584	90,673	54,544	65,561
31-60 days	35,794	34,613	37,439	14,196
61-90 days	13,653	9,066	7,617	6,273
91-180 days	4,421	6,887	3,335	2,005
181-360 days	2,752	2,276	52,862	83,689
Over 360 days	1,279	1,153	115,953	104,254
	187,483	144,668	271,750	275,978

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

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of 4 cents per share (six months ended 30th June, 2005: 4 cents per share) in respect of the year 2006 to shareholders whose names appear on the Register of Members of the Company on 13th October, 2006. Warrants for the interim dividend will be posted on 18th October, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 11th October, 2006 to Friday, 13th October, 2006, both days inclusive, during which period no transfer of the Company’s shares will be effected. 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, Standard Registrars Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 10th October, 2006.

BUSINESS REVIEW

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

The Group’s ceiling fan business turnover was lower compared against the same period last year. Due to severe abrupt material price increases during the second quarter, production costs and margins were affected. The North America and Europe markets were the most impacted; the Middle East, Africa and Australian markets recorded turnover growth. The pressure is anticipated to ease off a little in the second half of the year with selling prices improved but material prices will continue to stay at high levels.

Turnover and profit contributions from the table fans business have increased compared to the same period last year; however with rising material prices continuing, orders in the second half of the year will be under pressure.

The vacuum cleaners division has secured new contract manufacturing projects in re-chargeable work lights and other power tools in addition to a new upright vacuum cleaner model. However, rising material costs continue to hurt our operating margins. Hopefully, the conditions will stop to deteriorate in the second half of 2006.

Optics and Imaging

This business unit has performed well in the first half of 2006. We expect new models of scanner heads and fusers will continue to boost revenue and profit growth in the second half of the year.

Electric Wire and Cable

The Group’s 98% owned Guangdong Macro Cable Company recorded profit growth during the period. The growth is mainly attributable to inventory realization in a rising material price market. A more difficult operating environment is expected in the remaining year while subdue demand caused by high material price levels in the market.

Taxi Operation

Guangzhou SMC Car Rental Company Ltd continues to contribute recurring cashflow to the Group from its 775 taxi licenses and operation. The Company has strengthened operation management amid new tightening regulatory measures imposed by the Guangzhou government authority. The company moved to a new and improved location to expand its taxi service handling capacity.

Real Estate Investment & Development

The Group continues to take advantage of strong market for high-end offices in Guangzhou and disposed a number of office units at Citic Plaza.

The long-term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental income.

For the office complex in Livermore, California, new and extension leases were signed and vacancy rate is expected to reduce to 5% by the end of 2006.

The Group owns a 20% interest in the Guangzhou Westin Hotel and Office Annex Development Project. The project includes a five-star hotel, office and retail facilities with total GFA of about 127,000 m². As of July of this year, the building structure and curtain wall constructions had substantially completed, the overall construction is progressing on schedules.

The indirect investment of 56% equity interest in China Everbright Real Estate Development Limited will not make any significant contribution in 2006 from its development project. The on-going projects in Beijing, Shanghai, Hefei and Guangzhou are progressing according to plan and are expected to contribute significant cashflow and profits in 2007. The company may also seek to reorganize one project in Guangzhou to effectuate smoother operation in that project. Two land bank development projects (1.3 million m²) in Hohhot and Guilin entered detailed planning and execution stage. These projects will contribute to both confirmed land bank reserve and long term profit stream in the future.

We are taking advantage of the recent slow down in real estate markets in China to acquire more new high quality projects in China. Technology Investment Projects

Internet Automatic Migration Software for Enterprises

During the first half of the year, Appeon Corporation’s revenue increased slightly compared with the same period of last year. The company continues to gain momentum on the execution of the four stack value added solution service strategy as well as the introduction of another new version of Power Builder migration platform, APB5.0. The company expects to see faster product

license revenue growth in the second half of the year due to the introduction of APB 5.0. In addition to making progress on the service strategy, we are on target to introduce the APB. NET product and the AJE (Java) service platform later this year. The company has added additional staff in North America and has increased the number of new accounts as well as signed several long-term MSA (multi-year maintenance and support agreement) with strategic ISV customers.

Super Blade Computing System

During the first half of 2006, in addition to the supercomputing blade product series, Galactic has continued its R&D efforts and released its mid-range computer server product series and an up to 12 Terabytes 3U storage system based on 10Gb Infiniband high speed networking technology. The company shall start to develop a new generation of supercomputing blade product series to cope with multi-core computing processors and higher speed networking technology. A newly developed storage virtualization software system shall be released in the third quarter of 2006. With the extended product offerings and business-oriented management, for the first half of 2006, the company has achieved considerable growth in product revenue comparing to revenue generated from the whole year of 2005. The group expects healthy growth and target to break even by the end of 2006.

System Integration and Software Development

The Group’s 26.66% owned MDCL-Frontline (China) Limited has its low end hardware trading business continued to develop and is aggressively expanding its distribution network. Its enterprise maintenance services business also maintained steady growth. The company maintained profitability in the first half of 2006 and its turnover has grown slightly.

Broadband Communication IC

Due to prolonged failure to secure new capital funds, the company ran into unendurable insolvency condition and its operation closed down this year. The Group is the biggest secured creditor to Broadband Physics and is considering actions to claim the rights to its assets, including its patents and technology portfolio.

Electronic Integrated Rectifier Chips

The sales and operating team in Taiwan has gradually developed the sales network for the SBR integrated rectifier product line. We expect sales will be ramped up in the second half of 2006. However, this business will not break even until year 2007 after the 300V to 600V more distinctive and higher margin devices are ready for the market.

