



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: 81)

DISCLOSEABLE TRANSACTION ACQUISITION OF SHARES IN YUE TIAN DEVELOPMENT LIMITED GENERAL DISCLOSURE UNDER RULE 13.13 OF THE LISTING RULES

The Board announces that on 7 January 2005, the Purchasers, being Allright Investments, an indirect wholly-owned subsidiary of the Company, Red Empire and Wise Gain, the Vendor and the Warrantor entered into the Acquisition Agreement, pursuant to which the Purchasers have agreed to acquire a total of 75% of the issued share capital of Yue Tian from the Vendor. The Sale Shares to be acquired by Allright Investments represent 20% of the issued share capital of Yue Tian and the Consideration payable by Allright Investments for the Sale Shares shall be HK\$3,814,400 which will be satisfied entirely in cash.

Simultaneously with the execution of the Acquisition Agreement, Allright Investments and Yue Tian have entered into the Loan Agreement, pursuant to which Allright Investments has agreed to advance the Loan in the sum of HK\$60 million to Yue Tian.

Particulars of the Acquisition Agreement and the Loan Agreement are respectively set out in the paragraphs headed "Acquisition Agreement" and "Loan Agreement" of this announcement.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and the Loan constitutes an advance to an entity which exceeds 8% of the market capitalisation of the Company in accordance with Rule 13.13 of the Listing Rules. Accordingly, the Acquisition and the Loan are subject to the disclosure requirements under the Listing Rules. A circular containing further information on the Acquisition and other relevant information will be despatched to the Shareholders for their information as soon as possible.

ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are as follows:

Date

7 January 2005

Parties

Vendor: Poly Tianyu (Guangzhou) Limited

Purchasers: (1) Red Empire
(2) Wise Gain
(3) Allright Investments, an indirect wholly-owned subsidiary of the Company

Warrantor: Mr Yu Pan

The Vendor is a company incorporated in Hong Kong and its principal business is investment holding. A fellow subsidiary and an associated company of the Vendor are the joint venture partners of two associated companies of the Group, namely China Dynasty Development Ltd and Hong Kong Construction SMC Development Limited. Save as disclosed herein and to the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the Vendor, the Warrantor, Red Empire and Wise Gain, together with (where applicable) their respective ultimate beneficial owners, and their respective associates are third parties independent of the Group and connected persons of the Company.

Assets to be acquired

Subject to the terms and conditions of the Acquisition Agreement, the Purchasers will acquire a total of 75% of the issued share capital of Yue Tian. The Sale Shares to be acquired by Allright Investments represent 20% of the issued share capital of Yue Tian. The remaining 25% of the existing issued share capital of Yue Tian is owned by Wise Gain. Yue Tian has in turn invested in the PRC Joint Venture.

Consideration

The Consideration payable by Allright Investments for the Sale Shares shall be HK\$3,814,400. The Consideration will be satisfied entirely in cash, out of which a deposit of 50% ("Deposit") shall be paid by Allright Investments within one Business Day upon signing of the Acquisition Agreement, and the remaining balance of 50% is payable on Completion to the Vendor.

The Consideration was determined by reference to the investment costs incurred by the Vendor in Yue Tian Group to date. The Consideration and the terms and conditions of the Acquisition Agreement have been negotiated by the parties on an arm's length basis.

Conditions precedent

Completion is conditional on the followings having taken place:

- the Purchasers and the Warrantor having entered into a shareholders' agreement ("Shareholders' Agreement") which will take effect on Completion;
- completion by the Purchasers of the legal and financial due diligence review and each of the Purchasers being reasonably satisfied (i) with the business, assets, financial position and prospects of Yue Tian Group in all respects; and (ii) that there has been no material adverse change in the business, assets and financial position of the respective members of Yue Tian Group between the date of the Acquisition Agreement and Completion;
- the Purchasers being reasonably satisfied that all warranties contained in the Acquisition Agreement having remained true and correct as at the Completion Date;
- the obtaining by the Purchasers of all necessary consents, authorisations or other approvals (or, as the case may be, the relevant waiver) of any kind in connection with the entering into and performance of the terms of the Acquisition Agreement which may be required under the Listing Rules from the Stock Exchange or any regulatory authority; and
- the delivery of a disclosure letter by the Vendor to the Purchaser.

