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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**

**DISPOSAL OF 67% REGISTERED CAPITAL IN**

**北京寅豐房地產開發有限責任公司**

**(Beijing Yinfeng Real Estate Development Limited\*)**

**The Disposal**

The Board wishes to announce that on 8 April 2009, Beijing EB Real Estate entered into the Disposal Agreement with the Purchaser, pursuant to which (i) Beijing EB Real Estate disposed of 67% registered capital of Beijing Yinfeng to the Purchaser for a total consideration of RMB46.5 million (approximately HK\$52.5 million); and (ii) Beijing Yinfeng agreed to repay the shareholder's loan of RMB89.2 million (approximately HK\$100.8 million) to Beijing EB Real Estate.

**Listing Rules requirements**

As at the date of the Disposal Agreement, the remaining interest of Beijing Yinfeng was owned as to 33% by Mr. Wang.

As the Purchaser is beneficially owned as to 80% by Mr. Wang and as to 20% by Madam Li Gui Ying, spouse of Mr. Wang, the Purchaser is an associate of Mr. Wang, a substantial shareholder of Beijing Yinfeng, and is therefore a connected person of the Company under the Listing Rules. Hence, the entering into of the Disposal Agreement constituted a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules. Accordingly, the transaction as contemplated under the Disposal is subject to approval from independent Shareholders of the Company.

As no Shareholders are interested in the Disposal and no Shareholders are required to abstain from the voting if the Company were to convene a general meeting for the approval of the Disposal, the Company has applied to the Stock Exchange for a waiver pursuant to Rule 14A.43 of the Listing Rules under which written independent shareholders' approval may be accepted in lieu of holding a general meeting.

As at the date of this announcement, the Company has noted that written approval of the Disposal from members of the Yung's family (being Mr. Billy K YUNG (37,272,000 Shares, representing approximately 7.1%), Madam YUNG HO Wun Ching (53,246,300 Shares, representing approximately 10.17%), On Fat Profits Corporation (72,716,797 Shares, representing 13.89%) and Diamond Key Enterprises Inc. (143,612,287 Shares, representing approximately 27.43%) who have no interest in the Disposal other than their interests as Shareholders holding in aggregate 306,847,384 Shares, representing approximately 58.62% of the existing issued share capital of the Company) has been obtained.

A circular containing, among other things, details of the Disposal, the recommendation from the Independent Board Committee and the opinion from an independent financial advisor will be despatched to the Shareholders as soon as possible.

### **The Co-operation Agreement**

On 20 April 2009, Beijing Real Estate entered into the Co-operation Agreement with, amongst others, Beijing Yinfeng and Mr. Wang setting out the co-operation arrangement for the development of the Land (as defined below). Details of the co-operation are set out in the paragraph headed "3. The Co-operation Agreement".

## **1. INTRODUCTION**

The Board wishes to announce that on 8 April 2009, Beijing EB Real Estate entered into the Disposal Agreement with the Purchaser, pursuant to which (i) Beijing EB Real Estate disposed of 67% registered capital of Beijing Yinfeng to the Purchaser for a total consideration of RMB46.5 million (approximately HK\$52.5 million); and (ii) Beijing Yinfeng agreed to repay the shareholder's loan of RMB89.2 million (approximately HK\$100.8 million) to Beijing EB Real Estate.

The Company has been collating and ascertaining certain relevant information, including certain confirmations and information from the Purchaser and Mr. Wang, for the purpose of complying with the disclosure requirements in respect of the Disposal. Delays in the gathering of the relevant information from parties concerned, the time lags in communication between the Group's staff in PRC and in Hong Kong due to the Easter holiday have caused the Company not to be in a position to make an informed announcement of the transaction contemplated under the Disposal Agreement until such information are obtained. Based on such information, the transactions contemplated under the Disposal Agreement was ratified by the Board on 24 April 2009.

On 20 April 2009, Beijing Real Estate entered into the Co-operation Agreement with, amongst others, Beijing Yinfeng and Mr. Wang setting out the co-operation arrangement for the secondary development of the Land (as defined below). Details of the co-operation are set out in the paragraph headed "3. The Co-operation Agreement".

## **2. THE DISPOSAL AGREEMENT**

Summarised below are the principal terms of the Disposal Agreement.

