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# 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

**DISPOSAL OF 50% REGISTERED CAPITAL IN 廣州市環博展覽有限公司  
(Guangzhou City Huan Bo Exhibition Company Limited\*)**

**AND**

**UNUSUAL PRICE AND VOLUME MOVEMENTS**

The Board wishes to announce that EB Real Estate entered into the Agreement with Guangzhou Yingyi and Guangzhou City Huan Bo Exhibition, pursuant to which (i) EB Real Estate disposed of 50% registered capital in Guangzhou City Huan Bo Exhibition to Guangzhou Yingyi at a consideration of RMB469 million (approximately HK\$473 million); (ii) Guangzhou City Huan Bo Exhibition agreed to repay the shareholder's loan of RMB76 million (approximately HK\$77 million) to EB Real Estate. The Agreement was subject to the result of an arbitration whereby the Civil Mediation Order (“民事調解書”) was authorised, approved and issued by Intermediate People's Court of Guangzhou, Guangdong Province (“廣東省廣州市中級人民法院”) on 30 April 2007. The Agreement was not legally binding prior to the issuance of the Civil Mediation Order and only became effective and legally binding on 30 April 2007. As soon as the Company received the Civil Mediation Order, the Board convened a meeting on 2 May 2007 to approve the Agreement and the transactions contemplated thereunder.

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, among other things, details of the Disposal will be despatched to the Shareholders as soon as practicable.

#### 1. INTRODUCTION

The Board wishes to announce that on 24 April 2007, EB Real Estate entered into the Agreement with Guangzhou Yingyi and Guangzhou City Huan Bo Exhibition. The Agreement was subject to the result of an arbitration whereby the Civil Mediation Order (“民事調解書”) was authorised, approved and issued by Intermediate People's Court of Guangzhou, Guangdong Province (“廣東省廣州市中級人民法院”) on 30 April 2007. The Agreement was not legally binding prior to the issuance of the Civil Mediation Order and only became effective and legally binding on 30 April 2007. As the Board was aware of the arbitration and in order to facilitate the arbitration, the Board authorised the signing of the Agreement subject to the final outcome of the arbitration. As soon as the Company received the Civil Mediation Order, the Board convened a meeting on 2 May 2007 to approve the Agreement and the transactions contemplated thereunder.

#### 2. THE AGREEMENT

Summarised below are the principal terms of the Agreement.

##### 2.1 Date

24 April 2007

##### 2.2 Parties

Vendor: EB Real Estate, a company incorporated in the PRC with limited liability on 22 November 1985 with a registered capital of RMB133 million. It is principally engaged in property development and property management.

Purchaser: Guangzhou Yingyi, an investment holding company. It is currently interested in 50% in Guangzhou City Huan Bo Exhibition. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than its interest in Guangzhou City Huan Bo Exhibition, Guangzhou Yingyi and its ultimate beneficial owner(s) are Independent Third Parties.

### 2.3 Subject of the Disposal

The 50% interest in Guangzhou City Huan Bo Exhibition.

Guangzhou City Huan Bo Exhibition, is a company incorporated in the PRC with limited liability on 16 August 2002 with a registered capital of RMB50 million. It is principally engaged in property development and provision of exhibitions related services. As at the date of this announcement, Guangzhou City Huan Bo Exhibition has not commenced any business.

Immediately prior to the completion of the Disposal, the shareholders of Guangzhou City Huan Bo Exhibition comprise of EB Real Estate holding 50% registered capital in this company and Guangzhou Yingyi holding 50% registered capital in this company.

According to the unaudited consolidated financial information of Guangzhou City Huan Bo Exhibition for the two years ended 31 December 2006 (prepared in accordance with Hong Kong Financial Reporting Standards), it has recorded a net loss (before and after taxation) of approximately RMB6.6 million and RMB46.5 million respectively. As at 31 December 2005 and 2006, the unaudited net assets (liabilities) of Guangzhou City Huan Bo Exhibition was approximately RMB39.7 million and (RMB6.9 million) respectively. During the period mentioned above, Guangzhou City Huan Bo Exhibition has not generated any revenue and gross profit/(loss) but has incurred other operating expenses which resulted in net losses. Guangzhou City Huan Bo Exhibition is accounted for in the consolidated financial statements of the Company under the equity method of accounting as an investment in a jointly controlled entity.

According to Guangzhou City Huan Bo Exhibition, its sole asset is a project under development with a registered site area of approximately 92,499 square metres located at Pazhou Island, Haizhu District, Guangzhou, the PRC. The property is proposed to be developed into 2 wings, namely east wing and west wing. The east wing will comprise two 15-storey office towers erected on a 4-storey commercial/exhibition hall podium. The west wing will comprise a 4-storey commercial/exhibition halls.

### 2.4 Consideration and settlement method

Pursuant to the Agreement based on the result of the Civil Mediation Order, EB Real Estate agreed to dispose of 50% registered capital in Guangzhou City Huan Bo Exhibition to Guangzhou Yingyi at a consideration of RMB469 million (approximately HK\$473 million); and Guangzhou City Huan Bo Exhibition agreed to repay the shareholder's loan of RMB76 million (approximately HK\$77 million) to EB Real Estate. The consideration was negotiated among the parties on arm's length basis as a result of the arbitration. The consideration was made with reference to adjusted net asset value of Guangzhou City Huan Bo Exhibition after taking into account, amongst other things, the independent valuation based on open market approach prepared by Knight Frank Petty Limited of the underlying property assets of Guangzhou City Huan Bo Exhibition which carried a market value of approximately RMB2,290 million as at 31 December 2006 less any related liabilities of approximately RMB1,378 million incurred by such property assets.

