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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)**

### **CONNECTED TRANSACTION GRANT OF OPTIONS TO CONNECTED PERSONS**

On 29 November 2007, the Grantor entered into the Option Deeds with the Grantees pursuant to which the Grantor has granted to the Grantees the Options exercisable during the Option Period to acquire such maximum percentage of Option Shares from the Grantor at the exercise price in accordance with the provisions of the Option Deeds.

Out of a total of 49 Grantees, 23 of them are connected persons of the Company. Accordingly, the transactions contemplated under the Option Deeds with these connected persons constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

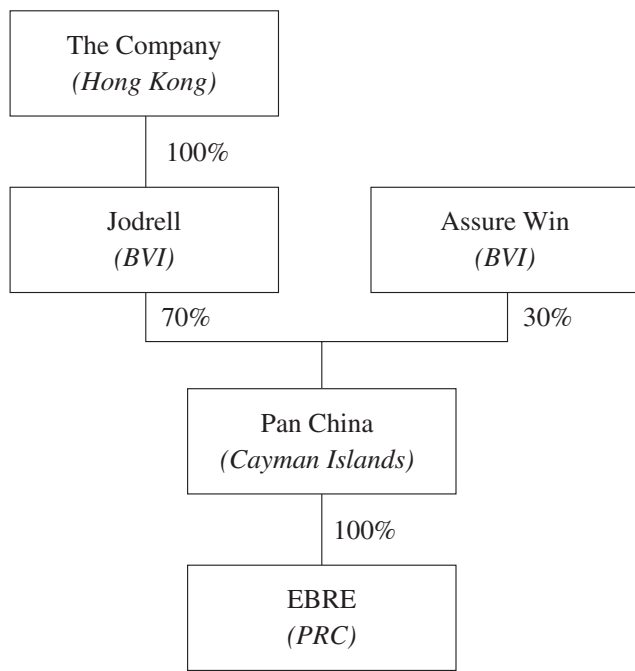
Based on the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules, the grant of the Options to the connected persons of the Company is exempt from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

### **GRANT OF OPTIONS TO CONNECTED PERSONS**

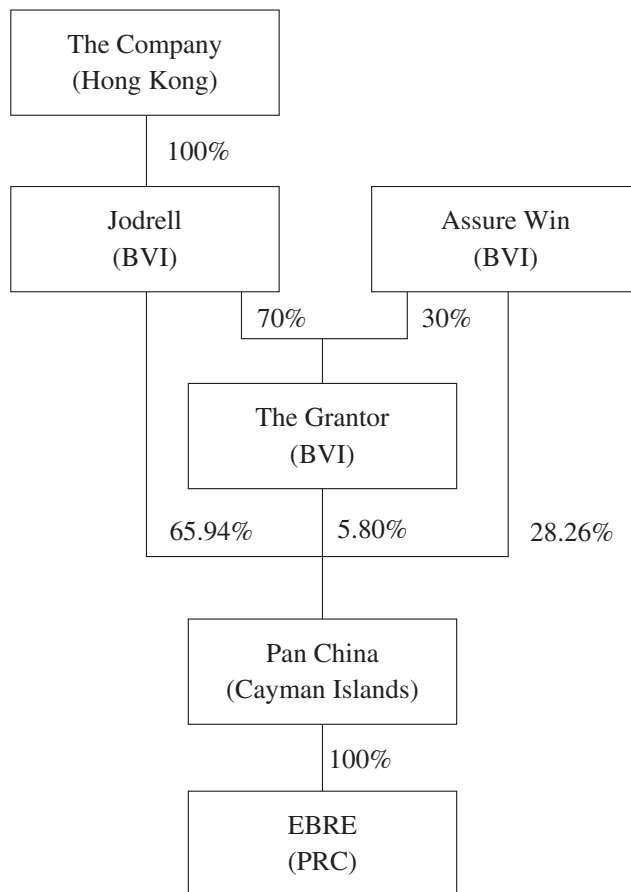
The Board announces that on 29 November 2007, Jodrell, a direct wholly-owned subsidiary of the Company, and Assure Win transferred 81,200 and 34,800 Pan China Shares respectively to the Grantor. In consideration of the Transfers, the Grantor has allotted and issued such number of shares to Jodrell and Assure Win so that immediately after the Transfers, the Grantor is held as to 70% by Jodrell and 30% by Assure Win. Pan China remains a 70% owned subsidiary of the Company.

The simplified shareholding structure of Pan China and EBRE prior to and immediately after the Transfers is as follows:

**BEFORE**



**AFTER**



Except that Assure Win is a substantial shareholder of Pan China and the Grantor, to the best of the Directors' knowledge, information having made all reasonable enquiry, Assure Win and its associates are third parties independent of the Group and connected persons of the Company.