### **2.1 Date**

8 April 2009

## **2.2 Parties**

Vendor:	Beijing EverBright Real Estate Development Limited, an indirect 70% owned subsidiary of the Company
Purchaser:	北京青鵬投資有限公司 (Beijing Qingpeng Investment Limited*)
Target company:	Beijing Yinfeng

As the Purchaser is beneficially owned as to 80% by Mr. Wang and as to 20% by Madam Li Gui Ying, spouse of Mr. Wang, the Purchaser is an associate of Mr. Wang, a substantial shareholder of Beijing Yinfeng, and is therefore a connected person of the Company under the Listing Rules.

## **2.3 Subject of the Disposal Agreement**

The 67% registered capital in Beijing Yinfeng.

Beijing Yinfeng is a company incorporated in PRC with limited liability. The sole asset of Beijing Yinfeng is a property for primary development located in Gaolizhuang, Fengtai District, Beijing City, the PRC. The property comprises a parcel of land with a total site area of approximately 374,200 sq.m. (the “Land”), 301,200 sq.m. of which will become developable upon completion of the infrastructure. The Land is initially intended for primary development. As at the date of the announcement, based on information available, the Land is vacant with certain structures which are yet to be demolished. Based on the valuation report prepared by an independent valuer, the Land as at 31 December 2008 has no commercial value due to the fact that the State-owned land use rights certificate of the Land has not been obtained. Given that the State-owned land use rights certificate for the Land has not been obtained as at the date of the Disposal Agreement, the Land has no commercial value. As at the date of this announcement, Beijing Yinfeng has not commenced any business.

As at 31 December 2008, Beijing Yinfeng had a net asset value under Hong Kong Generally Accepted Accounting Principles (“HK GAAP”) of approximately RMB45.7 million (approximately HK\$51.6 million). For the two years ended 31 December 2008, Beijing Yinfeng’s losses under HK GAAP were approximately RMB1.2 million (approximately HK\$1.4 million) and RMB3.1 million (approximately HK\$3.5 million), respectively.

## **2.4 Consideration and settlement method**

Pursuant to the Disposal Agreement, Beijing EB Real Estate agreed to dispose of 67% registered capital in Beijing Yinfeng to the Purchaser at a consideration of RMB46.5 million (approximately HK\$52.5 million) which has been paid upon the signing of the relevant documents in respect of the transfer of 67% registered capital in Beijing Yinfeng.

The consideration was made, after arm’s length negotiation, with reference to, the original purchase price of 67% registered capital in Beijing Yinfeng by Beijing EB Real Estate in June 2007 in the amount of RMB33.5 million (approximately HK\$37.9 million) and a premium of RMB13 million (approximately HK\$14.7 million). The

premium was determined, after arm's length negotiation between the parties, taking into account the length of investment by Beijing EB Real Estate in Beijing Yinfeng since June 2007.

Under the Disposal Agreement, Beijing Yinfeng agreed to repay the outstanding shareholder's loan in an amount of RMB89.2 million (approximately HK\$100.8 million) to Beijing EB Real Estate. Out of the total outstanding shareholder's loan, Beijing Yinfeng agreed to repay RMB23.5 million (approximately HK\$26.6 million) upon the signing of the relevant transfer documents as mentioned above. The repayment of the remaining balance of RMB65.7 million (approximately HK\$74.2 million) would be based on the repayment schedule as set out in an agreement dated 8 April 2009 ("Repayment Agreement") entered into between, amongst others, Beijing EB Real Estate and Beijing Yinfeng.

Under the Repayment Agreement, Beijing Yinfeng agreed to repay the remaining balance of RMB65.7 million (approximately HK\$74.2 million) to Beijing EB Real Estate under the following schedule:

- RMB10 million (approximately HK\$11.3 million) shall be repaid on or before 30 April 2009; and
- RMB55.7 million (approximately HK\$62.9 million), being the remaining balance of the shareholder's loan, shall be repaid on or before 30 June 2009.

As at the date of this announcement, the remaining balance of the shareholder's loan of RMB65.7 million (approximately HK\$74.2 million) has been repaid by Beijing Yinfeng to Beijing EB Real Estate.

## **2.5 Completion**

Completion of the transfer of 67% registered capital in Beijing Yinfeng from Beijing EB Real Estate to the Purchaser took place on 14 April 2009. Beijing Yinfeng ceased to be a 67% subsidiary of Beijing EB Real Estate, an indirect 70% owned subsidiary of the Company. Accordingly, Beijing Yinfeng ceased to be a subsidiary of the Company.

