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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 70% REGISTERED CAPITAL IN
青島頤景房地產開發有限公司
(QINGDAO YIJING REAL ESTATE DEVELOPMENT LIMITED *)

On 2 August 2007, Beijing EB Real Estate entered into the Co-operation Agreement with Qingdao Chongjie and Mr. Wu Zu Hua, pursuant to which (i) Beijing EB Real Estate agreed to acquire and Qingdao Chongjie agreed to dispose of 70% equity interest in Qingdao Yijing for a total payment of RMB560 million comprising RMB7 million (approximately HK\$7 million) to Qingdao Chongjie and Beijing EB Real Estate agreed to provide shareholder's loans to Qingdao Yijing of RMB553 million (approximately HK\$572 million) for property development.

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 2 August 2007, 北京光大房地產開發有限公司 (Beijing Everbright Real Estate Development Limited*) entered into the Co-operation Agreement, which was effective and legally binding, with 青島崇杰集團有限公司 (Qingdao Chongjie Company Limited*) and Mr. Wu Zu Hua. Pursuant to the Co-operation Agreement, Beijing EB Real Estate agreed to acquire and Qingdao Chongjie agreed to dispose of 70% equity interest in Qingdao Yijing for a total payment of RMB560 million comprising RMB7 million (approximately HK\$7 million) to Qingdao Chongjie and Beijing EB Real Estate agreed to provide shareholder's loans to Qingdao Yijing of RMB553 million (approximately HK\$572 million) for property development.

It was only around mid August 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 24 August 2007.

* For identification purpose only

2. THE CO-OPERATION AGREEMENT

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

2.1 Date

2 August 2007

2.2 Parties

- (a) Beijing EB Real Estate
- (b) Qingdao Chongjie
- (c) Mr. Wu Zu Hua

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Qingdao Chongjie and their ultimate beneficial owner(s) and Mr. Wu Zu Hua are Independent Third Parties.

2.3 Subject of the Acquisition

Qingdao Yijing is a company incorporated in PRC with limited liability with registered capital of RMB10 million. It is principally engaged in property development business in PRC. In December 2003, Qingdao Yijing obtained the rights via open market auction for a total consideration of approximately RMB42.3 million, which had already been fully settled, to develop the properties in 466 Hong Kong East Road, Laoshan Region, Qingdao, the PRC (青島嶗山區香港東路466號) ("Laoshan Project"). At the date of this announcement, the land use right for the Laoshan Project has already been obtained by Qingdao Yijing.

Laoshan Project is mainly for residential and commercial purposes. The gross floor area of construction area in the Laoshan Project is estimated to be approximately 140,000 square meters of which approximately 100,000 square meters are intended for residential purpose. At the date of this announcement, the development for the Laoshan Project has not commenced yet.

At the date of this announcement, Qingdao Yijing has completed the development and sales in the 頤景園項目 ("Project Yijingyuan"*) and has submitted an application of reclamation, the proposed size ranges from 100,000 to 140,000 square meters, for setting up a five stars hotel and a yacht club ("Reclamation Project"). For the purposes of the Acquisition, given the Project Yijingyuan has been completed and the Reclamation Project is yet to commence, any future economic benefit to be derived from the Project Yijingyuan and the Reclamation Project will be solely attributable to Party A and Beijing EB Real Estate will not be responsible for any expenses/costs in relation the Reclamation Project. Save as disclosed herein, Qingdao Yijing currently does not own nor is in the process of developing any other projects.

Immediately prior to the completion of the Acquisition, the registered capital of Qingdao Yijing is owned as to 88% by Qingdao Chongjie and the remaining 12% owned by Mr. Wu Zu Hua.

Upon completion, the registered capital of Qingdao Yijing is owned as to 70% by Beijing EB Real Estate, 18% owned by Qingdao Chongjie and the remaining 12% owned by Mr. Wu Zu Hua.

According to audited financial information of Qingdao Yijing for two years ended 31 December 2006, it has recorded a net loss (before and after taxation) of approximately RMB104,000 (approximately HK\$107,000) and RMB141,000 (approximately HK\$146,000) respectively. As at 31 December 2005 and 2006, the audited net assets of Qingdao Yijing were approximately RMB52.1 million (approximately HK\$53.9 million) and RMB50.6 million (approximately HK\$52.3 million) respectively (prepared in accordance with PRC generally accepted accounting principles).