On 29 November 2007 and immediately following completion of the Transfers, the Grantor entered into the Option Deeds with the Grantees pursuant to which the Grantor has granted to the Grantees the Options exercisable during the Option Period to acquire such maximum percentage of Option Shares from the Grantor at the exercise price in accordance with the provisions of the Option Deeds. The provisions of each Option Deed are the same, except for the details of the Grantees.

The principal provisions of the Option Deeds are as follows:

Date: 29 November 2007

Grantor: Terborley Limited

Grantees: 49 individuals, of whom two are directors of the Company, 21 are directors and/or general managers of the Company's subsidiaries, and the rest are employees of the Group.

The following table sets out the number and approximate percentage of the Option Shares to which these Grantees are entitled:

<b>Grantee(s)</b>	<b>Relationship with the Group and/or EBRE</b>	<b>Number of Option Shares to which the Grantees are entitled</b>	<b>Approximate percentage of the total number of Option Shares</b>
Mr Billy K Yung	Group Chairman and Chief Executive	24,000 (Note)	20.7%
Mr Wang Tao Guang	Director of EBRE	20,000	17.2%
Connected persons of the Company (other than Mr Billy K Yung and Mr Wang Tao Guang)	Directors and/or general managers of the members of the Group	56,680 (Note)	48.9%
Non-connected persons of the Company	Employees of the Group	15,320	13.2%
Total		<u>116,000</u>	<u>100%</u>

Note: 5,200 Option Shares are held on trust by Mr Billy K Yung and another Grantee for and on behalf of the Company and/or its subsidiaries.

The following table sets out the allocation of Options Shares amongst the Grantees who are connected persons of the Company:

<b>Number of Option Shares</b>	<b>Number of connected persons who are entitled to such number of Option Shares</b>
Above 10,000 Option Shares	2
Between 1,000 and 10,000 Option Shares	16
Below 1,000 Option Shares	5
Total	<u>23</u>

### **Options agreed to be granted**

The Grantor has granted to the Grantees the Options exercisable during the Option Period to acquire such maximum percentage of Option Shares from the Grantor at the exercise price. Save as any transfer from the Grantees, as trustees, to the beneficiaries as referred to in the note above, options granted under the Option Deeds shall not be transferable or assignable and shall be personal to the Grantees.

### **Condition for the Option Deeds**

The effectiveness of the Option Deeds is conditional upon, if required, the Shareholders approving the Option Deeds and the transactions contemplated thereunder in accordance with the Listing Rules.

## Exercise price

On the basis of 116,000 Pan China Shares held by the Grantor as at the date of the Option Deeds, the initial exercise price per Option Share shall be HK\$600. The Grantor will receive an aggregate amount of HK\$69,600,000 if all the Options are exercised based on the initial exercise price. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an Option.

The initial exercise price was determined by reference to the consideration of approximately HK\$140,100,000 paid by the Group for the acquisition of 20% of the issued share capital of Jodrell (which was then the holder of 70% of the equity interests in EBRE) in December 2006 and a premium of approximately 20%.

The exercise price shall be adjusted upon completion of the Capitalisation Issue as follows:

Initial exercise price x (existing Pan China Shares/total Pan China Shares)

where:

“Initial exercise price” means HK\$600;

“existing Pan China Shares” means 116,000 Pan China Shares held by the Grantor as at the date of the Option Deeds; and

“total Pan China Shares” means the total number of Pan China Shares (including the existing Pan China Shares) held by the Grantor immediately after the Capitalisation Issue.

## Condition for the exercise of the Options

Subject to the exceptions as contained in the Option Deeds, the exercise of the Options is conditional upon the Proposed Listing.

The Grantees may exercise the Options in whole or in part by giving the exercise notice to the Grantor at any time during the Option Period provided that the Grantees shall exercise the Options to acquire the Option Shares in accordance with the following vesting schedule:

<b>Vesting schedule</b>	<b>Maximum percentage of Option Shares comprised in an Option which may be exercised</b>
On or after the Listing Date	20%
Six months after the Listing Date	40%
Twelve months after the Listing Date	60%
Eighteen months after the Listing Date	80%
Twenty four months after the Listing Date	100%

## **Lock-up**

Subject to the Listing Rules and the requirements of the underwriters in the Proposed Listing, during the period from the Listing Date to the expiry of six months following the Listing Date, the Grantee shall not, and shall not agree to, sell, transfer or otherwise dispose of, or grant any option over, any of his Option Shares or any interest in his Option Shares without the prior written consent of Pan China.

