

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF ALLRIGHT AND ASSIGNMENT OF THE SALE DEBT

The Board announces that on 2 March 2007, the Vendors (being SMC Property, a wholly-owned subsidiary of the Company, and CMIC) entered into the SP Agreement with the Purchaser pursuant to which, among other matters, SMC Property has conditionally agreed to sell and assign and the Purchaser has conditionally agreed to purchase the Sale Share (representing the entire issued share capital of Allright) and the Sale Debt at an aggregate consideration of HK\$177,301,667. Completion of the disposal of Allright by SMC Property and completion of the disposal of Red Empire by CMIC are inter-conditional to each other and shall take place simultaneously.

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules. Accordingly, the Disposal is subject to the disclosure requirements under the Listing Rules. A circular containing further information on the Disposal and other relevant information will be despatched to the Shareholders for their information as soon as possible.

DETAILS OF THE SP AGREEMENT IN RELATION TO THE SALE SHARE AND THE SALE DEBT

The principal terms and conditions of the SP Agreement in relation to the Sale Share and the Sale Debt are as follows:

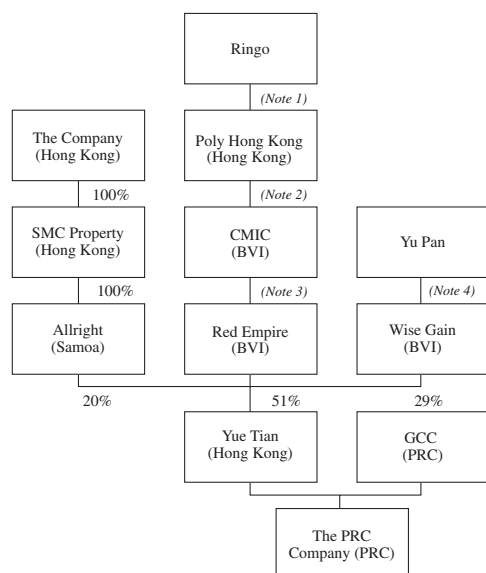
Date

2 March 2007

Parties

- CMIC, one of the Vendors.
- SMC Property, one of the Vendors. As at the date of this announcement, the entire issued share capital of Allright is held by SMC Property. SMC Property is a wholly-owned subsidiary of the Company and its principal activity is investment holding.
- The Purchaser.

To the best of the Directors' knowledge and information having made all reasonable enquiry, the shareholding structure of Yue Tian and the PRC Company as at the date of this announcement is as follows:



Notes:

To the best of the Directors' knowledge and information having made all reasonable enquiry:

- Ringo is a substantial shareholder of Poly Hong Kong and it is also a joint venture partner of two associated companies of the Group. Ringo is not a connected person of the Company;
- Poly Hong Kong is the holding company of CMIC;
- CMIC is the holder of the entire issued share capital of Red Empire. The principal activity of CMIC is investment holding. CMIC is not a connected person of the Company; and
- Wise Gain is owned by Mr. Yu Pan, who is an executive director, chairman and controlling shareholder of Skyfame. Skyfame is the holding company of the Purchaser. The principal activity of the Purchaser is investment holding.

Save as aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CMIC, together with its ultimate beneficial owners and their respective associates are third parties independent of the Group and connected persons of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser, together with its ultimate beneficial owners, and their respective associates are third parties independent of the Group and connected persons of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Wise Gain, together with its ultimate beneficial owners, and their respective associates are third parties independent of the Group and connected persons of the Company.

The Sale Share and the Sale Debt

Subject to the terms and conditions of the SP Agreement, SMC Property has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase, the Sale Share, representing the entire issued share capital of Allright, and the Sale Debt at an aggregate consideration of HK\$177,301,667.

Consideration

The Consideration shall be HK\$177,301,667, which shall be apportioned as follows:

- the consideration for the Sale Debt shall be the amount of the Sale Debt on a dollar for dollar basis; and
- the consideration for the Sale Share shall be the balance thereof.

The Consideration will be satisfied by means of telegraphic transfer or cashier's order issued by a bank licensed in Hong Kong or any other means to be agreed between SMC Property and the Purchaser in the following manner:

- an initial deposit of HK\$1,000,000 ("Initial Deposit") has been paid on the signing of the SP Agreement;

- a further deposit of HK\$2,540,000 ("Further Deposit") shall be paid on or before 31 March 2007; and

- the balance of the Consideration shall be paid on the Completion Date.