Upon Beijing EB Real Estate receives its return on its investment and the repayment of shareholder's loans from Qingdao Yijing, Beijing EB Real Estate agreed to dispose of its 70% interest in Qingdao Yijing to Party A.

Beijing EB Real Estate is entitled to receive its return on its investment on a pro rata basis based on its shareholding interest, i.e. 70%. The consideration for the disposal has not been determined at this stage.

Depending on the results of the relevant size tests and/or the requirements of the Listing Rules at the relevant time, such transaction may constitute another notification and/or connected transaction for the disposal of its 70% interest in Qingdao Yijing to Party A and the Company will comply with the relevant Listing Rules accordingly.

2.4 Consideration and settlement method

Pursuant to the Co-operation Agreement, Beijing EB Real Estate, after arm's length negotiation, agreed to acquire 70% of registered capital of Qingdao Yijing at an aggregate payment of RMB560 million comprising RMB7 million to Qingdao Chongjie and Beijing EB Real Estate agreed to provide shareholder's loans to Qingdao Yijing of RMB553 million for (i) the repayment of outstanding liabilities of Qingdao Yijing; and (ii) the Laoshan Project development under Qingdao Yijing.

The payments of RMB7 million and RMB553 million, i.e. the aggregate payment of RMB560 million, have been/will be settled in following multiple tranches and have been/will be satisfied by the internal resources of the Company.

Beijing EB Real Estate set up a jointly controlled bank account within three days from the date of the Co-operation Agreement.

After the Business Administration Registration is filed in respect of the aforesaid transfer on 7 August 2007, RMB7 million is released to Qingdao Chongjie as consideration and RMB193 million is released to Qingdao Yijing as shareholder's loan on 10 August 2007.

Within 75 days from the date of the Co-operation Agreement (in any event, no later than one month thereafter), Party A is responsible to obtain the necessary approval for the development of the Laoshan Project, the payment for the remaining balance of RMB360 million will be settled in the following manners:

- (i) within three working days after obtaining the 建設用地規劃許可證 (“Land use permit”*), Beijing EB Real Estate agrees to pay RMB200 million to Qingdao Yijing;
- (ii) within three working days after obtaining the 建設工程規劃許可證 (“Building permit”*), Beijing EB Real Estate agrees to pay RMB50 million to Qingdao Yijing;
- (iii) within three working days after obtaining the 施工許可證 (“Construction licence”*), Beijing EB Real Estate agrees to pay RMB50 million to Qingdao Yijing; and
- (iv) within three working days after obtaining the 預售許可證 (“Pre-sale licence”*), Beijing EB Real Estate agrees to pay RMB60 million to Qingdao Yijing.

The consideration was made by reference to the estimate of 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 Qingdao Yijing (i.e. the underlying value of the property assets of Qingdao Yijing when it is completed).

2.5 Completion

The transfer of 70% registered capital in Qingdao Yijing from Qingdao Chongjie to Beijing EB Real Estate took place on 7 August 2007 (when the Business Administration Registration was filed). Accordingly, Beijing EB Real Estate becomes the holder of 70% registered capital in Qingdao Yijing. Upon completion of the Acquisition, Qingdao Yijing 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) 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, the Directors are optimistic about the growth potential for the property market in the PRC. 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 which 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 70% registered capital in Qingdao Yijing from Qingdao Chongjie to Beijing EB Real Estate under the Co-operation Agreement
“associate(s)”	has the meaning as ascribed in the Listing Rules
“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
“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 2 August 2007 entered into by Beijing EB Real Estate and Qingdao Chongjie and Mr. Wu Zu Hua 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
“Party A”	Qingdao Chongjie and Mr. Wu Zu Hua
“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
“Qingdao Chongjie”	青島崇杰集團有限公司, (Qingdao Chongjie Company Limited*), a company incorporated in the PRC with limited liability, is principally engaged in property development and sale of properties, an Independent Third Party
“Qingdao Yijing”	青島頤景房地產開發有限公司, (Qingdao Yijing Real Estate Development Limited*), a company incorporated in the PRC with limited liability
“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\$1.034 for illustration purposes.

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

Hong Kong, 27 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.