## **Trade Sale and Takeover**

If, prior to the Proposed Listing, any party (“**Proposed Purchaser**”) acquires more than 50% direct or indirect interests in Pan China from the shareholders of Pan China (“**Trade Sale**”), the Grantees may take part in the Trade Sale by exercising the Options in full, subject to the unanimous consent on the employment terms of the Grantees by the Proposed Purchaser, Pan China and the Grantees. At the direction of the Grantees, the Grantor may assist the Grantees in selling their Option Shares to the Proposed Purchaser and, for administrative purposes, to receive the proceeds from the sale of the Option Shares and return the same to the Grantees.

If, after the Proposed Listing, a general offer pursuant to the Takeovers Code (“**General Offer**”) takes place, the Grantees may, subject to the Takeovers Code and the Listing Rules, exercise any part of their Options within five business days from the date on which Pan China makes an announcement on the General Offer. The Grantees have agreed that they will not exercise any Options during the period from the expiry of such five business days up to the close of the General Offer. If it is anticipated that there may be a delay in the transfer of Option Shares from the Grantor to the Grantees which may result in the Grantees being unable to accept the General Offer during the offer period, the Grantor may, at the direction of the Grantees and subject to the Takeovers Code and the Listing Rules, accept the General Offer on their behalves and assist in any matters in connection with the General Offer for the Grantees.

## **No Proposed Listing or Trade Sale**

If the Proposed Listing or Trade Sale does not occur on or before 31 December 2010, the Grantees may exercise the Options in full within 15 business days after 31 December 2010.

## **INFORMATION ON PAN CHINA AND EBRE**

Immediately upon completion of the Transfers, Pan China is held as to 65.94% by Jodrell, 28.26% by Assure Win and 5.80% by the Grantor. Pan China is an investment holding company and its only asset is its indirect interest in EBRE.

EBRE is an investment holding and property development company.

The unaudited consolidated profit both before and after taxation of EBRE for the year ended 31 December 2005 were approximately RMB120,741,000 and approximately RMB99,533,000 based on the generally accepted accounting principles of Hong Kong. The unaudited consolidated profit both before and after taxation of EBRE for the year ended 31 December 2006 were approximately RMB19,771,000 and approximately RMB11,043,000 based on the generally accepted accounting principles of Hong Kong. As at 31 December 2006, the net asset value of EBRE was approximately RMB231,356,000.

## **REASONS FOR AND BENEFITS OF THE GRANT**

The principal activities of the Group are (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.

The Directors consider that in order to encourage the Grantees to perform their best in achieving the goals of the Group and to allow the Grantees to enjoy the results of the Group attained through their effort and contribution, it is important to provide the Grantees with an additional incentive by offering them an opportunity to obtain an ownership interest in the Group and to reward them for contributing to the long term success of the business of the Group. The Directors, including the independent non-executive Directors, consider that the terms and conditions of the Option Deeds 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 Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

Out of a total of 49 Grantees, 23 of them are connected persons of the Company. Accordingly, the transactions contemplated under the Option Deeds with these connected persons constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules, the grant of the Options to the connected persons of the Company is exempt from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## **DEFINITIONS**

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Assure Win”	Assure Win Investments Limited, a company incorporated under the laws of BVI
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Capitalisation Issue”	the allotment and issue of Pan China Shares to the shareholders of Pan China to be made upon capitalisation of certain sums standing to the credit of the share premium account of Pan China immediately prior to the Proposed Listing
“Company”	Shell Electric Mfg. (Holdings) Company Limited 蜆壳電器工業(集團)有限公司, a company incorporated under the laws of Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EBRE”	中國光大房地產開發有限公司 (China EverBright Real Estate Development Limited), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Grantees”	an aggregate of 49 individuals being granted the Options
“Grantor”	Terborley Limited, a company incorporated under the laws of BVI and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jodrell”	Jodrell Investments Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company as at the date of this announcement
“Listing Date”	the date on which dealings in the Pan China Shares commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Option Deeds”	49 option deeds, all dated 29 November 2007 and entered into between the Grantor and each of the Grantees
“Option Period”	a period of 10 years from the Listing Date
“Options”	options granted by the Grantor to the Grantees entitling the Grantees to acquire such maximum percentage of Option Shares from the Grantor under the Option Deeds
“Option Shares”	an aggregate of 116,000 Pan China Shares
“Pan China”	Pan China Land (Holdings) Corporation, a company incorporated under the laws of the Cayman Islands and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Pan China Shares”	ordinary share(s) of HK\$0.10 each in the capital of Pan China

“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
“Proposed Listing”	a listing of Pan China Shares on the Main Board of the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.50 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Transfers”	the transfers of 81,200 and 34,800 Pan China Shares respectively by Jodrell and Assure Win to the Grantor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 29 November 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.*