The Consideration was determined by reference to the market value of grade A office premises located in the area in close proximity to the Land last year and the unaudited consolidated net assets value of Yue Tian. The Group has not performed any valuation on the Project or the Land. The Consideration and the terms and conditions of the SP Agreement have been negotiated by the parties on an arm's length basis. It is currently intended that the whole amount of the Consideration will be settled in cash.

SMC Property shall within one month after the Completion Date deliver to the Purchaser the unaudited completion accounts of Allright ("Completion Accounts"). In the event that the balance of all liabilities (whether actual or contingent and excluding the Sale Debt and any debt disclosed by SMC Property to the Purchaser) of Allright as shown in the Completion Accounts exceeds that disclosed in the audited accounts of Allright as at the Accounts Date by HK\$1,000,000, the Consideration shall be reduced by an amount equal to such excess on a dollar for dollar basis.

Within three months after delivery of the Completion Accounts to the Purchaser, the Purchaser shall be entitled to, at the Purchaser's own cost, audit the Completion Accounts by instructing a firm of certified public accountants selected by the Purchaser and approved by SMC Property. In the event that the balance of all liabilities (whether actual or contingent and excluding the Sale Debt and any debt disclosed by SMC Property to the Purchaser) of Allright as shown in the audited version of the Completion Accounts is more than that shown in the Completion Accounts, SMC Property shall repay to the Purchaser an amount equal to such excess on a dollar for dollar basis.

Conditions Precedent

The Completion will be conditional, inter alia, on the following having taken place:

- the passing of the necessary resolutions by the shareholders (or if required, the independent shareholders) of Skyfame at a special general meeting of Skyfame approving the SP Agreement and the transactions contemplated thereunder, in compliance with the Listing Rules;
- the obtaining of all consents from other third parties which are necessary or desirable in connection with the execution and performance of the SP Agreement and the transfer of the Sale Share contemplated under the SP Agreement (including, if required, the relevant consent from Westin International Services Company under its management contract with the PRC Company);
- all obligation and liabilities of the Company or SMC Property in favour of the KW Bank pursuant to the Guarantee and Indemnity, the Loan Agreement, the Second Loan Agreement, the Share Charge, the Second Share Charge and other related security documents (if any) having been fully released and/or discharged;
- the Purchaser at its costs having obtained a legal opinion issued by a PRC firm of lawyers in respect of the PRC Company and its business (including the Development Project), the Land and Yue Tian's interest in the PRC Company, in such form and substance to the reasonable satisfaction of the Purchaser;
- the conditions for the CMIC Disposal having been fulfilled (or waived in accordance with the terms of the SP Agreement);
- the Purchaser and/or Skyfame having obtained sufficient financing for payment of the Consideration and the consideration for the CMIC Disposal on terms reasonably acceptable to the Purchaser and Skyfame.

There are also certain standard conditions precedent for the Disposal, including without limitation, no breach of representation and warranties, conducting of legal due diligence and no material adverse change.

Completion

Subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out above, Completion shall take place on 10 May 2007 or an earlier date as the Purchaser may by not less than 3 days notice informing the Vendors after the conditions precedent have been fulfilled (or where applicable, waived) or such other date as the parties may agree in writing and is inter-conditional with CMIC Completion.

If any of the Vendors or the Purchaser fails to comply with any of its obligations under the SP Agreement in relation to Completion and the CMIC Completion, the party not in default may by notice:

- defer Completion to a date at its sole discretion but in any event not later than 31 May 2007. In the event the party in default is the Purchaser, the Purchaser shall pay an interest accrued on the total amount of the Consideration from the original Completion Date up to and including the actual Completion Date at the rate of 1% per month; or
- proceed to Completion and CMIC Completion so far as practicable; or
- rescind the SP Agreement. In the event the party in default is any of the Vendors, the Vendors shall forthwith refund to the Purchaser all the monies paid by the Purchaser to the Vendors without interest. In the event the party in default is the Purchaser, inter alia, the Initial Deposit and the Further Deposit shall be forfeited by SMC Property.

CMIC Disposal

Subject to the terms and conditions of the SP Agreement, CMIC has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of Red Empire and the debt owed by Red Empire to CMIC at an aggregate consideration of HK\$452,147,600. The principal conditions precedent for completion of the CMIC Disposal are substantially the same as the conditions precedent for Completion.

INFORMATION ON ALLRIGHT, YUE TIAN AND THE PRC COMPANY

Allright is a limited liability company incorporated in Samoa on 23 November 2004. As at the date of this announcement, it is a wholly-owned subsidiary of SMC Property. Immediately after Completion, the Purchaser will own the entire issued share capital of Allright. Allright is an investment holding company and apart from its 20% shareholding in Yue Tian, Allright does not have any investment in other entities.