Guangzhou Yingyi must pay the first installment of RMB444 million (approximately HK\$448 million) to EB Real Estate within 50 working days from the effective date of the Civil Mediation Order and the remaining balance of RMB25 million (approximately HK\$25 million) by January 2008.

Guangzhou City Huan Bo Exhibition must repay the shareholder's loan of RMB76 million (approximately HK\$77 million) to EB Real Estate within 50 working days from the effective date of the Civil Mediation Order.

In the event that Guangzhou City Huan Bo Exhibition is unable to repay the shareholder's loan or Guangzhou Yingyi fails to pay the abovementioned first installment by the end of the timeframe as mentioned above, EB Real Estate agreed to grant an extension of an additional 25 working days with an additional RMB50 million payable by Guangzhou Yingyi.

In the event that Guangzhou Yingyi is still unable to pay EB Real Estate after the extended deadline, EB Real Estate may choose (but not obliged) to settle by one of the following options:

- i) Guangzhou City Huan Bo Exhibition transfers to EB Real Estate the whole first and second floors, seventeen and eighteen floors of 琶洲國際採購中心東塔 (Pazhou International Sourcing Centre (East Wing)\*) with a total construction area of 31,000 square metres; or
- ii) EB Real Estate has the right to terminate the Agreement and acquire all the shareholding interest and shareholder's loan in Guangzhou City Huan Bo Exhibition currently held and provided by Guangzhou Yingyi at an aggregate consideration of RMB520 million.

In the event that EB Real Estate is unable to transfer the 50% registered capital in Guangzhou City Huan Bo Exhibition to Guangzhou Yingyi due to any reason that EB Real Estate should be responsible for, EB Real Estate will pay RMB100 million to Guangzhou Yingyi.

Should the Company decide to exercise one of the options above in the event that Guangzhou Yingyi fails to pay EB Real Estate under the above circumstances, the Company will comply with the relevant requirements of the Listing Rules.

### 2.5 Completion

The Disposal is not subject to any conditions. Completion is expected to take place on or about January 2008.

### 3. REASONS FOR AND BENEFITS OF THE DISPOSAL, AND USE OF PROCEEDS

The Group is principally engaged (i) in the manufacturing and marketing of electric fans, vacuum cleaners, electric cables and other electrical household appliances, (ii) in EMS (Electronic Manufacturing Services) business and (iii) property development and investment in the PRC. It also trades in securities, operates a taxi company and invests in technology companies.

Given that EB Real Estate had concerns over Guangzhou Yingyi's improper management behaviour for Guangzhou City Huan Bo Exhibition and in order to protect the Group's interest, EB Real Estate engaged in both negotiation and arbitration to settle the disputes. The successful outcome of the arbitration made the Directors believe that the Disposal is in the interests of the Company and the Shareholders as a whole and the terms of the Disposal, including the consideration receivable for the Disposal, are fair and reasonable and on normal commercial terms.

As a result of the Disposal, the estimated gain on Disposal attributable to equity holders of the Company will be approximately RMB36 million (approximately HK\$36 million) (subject to final audit of the Company). Such estimated gain on disposal is derived from deducting the unaudited net asset value attributable to the Disposal (after taking into account the fair value adjustments taken up by the Company) as at 31 December 2006 of HK\$307 million and the estimated related tax expenses from the consideration receivable from the Disposal.

The proceeds to be received from the Disposal will be applied by the Group as its general working capital.

### 4. GENERAL

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, among other things, details of the Disposal will be despatched to the Shareholders as soon as practicable.

### 5. UNUSUAL PRICE AND VOLUME MOVEMENTS

The Board has noted the increases in the price and the trading volume of the Shares as at the date of this announcement, save for the Disposal as detailed above, the Board is not aware of any reasons for such fluctuations.

The Board confirms that, save as disclosed above, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

### 6. DEFINITIONS

Unless the context otherwise require, the following expressions have the following meanings in this announcement:

“Agreement”	the sale and purchase agreement dated 24 April 2007 entered into by EB Real Estate, Guangzhou Yingyi and Guangzhou City Huan Bo Exhibition
“associate(s)”	has the meaning as ascribed in the Listing Rules
“Board”	the Board of Directors
“Company”	Shell Electric Mfg. (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the 50% registered capital in Guangzhou City Huan Bo Exhibition to Guangzhou Yingyi from EB Real Estate under the Agreement
“EB Real Estate”	中國光大房地產開發有限公司 (China EverBright Real Estate Development Limited), an indirect 70% owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guangzhou City Huan Bo Exhibition”	廣州市環博展覽有限公司 (Guangzhou City Huan Bo Exhibition Company Limited*), a company incorporated in the PRC with limited liability and as to 50% of the registered capital owned by EB Real Estate and as to 50% of the registered capital owned by Guangzhou Yingyi
“Guangzhou Yingyi”	廣州銀宜企業集團有限公司 (Guangzhou Yingyi Enterprises Group Limited*), a company incorporated in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with the Company and its subsidiaries and its connected persons or in the case of a corporation (the ultimate beneficial owner) their respective associates (“connected persons” and “associates” as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Shares(s)”	ordinary share(s), currently with par value of HK\$0.50 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*Amounts denominated in RMB in this announcement have been translated into HK\$ at a rate of RMB1.00=HK\$1.0092 for illustration purposes.*

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

Hong Kong, 9 May 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 POON Chak Sang and Mr. Eddie HURIP, one non-executive Director being Mr. Simon YUNG Kwok Choi and four independent non-executive Directors, namely Dr. Leo Tung-Hai LEE, Mr. Shiu-Kit NGAI, Mr. Peter WONG Chung On and Mr. Peter LAM.*

*\* For identification purpose only*

Please also refer to the published version of this announcement in The Standard.