If any of the conditions precedent is not fulfilled or waived on or before 30 January 2005 (or on such other date as shall be extended by agreement between the parties to the Acquisition Agreement) ("Longstop Date"), the Acquisition Agreement will be terminated and have no effect whereupon the Deposit together with an interest at a rate of 3% per annum shall be refunded to the Purchasers within three Business Days after such termination and neither party shall then have any liability under the Acquisition Agreement (except provisions concerning confidentiality, costs and related matters). Notwithstanding the aforesaid, if any of the Purchasers shall elect not to proceed to Completion, the other Purchasers shall be entitled to (but not obliged to) proceed to Completion in accordance with the terms of the Acquisition Agreement.

Completion

Subject to the fulfilment or waiver (as the case may be) of the conditions precedent as set out above, Completion will take place on or before the third Business Day after the Longstop Date.

LOAN AGREEMENT

Simultaneously with the execution of the Acquisition Agreement, Allright Investments and Yue Tian have entered into the Loan Agreement, pursuant to which Allright Investments has agreed to advance the Loan in the sum of HK\$60 million to Yue Tian at an interest rate of 3% per annum. Upon Completion, the Loan will be converted into shareholders' loan owed by Yue Tian to Allright Investments. Allright Investments will, in its then capacity as a shareholder of Yue Tian, waive the repayment by Yue Tian of the interests accrued on the Loan. In the event that Completion does not take place, Yue Tian shall repay the Loan to the Purchasers together with the interest accrued thereon on the day on which the Acquisition Agreement is terminated in accordance with the terms thereof.

In accordance with Rule 13.13 of the Listing Rules, the Loan constitutes an advance to an entity which exceeds 8% of the market capitalisation of the Company.

INFORMATION ON YUE TIAN GROUP

Yue Tian is a limited liability company incorporated in Hong Kong on 2 March 1993. As at the date of this announcement, it is owned by the Vendor and Wise Gain as to 75% and 25% respectively. Immediately after Completion, Yue Tian will become a joint venture owned as to 51% by Red Empire, 29% by Wise Gain and 20% by Allright Investments.

The PRC Joint Venture is a sino-foreign cooperative joint venture established in the PRC on 26 September 2002, the registered capital of which is US\$5 million. Its business scope includes the development, construction, sale, leasing and management of self-constructed commercial buildings and ancillary facilities in accordance with the relevant government approval. Pursuant to a supplemental joint venture contract dated 3 January 2005 entered into between the PRC party to the PRC Joint Venture and Yue Tian and subject to the approval by the relevant governmental authority in the PRC, the PRC party to the PRC Joint Venture will be entitled to a fixed sum of RMB90 million (equivalent to approximately HK\$84,905,660) in return for its contribution to the development of the PRC Joint Venture. Upon payment of such amount, the entire revenue of the PRC Joint Venture will be retained by Yue Tian.

The PRC Joint Venture is in the process of acquiring a land located at Guangzhou, the PRC from the PRC party to the PRC Joint Venture for the construction, fitting out and furnishing of a five-star hotel and grade "A" office premises and shopping arcade adjoining the hotel ("Development Project").

As at the date of this announcement, the Purchasers estimate that the size of the Development Project will amount to approximately HK\$1.2 billion, of which 50% is expected to be financed by shareholders' equities or shareholders' loans and 50% to be financed by bank loans. On the basis of 20% interests in Yue Tian held by Allright Investments immediately after Completion and barring any unforeseen circumstances, the Directors expect that the shareholders' equities or shareholders' loans to be contributed by Allright Investments to the Development Project will be approximately HK\$120 million.

