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蜆壳電器工業(集團)有限公司

**SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

(Stock code: 00081)

## **DISCLOSEABLE TRANSACTION**

### **ACQUISITION OF 90% REGISTERED CAPITAL IN**

北京華世柏利房地產開發有限公司

**(BEIJING HUASHIBOLI PROPERTY DEVELOPMENT LIMITED\*)**

On 21 May 2007, Beijing EB Real Estate entered into the Co-operation Agreement with Beijing Century, pursuant to which (i) Beijing Century agreed to procure Beijing Bocheng to dispose of 50% equity interest in Beijing Huashiboli to Beijing EB Real Estate; and (ii) Beijing Century Longxing agreed to dispose of 20% equity interest in Beijing Huashiboli to Beijing EB Real Estate; and (iii) Beijing Century Longxing and Beijing Century Hengxin agreed to further dispose of each of its 10% equity interest in Beijing Huashiboli to Beijing EB Real Estate for a total consideration of RMB630 million (approximately HK\$643 million).

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

## **1. INTRODUCTION**

On 21 May 2007, 北京光大房地產開發有限公司(Beijing EB Real Estate Development Limited\*) entered into the Co-operation Agreement with 北京世紀隆興投資有限公司(Beijing Century Longxing Investment Limited\*) and 北京世紀恆信諮詢有限公司(Beijing Century Hengxin Consulting Limited\*). The Acquisition under the Co-operation Agreement consists of three stages, pursuant to which (i) Beijing Century agreed to procure 北京寶晟住房股份有限公司(Beijing Bocheng Property Limited\*), to dispose of 50% equity interest in Beijing Huashiboli to Beijing EB Real Estate; (ii) Beijing Century Longxing agreed to dispose of 20% equity interest in Beijing Huashiboli to Beijing EB Real Estate; and (iii) Beijing Century Longxing and Beijing Century Hengxin agreed to further dispose of each of its 10% equity interest in Beijing Huashiboli to Beijing EB Real Estate for a total consideration of RMB630 million (approximately HK\$643 million).

On 28 May 2007, the Board briefly discussed the possible acquisition of Beijing Huashiboli based on the internal feasibility study report whilst awaiting the submission of further information and documents from the subsidiary companies for the acquisition. It was only around late July 2007 when the Company received a signed copy of the Co-operation Agreement. The Company has been collating and ascertaining certain relevant

information for the purpose of complying with the disclosure requirements in respect of the Acquisition. Delays in the gathering of the relevant information from parties concerned, the time lags in communication between the Group's staff in China and in Hong Kong have caused the Company not to be in a position to make an informed announcement of the transaction contemplated under the Co-operation Agreement until such information are obtained. Based on such information, the transactions contemplated under the Co-operative Agreement was ratified by the Board on 15 August 2007.

## **2. THE CO-OPERATION AGREEMENT**

Summarised below are the principal terms of the Co-operation Agreement.

### **2.1 Date**

21 May 2007

### **2.2 Parties**

- (a) Beijing EB Real Estate
- (b) Beijing Century Longxing
- (c) Beijing Century Hengxin

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Beijing Century Longxing and Beijing Century Hengxin, Beijing Bocheng and their ultimate beneficial owner(s) are Independent Third Parties.

### **2.3 Subject of the Acquisition**

Beijing Huashiboli is a company incorporated in PRC with limited liability with registered capital of RMB50 million. It is principally engaged in property development business in PRC. Beijing Huashiboli has obtained the rights and is the sole developer to develop the properties in Shahe Town, Changping District, Beijing, the PRC with registered site area of approximately 545,462 square meters, of which 199,980 square meters is proposed to be developed for residential and commercial purposes (comprising 184,614 square meters for residential properties and 15,366 square meters for other auxiliary facilities).

Immediately prior to the completion of the Acquisition, the shareholders of Beijing Huashiboli comprise of Beijing Century Longxing holding 30% registered capital in this company, Beijing Century Hengxin holding 20% registered capital in this company and Beijing Bocheng holding 50% registered capital in this company.

According to the audited financial information of Beijing Huashiboli for the two years ended 31 December 2006, it has recorded a net loss (before and after taxation) of approximately RMB157,000 (approximately HK\$160,000) and RMB278,000 (approximately HK\$284,000) respectively. As at 31 December 2005 and 2006, the audited net assets of Beijing Huashiboli were approximately RMB44.4 million (approximately HK\$45.3 million) and RMB44.1 million (approximately HK\$45.0 million) respectively (prepared in accordance with PRC generally accepted accounting principles).