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

The purpose of this agreement was to set out the co-operation arrangement for the secondary development of the Land.

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

### **3.1 Date**

20 April 2009

### **3.2 Parties**

- (i) Mr. Wang
- (ii) Beijing Qingpeng Investment Limited, i.e. the Purchaser
- (iii) Beijing EB Real Estate

(iv) Beijing Yinfeng

(v) 李桂英 (Li Gui Ying\*), spouse of Mr. Wang and a substantial shareholder of the Purchaser

### 3.3 Methods of co-operation

Upon the Co-operation Agreement became effective, Beijing EB Real Estate agreed to pay to Beijing Yinfeng a deposit of RMB36 million (approximately HK\$40.7 million) for the secondary development of the Land.

Details of the co-operation are as follows:

- a) in the event that Beijing Yinfeng is able to obtain the approval for secondary development of the Land, Beijing EB Real Estate has the right to, within two months from Beijing Yinfeng obtaining such approval, acquire not less than 50% registered capital in Beijing Yinfeng; and
- b) in the event that the secondary development right of the Land is subject to auction, Beijing EB Real Estate, Mr. Wang and the Purchaser agreed to, prior to the auction, enter into a supplemental co-operation agreement, setting out the terms of the joint bidding for the said development right.

Mr. Wang, the Purchaser and Beijing Yinfeng undertake the followings:

- a) on or before 30 October 2010, Beijing Yinfeng will obtain one of the followings:
  - i) complete the primary development of the Land which shall be able to satisfy the requirements under 土地收儲中心 (Land Reserve Centre\*) for auction; or
  - ii) obtain the approval for secondary development of the Land.

In the event that Beijing Yinfeng fails to obtain either one of the above, Beijing EB Real Estate has the right to terminate the Co-operation Agreement and request Beijing Yinfeng to repay the deposit of RMB36 million (approximately HK\$40.7 million) and a compensation of RMB4 million (approximately HK\$4.5 million) within 30 days from the termination of the Co-operation Agreement.

- b) in the event that Beijing Yinfeng is able to obtain the approval for secondary development of the Land on or before 30 October 2010, Mr. Wang and the Purchaser agree to dispose of not less than 50% registered capital in Beijing Yinfeng. In the event that Beijing EB Real Estate is unable to acquire the said registered capital in Beijing Yinfeng, Beijing EB Real Estate has the right to terminate the Co-operation Agreement and request Beijing Yinfeng to repay the deposit of RMB36 million (approximately HK\$40.7 million) and a compensation of RMB4 million (approximately HK\$4.5 million) within 30 days from the termination of the Co-operation Agreement.
- c) in the event that Beijing Yinfeng is able to complete the primary development of the Land on or before 30 October 2010, Beijing EB Real Estate, Mr. Wang and the Purchaser agree to, prior to the auction, enter into a supplemental agreement, setting out the terms of the joint bidding. In the event that the parties fail to enter



into the relevant supplemental agreement, Beijing EB Real Estate has the right to terminate the Co-operation Agreement and request Beijing Yinfeng to repay the deposit of RMB36 million (approximately HK\$40.7 million) and a compensation of RMB4 million (approximately HK\$4.5 million) within 30 days from the termination of the Co-operation Agreement.

- d) in the event that Beijing EB Real Estate co-operates with Mr. Wang, the Purchaser and/or Beijing Yinfeng for the secondary development of the Land, the deposit will be used as part of the contribution towards the development of the project.
- e) if Mr. Wang and the Purchaser request support from Beijing EB Real Estate, Beijing EB Real Estate agrees to, after signing the relevant agreement, provide reasonable support to Beijing Yinfeng for the primary development of the Land.
- f) if for any reason either Mr. Wang, the Purchaser or Beijing Yinfeng fails to co-operate with Beijing EB Real Estate for the secondary development of the Land, Beijing Yinfeng agrees to repay Beijing EB Real Estate a compensation equivalent to twice the amount of the deposit.

Should the Company decide to exercise its right under the Co-operation Agreement, the Company will comply with the relevant requirements of the Listing Rules.

#### **4. REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE CO-OPERATION**

The principal activities of the Group comprise property investment and development, manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business, property leasing and investment holding.

The Purchaser is principally engaged in investment management, investment consultancy, real estate consultancy, technical consultancy and construction services.