The audited net loss both before and after taxation of the PRC Joint Venture for the period from 1 January 2003 to 31 December 2003 was approximately RMB296,330 (equivalent to approximately HK\$279,557) based on the PRC generally accepted accounting principles. Based on the management accounts of the PRC Joint Venture for the 12 months ended 31 December 2004, the unaudited net loss and unaudited net asset value of the PRC Joint Venture were approximately RMB3,680,429 (equivalent to approximately HK\$3,472,103) and RMB28,882,994 (equivalent to approximately HK\$27,248,108) respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal business of the Group are the manufacturing and marketing of electrical household appliances and investments in property and high technology businesses.

The Group currently owns property investment portfolio in Tian He District, Guangzhou, the PRC. The Board is of the view that there is a positive prospect for property investment in that area. It is expected that the Development Project will contribute positively to the future development of the Group through the broadening of the property portfolio and the income base of the Group.

The Directors, including the independent non-executive Directors, consider that the terms and conditions of the Acquisition Agreement and the Loan Agreement are on normal commercial terms and are fair and reasonable as far as the Shareholders as a whole are concerned.

LISTING RULES IMPLICATION

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and the Loan constitutes an advance to an entity which exceeds 8% of the market capitalisation of the Company in accordance with Rule 13.13 of the Listing Rules. Accordingly, the Acquisition and the Loan are subject to the disclosure requirements under the Listing Rules. A circular containing further information on the Acquisition and other relevant information will be despatched to the Shareholders for their information as soon as possible.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares by Allright Investments from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 7 January 2005 entered into between the Purchasers, the Vendor and the Warrantor
“Allright Investments”	Allright Investments Limited, a company incorporated in Samoa and an indirect wholly-owned subsidiary of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day, excluding Saturday, on which banks are open for business in Hong Kong
“Company”	Shell Electric MFG. (Holdings) Company Limited (蜆壳電器工業(集團)有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares
“Completion Date”	the third Business Day after the Longstop Date
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Shares in the amount of HK\$3,814,400 payable by Allright Investments pursuant to the Acquisition Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan in the sum of HK\$60 million advanced by Allright Investments to Yue Tian pursuant to the Loan Agreement
“Loan Agreement”	the agreement dated 7 January 2005 entered into between Allright Investments and Yue Tian in connection with the Loan
“PRC”	the People’s Republic of China
“PRC Joint Venture”	廣州市城建天譽房地產開發有限公司 (Guangzhou Cheng Jian Tian Yue Real Estate Development Company Limited*), a sino-foreign cooperative joint venture owned by Yue Tian and an independent third party
“Purchasers”	collectively, Red Empire, Wise Gain and Allright Investments
“Red Empire”	Red Empire Limited, a company incorporated in British Virgin Islands
“Sale Shares”	14,400 shares of HK\$1.00 each in the share capital of Yue Tian to be acquired by Allright Investments pursuant to the Acquisition Agreement
“Share(s)”	ordinary share(s) of HK\$0.50 each in the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Poly Tianyu (Guangzhou) Limited, a company incorporated in Hong Kong
“Warrantor”	Mr Yu Pan
“Wise Gain”	Wise Gain Investment Limited, a company incorporated in British Virgin Islands
“Yue Tian”	Yue Tian Development Limited 越天發展有限公司, a limited liability company incorporated in Hong Kong on 2 March 1993, the entire issued share capital of which is owned as to 75% by the Vendor and 25% by Wise Gain prior to the Acquisition
“Yue Tian Group”	Yue Tian and the PRC Joint Venture
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the legal currency of the PRC
“%”	per cent

For the purpose of this announcement, conversion of RMB into HK dollars is calculated at the exchange rate of HK\$1.00 to RMB1.06.

By Order of the Board
Peter Lee Yip Wah
Secretary

Hong Kong, 10 January 2005

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

* For identification purpose only