## 2.4 Consideration and settlement method

Pursuant to the Co-operation Agreement, Beijing EB Real Estate, after arm's length negotiation, agreed to acquire 90% of registered capital of Beijing Huashiboli at an aggregate consideration of RMB630 million, consisting of RMB83 million for the transfer of 90% registered capital of Beijing Huashiboli from the existing shareholders of Beijing Huashiboli and loan advance of RMB547 million to Beijing Huashiboli for the repayment of shareholders' loan from existing shareholders of Beijing Huashiboli and related compensation for the property development under Beijing Huashiboli.

The payment of RMB630 million has been/will be settled in two tranches, i.e. RMB420 million and RMB210 million. The aggregate consideration of RMB 630 million has been/ will be satisfied by the internal resources of the Company.

For the first tranche, of RMB420 million,

- i) Beijing EB Real Estate has deposited RMB292.62 million to 公証處 (“Legalisation Department”\*) on or before 24 May 2007;
- ii) Beijing EB Real Estate has deposited RMB110.40 million to the Legalisation Department on 28 May 2007; and
- iii) the remaining balance, will be settled, upon the completion of the transfer of the 70% equity interest in Beijing Huashiboli.

For the second tranche, of RMB210 million,

- i) upon completion of the transfer of 70% equity interest in Beijing Huashiboli as mentioned above, Beijing EB Real Estate must pay the remaining balance on a twelve months installment basis of RMB17.5 million per month; and
- ii) once the first RMB100 million is settled, 10% of the registered capital of Beijing Huashiboli will be transferred to Beijing EB Real Estate and the remaining 10% of the registered capital of Beijing Huashiboli will be transferred to Beijing EB Real Estate upon the settlement of the remaining balance of RMB110 million.

The consideration was made with reference to the estimate made by the management of Beijing EB Real Estate with regard to the recent market statistics and comparable market transactions as well as the future business potential of Beijing Huashiboli (i.e. the underlying value of the property assets of Beijing Huashiboli when it is completed).

## 2.5 Completion

The transfer of 70% registered capital in Beijing Huashiboli (i.e. 50% owned by Beijing Bocheng and 20% owned by Beijing Century Longxing) to Beijing EB Real Estate took place on 1 June 2007 (when the Business Administration Registration was filed). Accordingly, Beijing EB Real Estate becomes the holder of 70% registered capital in Beijing Huashiboli. Upon completion of the Acquisition, Beijing Huashiboli is treated as non-wholly owned subsidiary of the Group.

### 3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) the manufacturing and marketing of electric fans, vacuum cleaners, electric cables and other electrical household appliances, (ii) the EMS (Electronic Manufacturing Services) business and (iii) property development and investment in the PRC.

With the expected continuing growth of the economy of the PRC and the upcoming 2008 Beijing Olympics, the Directors are optimistic about the growth potential for the property market in Beijing. The Acquisition is in line with the Group's stated strategy and will further enhance the Group's interest in a portfolio of property development projects and the Directors are of the view that it is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

### 4. GENERAL

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

### 5. DEFINITIONS

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

“Acquisition”	the acquisition of the 90% registered capital in Beijing Huashiboli from Beijing Bocheng and Beijing Century to Beijing EB Real Estate under the Co-operation Agreement
“associate(s)”	has the meaning as ascribed in the Listing Rules
“Beijing Bocheng”	北京寶晟住房股份有限公司(Beijing Bocheng Property Limited*), a company incorporated in the PRC with limited liability, an Independent Third Party
“Beijing Century”	Beijing Century Hengxin and Beijing Century Longxing
“Beijing Century Hengxin”	北京世紀恆信諮詢有限公司(Beijing Century Hengxin Consulting Limited*), a company incorporated in the PRC with limited liability, an Independent Third Party
“Beijing Century Longxing”	北京世紀隆興投資有限公司(Beijing Century Longxing investment Limited*), a company incorporated in the PRC with limited liability, an Independent Third Party
“Beijing EB Real Estate”	北京光大房地產開發有限公司(Beijing Everbright Real Estate Development Limited*), an indirect 70% owned subsidiary of the Company

“Beijing Huashiboli”	北京華世柏利房地產開發有限公司 (Beijing Huashiboli Property Development Limited*), a company incorporated in the PRC with limited liability
“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
“Co-operation Agreement”	the co-operation agreement dated 21 May 2007 entered into by Beijing EB Real Estate and Beijing Century in relation to the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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\$1.0201 for illustration purposes.*

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

Hong Kong, 15 August 2007

*As at the date of this announcement, the Board comprises nine Directors, of which four are executive Directors, namely Mr. Billy K YUNG, Madam YUNG HO Wun Ching, Mr. LEUNG Chun Wah 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*