In June 2007, Beijing EB Real Estate acquired the 67% registered capital in Beijing Yinfeng from Mr. Wang for a consideration of RMB33.5 million (approximately HK\$37.9 million) in anticipation for the primary development of the Land.

As a result of the recent downturn of the global economy and uncertainties surrounding the PRC property market, the Directors, having taken the prudent approach in evaluating the property portfolio of the Group, consider the entering into the Disposal Agreement would provide the Group an opportunity to dispose of its non-core property at a reasonable price and reduce the financial obligation for the development of the Land whilst the entering into the Co-operation Agreement would provide the flexibility to participate in the future development of the Land as and when the relevant approvals are obtained.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the terms of the Disposal Agreement are on normal commercial terms, which are fair and reasonable and in the interest of the shareholders as a whole.

The Disposal will give rise to a gain of approximately RMB15.0 million (approximately HK\$17.0 million) (unaudited).

The Company intends to use the net proceeds of approximately RMB46.5 million (approximately HK\$52.5 million) for general working capital of the Company.

## 5. LISTING RULES REQUIREMENTS

As at the date of the Disposal Agreement, the remaining interest of Beijing Yinfeng was owned as to 33% by Mr. Wang.

As the Purchaser is beneficially owned as to 80% by Mr. Wang and as to 20% by Madam Li Gui Ying, spouse of Mr. Wang, the Purchaser is an associate of Mr. Wang, a substantial shareholder of Beijing Yinfeng, and is therefore a connected person of the Company under the Listing Rules. Hence, the entering into of the Disposal Agreement constituted a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules. Accordingly, the transaction as contemplated under the Disposal is subject to approval from independent Shareholders of the Company.

As no Shareholders are interested in the Disposal and no Shareholders are required to abstain from the voting if the Company were to convene a general meeting for the approval of the Disposal, the Company has applied to the Stock Exchange for a waiver pursuant to Rule 14A.43 of the Listing Rules under which written independent shareholders' approval may be accepted in lieu of holding a general meeting.

As at the date of this announcement, the Company has noted that written approval of the Disposal from members of the Yung's family (being Mr. Billy K YUNG (37,272,000 Shares, representing approximately 7.1%), Madam YUNG HO Wun Ching (53,246,000 Shares, representing approximately 10.17%), On Fat Profits Corporation (72,716,797 Shares, representing 13.89%) and Diamond Key Enterprises Inc. (143,612,287 Shares, representing approximately 27.43%) who have no interest in the Disposal other than their interests as Shareholders holding in aggregate 306,847,374 Shares, representing approximately 58.62% of the existing issued share capital of the Company) has been obtained.

## 6. GENERAL

A circular containing, among other things, details of the Disposal, the recommendation from the Independent Board Committee and the opinion from an independent financial advisor will be despatched to the Shareholders as soon as possible.

## 7. DEFINITIONS

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

“associate(s)”	has the meaning as ascribed in the Listing Rules
“Board”	the Board of Directors
“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 Yinfeng”	北京寅豐房地產開發有限責任公司 (Beijing Yinfeng Real Estate Development Limited*), a company incorporated in the PRC with limited liabilities
“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 20 April 2009 entered into, amongst others, between Beijing EB Real Estate, Mr. Wang and the Purchaser setting out the co-operation arrangement for the development of the Land
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 67% registered capital in Beijing Yinfeng
“Disposal Agreement”	the disposal agreement dated 8 April 2009 entered into between Beijing EB Real Estate and the Purchaser in respect of the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board committee comprising independent non-executive Directors
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	王吉順 (Mr. Wang Ji Shun*), a substantial shareholder of Beijing Yinfeng and beneficially owns 80% interest in the Purchaser
“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
“Purchaser”	北京青鵬投資有限公司 (Beijing Qingpeng Investment Limited*), a company incorporated in the PRC
“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
“sq.m.”	square metres
“%”	per cent.

*Amounts denominated in RMB in this announcement have been translated into HK\$ at a rate of RMB1.00 = HK\$1.13 for illustration purposes.*

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

Hong Kong, 30 April 2009

*As at the date of this announcement, the Board comprises eight 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 three independent non-executive Directors, namely Mr. Peter WONG Chung On, Mr. Peter LAM and Mr. Lawrence LEUNG Man Chiu.*

\* For identification purpose only