The consolidated unaudited net loss both before and after taxation and extraordinary items of Allright for the period from 23 November 2004 to 31 December 2005 were approximately HK\$534,000 based on the Hong Kong generally accepted accounting principles. The consolidated unaudited net loss both before and after taxation and extraordinary items of Allright for the period from 1 January 2006 to 31 December 2006 were approximately HK\$4,961,000 based on the Hong Kong generally accepted accounting principles. As at 31 December 2006, the value of the net liabilities of Allright was approximately HK\$3,032,000. As at the same date, the loan due from Allright to its shareholder was the same as the amount of the Sale Debt. The major assets of Allright is its investment in Yue Tian and its major liabilities is the loan due to its shareholder.

Yue Tian is a limited liability company incorporated in Hong Kong on 2 March 1993. As at the date of this announcement, it is held as to 51% by Red Empire, 29% by Wise Gain and 20% by Allright. The Company accounts for its investment in Yue Tian as an associated company. Apart from its equity holding in the PRC Company, Yue Tian does not have any investment in other entities.

The PRC Company is a sino-foreign cooperative joint venture enterprise established by Yue Tian and GCC on 26 September 2002 in the PRC with a registered capital of US\$45 million (of which US\$27.5 million has been fully paid up) and has a term of operation for 16 years. Yue Tian would be responsible for paying up the remaining registered capital. According to the terms of the sino-foreign cooperative joint venture agreement entered into between the parties, Yue Tian has paid RMB90 million to GCC as cash compensation and GCC is no longer entitled to the future profits generated by the PRC Company. The entire results of the PRC Company are consolidated into the accounts of Yue Tian.

The Development Project is a commercial development project principally comprises the development and construction on the Land a five-star hotel tower, namely the Westin, Guangzhou and a grade A office premises and shopping arcades. As at the date of this announcement, the superstructure wall of the Development Project was completed and glass walls, mechanical engineering facilities installation and internal decoration are underway and are at their final stage close to completion. The hotel will be managed and operated by Westin International Services Company. It is expected that the grand opening for the hotel will take place, and the office tower will be available for lease in the second half of 2007.

The consolidated audited loss both before and after taxation and extraordinary items of Yue Tian for the year from 1 January 2005 to 31 December 2005 were HK\$9.8 million based on the Hong Kong generally accepted accounting principles. The consolidated unaudited loss both before and after taxation and extraordinary items of Yue Tian for the year from 1 January 2006 to 31 December 2006 were approximately HK\$24 million based on the Hong Kong generally accepted accounting principles. As at 31 December 2006, the net asset value of Yue Tian was approximately HK\$364 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

The Disposal readily generates an attractive return for the Group and will enable it to obtain immediate cash inflow. As a result of the Disposal, the Group is expected to record an unaudited estimated gain on disposal of approximately HK\$55,644,000, being the difference between the Consideration and the loan due from Allright to SMC Property, minus the consolidated net liabilities of Allright. The sale proceeds from the Disposal will be applied as the Group's additional general working capital and funding for other development projects. The Directors, including the independent non-executive Directors, consider that the terms and conditions of the SP Agreement are on normal commercial terms and are fair and reasonable as far as the Shareholders as a whole are concerned and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATION

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules. Accordingly, the Disposal is subject to the disclosure requirements under the Listing Rules. A circular containing further information on the Disposal 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:

| | |
|-----------------------|---|
| "Accounts Date" | 31 December 2006 |
| "Allright" | Allright Investments Limited, a company incorporated in Samoa and an indirect wholly-owned subsidiary of the Company as at the date of this announcement |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Board" | the board of Directors |
| "Business Day" | a day (excluding Saturday, public holiday and any day on which no.8 signal or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon during a typhoon or on which a black rainstorm warning is issued or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which banks are open for business in Hong Kong |
| "CMIC" | CMIC Property (China) Limited, a company incorporated in the British Virgin Islands |
| "CMIC Completion" | the completion of the CMIC Disposal |
| "CMIC Disposal" | the proposed disposal of the entire issued share capital of Red Empire and the relevant shareholder's loan by CMIC to the Purchaser pursuant to the SP Agreement |
| "Company" | Shell Electric Mfg. (Holdings) Company Limited (壳壳電器工業(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 Share and the Sale Debt in accordance with the terms of the SP Agreement |
| "Completion Date" | 10 May 2007 or an earlier date as the Purchaser may by not less than 3 days notice informing the Vendors after the Conditions have been fulfilled (or where applicable, waived) or such other date as the parties to the SP Agreement may agree in writing |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules |

| | |
|---------------------------|--|
| "Consideration" | the total consideration for the purchase of the Sale Share and the Sale Debt calculated in accordance with the terms of the SP Agreement |
| "Development Project" | the development on the Land by the construction, fitting out and furnishing of a five-star hotel and grade A office premises and shopping arcades thereon, which is referred as The Westin, Guangzhou and Office Annex Development Project |
| "Directors" | the directors of the Company |
| "Disposal" | the proposed disposal of the Sale Share and the Sale Debt by SMC Property to the Purchaser pursuant to the SP Agreement |
| "GCC" | Guangzhou City Construction & Development Holdings Company Limited, the PRC party of the PRC Company |
| "Group" | the Company and its subsidiaries |
| "Guarantee and Indemnity" | the guarantee and indemnity dated 8 December 2005 in respect of the Loan Agreement and entered into between (i) Poly Hong Kong, the Company and Mr. Yu Pan as guarantors, (ii) Yue Tian as subordinated lender, (iii) the PRC Company as borrower and (iv) the KW Bank as lender |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "KW Bank" | CITIC Ka Wah Bank Limited |
| "Land" | the piece of land located at 天河區林和東路以西、天河商旅7區 in the PRC having a site area of 7,672 square metres |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Loan Agreement" | the loan agreement dated 10 November 2005 and entered into between the PRC Company as borrower and the KW Bank as lender in respect of a HK\$400,000,000 loan facility |
| "Poly Hong Kong" | Poly (Hong Kong) Investments Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange, and the holding company of CMIC |
| "PRC" | the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan |
| "PRC Company" | 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 GCC |
| "Purchaser" | Great Elegant Investment Limited, a company incorporated in the British Virgin Islands |
| "Red Empire" | Red Empire Limited, a company incorporated in the British Virgin Islands |
| "Ringo" | Ringo Trading Limited, a company incorporated in Hong Kong with limited liability, a substantial shareholder of Poly Hong Kong |
| "Sale Debt" | HK\$124,689,718, being the total principal amount due from Allright to SMC Property as at 31 January 2007 |
| "Sale Share" | one ordinary share of US\$1.00 in the share capital of Allright, representing the entire issued share capital of Allright as at the date of this announcement |
| "Second Loan Agreement" | the loan agreement dated 19 December 2006 and entered into between Yue Tian as borrower and the KW Bank as lender in respect of a HK\$96,000,000 loan facility |
| "Second Share Charge" | the share charge incorporating subordination dated 19 December 2006 and entered into between (i) Wise Gain, Red Empire and Allright as shareholders, (ii) Yue Tian as borrower and (iii) the KW Bank as lender |
| "Share(s)" | ordinary share(s) of HK\$0.5 each in the Company |
| "Share Charge" | the share charge incorporating subordination dated 8 December 2005 and entered into between (i) Wise Gain, Red Empire and Allright as shareholders, (ii) Yue Tian as borrower and (iii) the KW Bank as lender |
| "Shareholder(s)" | holder(s) of Shares |
| "Skyfame" | Skyfame Realty (Holdings) Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange, and the holding company of the Purchaser |
| "SMC Property" | SMC Property Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |
| "SP Agreement" | the agreement dated 2 March 2007 entered into between the Vendors and the Purchaser in relation to, among other matters, the Disposal and the CMIC Disposal |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Vendors" | collectively, CMIC and SMC Property |
| "Wise Gain" | Wise Gain Investment Limited, a company incorporated in the British Virgin Islands |
| "Yue Tian" | Yue Tian Development Limited 越天發展有限公司, a company incorporated in Hong Kong, the entire issued share capital of which is owned as to 51% by Red Empire, 29% by Wise Gain and 20% by Allright as at the date of this announcement |
| "HK\$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "US\$" | United States dollars, the lawful currency of the United States of America |
| "%" | per cent |

By Order of the Board
Billy K. Yung
 Group Chairman and Chief Executive

Hong Kong, 8 March 2007

As at the date of this announcement, the Board comprises ten Directors, of which five are executive Directors, namely Mr. Billy K. YUNG, Madam YUNG HO Wun Ching, Mr. LEUNG Chun Wah, Mr. Plato Chak Sang POON and Mr. Eddie HURIP, one non-executive Director being Mr. Simon Kwok Choi YUNG and four independent non-executive Directors, namely Dr. Leo Tung-Hai LEE, Mr. Shiu-Kit NGAI, Mr. Peter Chung On WONG and Mr. Peter LAM.