Financial Investment

For the six months ended 30th June 2006, the world’s major stock markets had a weighted average rise of about 5%. The Group’s financial investment activities recorded profit of approximately HK\$15,021,000 and the market value of the Group’s financial investment holdings amounted to HK\$153,343,000.

FINANCIAL REVIEW

Revenue and Operating Results

For the period ended 30th June, 2006 the Group recorded a revenue from continuing operations of HK\$789,489,000 representing an increase of HK\$43,914,000 or 5.9% over HK\$745,575,000 in the same period last year. The increase in the revenue mainly stemmed from the business of property development in the PRC acquired around the end of June 2005 and increase in sales of vacuum cleaners. Profit attributable to equity holders for the period ended 30th June, 2006 dwindled to HK\$41,980,000 from HK\$79,219,000 for the same period in 2005 as a result of (i) the effect of provision for loss resulting from loan and guarantee granted to certain related parties by a jointly controlled entity together with (ii) higher production costs of ceiling fans following the upsurge of costs of raw materials, partly offset by (iii) profits from investment in securities.

Financial Resources and Liquidity

With a view to achieving a strong and sustainable financial performance, the Group continued to maintain its financial resources in a healthy state and consistently sustained a stable liquidity position throughout the period under review. In addition, there was no material change in the timing orders were secured which might give rise to volatility of the sales.

A secured commercial loan of HK\$140,000,000 advanced to an independent third party in 2004 was fully repaid in August of 2006. During the period under review, the Group obtained a bank loan amounting to Rmb120,000,000 to finance its property development project in the PRC.

Most of the banking facilities of the Group were subject to floating interest rates. Other than the U.S. and P.R.C. term loans of approximately US\$14,270,000 and RMB300,000,000 respectively which were secured by certain assets of the Group located in the United States and Mainland China respectively, all banking facilities of the Group have been arranged on short-term basis.

Apart from the above, there were no material changes to the Group’s available banking facilities since 31st December, 2005.

Foreign Exchange Exposure

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

Gearing Ratio

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 30th June, 2006, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash to equity attributable to equity holders of the Company, of 15.44% (31st December, 2005: 12.67%). During the period under review, the Group obtained a bank loan amounting to Rmb120,000,000 to finance a property development project in the P.R.C. As a result, both the total bank borrowings net of cash and the Group’s gearing ratio went up considerably.

Significant Acquisitions and Disposals

In August 2006, the Group entered into certain agreements with certain independent third parties to purchase 51% equity interest in Beijing Zhong Shun Chao Ke Property Development Company (“Zhong Shun”) with total cash consideration of Rmb229,050,000 and provide a financial assistance in the amount of Rmb10,000,000 to Zhong Shun for its general working capital. Zhong Shun is the holder of the right to develop a piece of land located in Beijing into a residential and commercial building/complex.

In September 2006, the Group entered into a letter of intent in relation to a proposed disposal of its 20% interest in a property project in Guangzhou, the PRC, comprising a five-star “Westin” hotel in one tower, an office tower and a shopping mall covering a total gross floor area of about 127,000 sq.m. The consideration is preliminarily estimated to be HK\$176 million.

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

Capital Commitments and Contingent Liabilities

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

Capital Expenditure and Charges on Assets

The Group had a total capital expenditure amounting to HK\$10,213,000 during the period under review.

Based on certain real estate in Mainland China, the Group secured a mortgage loan of RMB120,000,000 from a P.R.C. bank 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, 2006 compared to the position as at 31st December, 2005.

Employees

As at 30th June, 2006, the Group has approximately 2,060 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

The Group’s co-operative joint venture companies in Mainland China continued to provide employment to approximately 3,700 people.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions of Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the accounting period for the six months ended 30th June, 2006, except for the following deviations:–

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

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

Regrettably, subsequent to 30 June 2006, the Group underwent a deviation from code provision D.1.1. Under the code provision D. 1.1, management should report back and obtain prior approval from the board of the Company before making decisions or entering into any commitments on behalf of the Company whenever notifiable and/or connected transactions are involved. On 3rd August, 2006, an indirectly owned subsidiary of the Company entered into certain agreements with certain independent third parties to purchase in aggregate 51% equity interest in Beijing Zhong Shun Chao Ke Property Development Company (“Zhong Shun”) for a total consideration of RMB229,050,000 and to provide a financial assistance for RMB10,000,000 to Zhong Shun for its general working capital (the “Acquisition”). The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. Due to delays in the communication between the Group’s staff in the P.R.C. and in Hong Kong, the Company is unable, up to this moment, to gather and to ascertain certain required information before it can publish a separate announcement. The Company’s board of directors, however, has ratified on 21st September, 2006 the transactions contemplated under the Acquisition.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the management and the auditors of the company the accounting principles and practices adopted by the Group and discussed the unaudited Interim Financial Statements for the six months ended 30th June, 2006.

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

The 2006 interim report containing all the information in respect of the Group required by the Listing Rules will be dispatched to shareholders and published on the web site of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) in due course.

CHANGE OF OFFICIAL DESIGNATION

Mr. Billy K Yung, the Group’s Chairman and Managing Director decided to change his official designation as “Group Chairman and Chief Executive” with immediate effect and confirmed that no change in his duties would take place.

By Order of the Board
BILLY K YUNG
Chairman

Hong Kong, 21st September, 2006

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. Plato POON Chak Sang as executive directors, Mr. Simon YUNG Kwok Choi as non-executive director and Dr. Leo Tung-Hai LEE, Mr. Shiu-Kit NGAI, Mr. WONG Chung On, Peter and Mr. Peter LAM as independent non-executive directors.