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**CHINA OVERSEAS LAND & INVESTMENT LIMITED**  
中國海外發展有限公司  
*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*  
**(Stock code: 688)**

Financial adviser to China Overseas Land & Investment Limited  
**J.P.Morgan**



**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: 81)**

Financial adviser to Shell Electric Mfg. (Holdings) Company Limited  
 **SOMERLEY LIMITED**

**RED DYNASTY INVESTMENTS LIMITED**  
*(Incorporated in BVI with limited liability)*

Financial adviser to Red Dynasty Investments Limited  
 **Access Capital**

- (1) GROUP RESTRUCTURING OF SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED**
- (2) CAPITAL REORGANISATION OF SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED**
- (3) POSSIBLE VOLUNTARY UNCONDITIONAL CASH OFFER FOR THE PRIVATECO SHARES BY ACCESS CAPITAL ON BEHALF OF RED DYNASTY**
- (4) SUBSCRIPTION OF NEW SHARES OF SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED**
- (5) POSSIBLE VOLUNTARY UNCONDITIONAL CASH OFFER FOR THE SHARES OF SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED BY J.P. MORGAN ON BEHALF OF THE OFFEROR**
- (6) (4) AND (5) ABOVE TOGETHER CONSTITUTE DISCLOSEABLE TRANSACTIONS OF CHINA OVERSEAS LAND & INVESTMENT LIMITED AND**
- (7) RESUMPTION OF TRADING IN THE SHARES OF SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED**

**The Board, subject to objections raised by one of its members, Mr. Simon Yung, is pleased to put forward for the Shareholders' consideration a proposal which involves, among other things, the Group Restructuring, the Capital Reorganisation and the Subscription. The Board, subject to objections raised by one of its members, Mr. Simon Yung, considers that the Group Restructuring, the Capital Reorganisation, the Privateco Offer and the COLI Offer (further details of Privateco Offer and COLI**

**Offer are set out in section C headed “Possible Voluntary Unconditional Cash Offer for the Privateco Shares” and section E headed “Possible Voluntary Unconditional Cash Offer for the Shares”) altogether are in the interests of the Shareholders as a whole whilst at the same time provide an opportunity to the Shareholders to divest all or some of their investments in the Company and in the Privateco if they so wish. Mr. Simon Yung has indicated to the Board his objection to the Proposal and intends to vote against all the resolutions in connection with the Proposal. Details of the objections raised by Mr. Simon Yung are set out below in the paragraph headed “Divergence of views among Board members” under section I headed “General”.**

## **GROUP RESTRUCTURING**

Pursuant to the Group Restructuring:

- (i) certain assets and liabilities of some of the subsidiaries of the Company which are carrying on the Distributed Businesses, representing the Group’s businesses of (a) manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business; (b) property leasing; (c) investment holding in real estates including minority share interests in holding companies for certain retail properties and office units of the Citic Plaza in Tianhe district of Guangzhou, a manufacturing building in the Futian free trade zone in Shenzhen, an industrial building in Chaiwan Hong Kong which also houses the Company’s headquarters and other industrial properties in Shunde district of Foshan City (details of which can be found in the latest financial statements of the Company as shown on the Company’s website); (d) other investment holdings including a taxi company with 775 taxi licenses in Guangzhou, a small investment portfolio of approximately HK\$40 million as of 30 June 2009 consisting of bonds and shares of certain listed companies; (e) the Shareholder’s Loan of approximately HK\$824.4 million as of 28 August 2009 (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) due from the Remaining Business to the Distributed Businesses as set out in the paragraph headed “Repayment of the Shareholder’s Loan” under section D headed “Subscription Agreement” in this announcement (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and (f) holding of all Chinese trademarks bearing the name of SMC & Device owned by the Company (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion), will be transferred to the Privateco, a wholly-owned subsidiary of the Company; and
- (ii) all the Privateco Shares held by the Company will be distributed in specie to all of the Shareholders whose names appear on the register of members of the Company on the Record Date (to be determined) on the basis of one Privateco Share for every Share held.

As a result of the Transfer described in (i) above, the Remaining Group will be carrying on the Remaining Business, representing the Group’s business of property investment and development in the PRC.

The Group Restructuring is one of the conditions precedent to completion of the Subscription Agreement, the details of which are set out under section D headed “Subscription Agreement” below.

### **SUBSCRIPTION AGREEMENT**

On 9 September 2009, the Company (as issuer), Mr. Yung (as convenator) and COLI (as subscriber) entered into the Subscription Agreement, pursuant to which the Offeror, conditional upon, among other things, approval by the Independent Shareholders and completion of the Group Restructuring, will subscribe for the 157,045,368 Subscription Shares at a consideration of HK\$2.90 per Share in cash, representing approximately 30% of the issued share capital of the Company as at the date of this announcement and approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. The cash consideration for the Subscription Shares is approximately HK\$455.4 million.

### **POSSIBLE VOLUNTARY UNCONDITIONAL CASH OFFER FOR THE PRIVATECO SHARES**

Upon Completion, Access Capital will, on behalf of Red Dynasty and pursuant to the Takeovers Code, make the Privateco Offer (i.e. a voluntary unconditional cash offer to the Privateco Shareholders to acquire all the Privateco Shares (including such Privateco Shares to be held by Mr. Simon Yung) other than those to be owned or agreed to be acquired by Red Dynasty Concert Party) on the following basis:

**for every Privateco Share held \* .....HK\$1.80 in cash**

\* *The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date.*

### **POSSIBLE VOLUNTARY UNCONDITIONAL CASH OFFER FOR THE SHARES**

Subject to Completion, J.P. Morgan will, on behalf of the Offeror, make the COLI Offer (i.e. a voluntary unconditional cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

**for every Share held .....HK\$5.00 in cash**

In accordance with but subject to the terms of the Undertaking (further details of which are set out in the paragraph headed “The Undertaking” under section E headed “Possible Voluntary Unconditional Cash Offer for the Shares” below), Mr. Yung will irrevocably undertake not to accept the COLI Offer in respect of his Shares and not to transfer to any third party or otherwise dispose of or take such actions to make those Shares available for acceptance prior to closing of the COLI Offer. Mr. Yung will procure Ms. Hsu, and will, subject to other parts of the Undertaking and Madam Yung’s Undertaking, use his best endeavours to procure Madam Yung, to comply with similar non-disposal restrictions in respect of the Shares held by them.

**WARNING: AS THE PRIVATECO OFFER AND THE COLI OFFER WILL ONLY BE MADE AFTER COMPLETION, WHICH IS SUBJECT TO A NUMBER OF CONDITIONS SUMMARISED BELOW, EACH OF THE PRIVATECO OFFER AND THE COLI OFFER MAY OR MAY NOT PROCEED AND, AS SUCH, ARE POSSIBILITIES ONLY. INVESTORS AND SHAREHOLDERS ARE THEREFORE URGED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES.**

**THE SUBSCRIPTION AND THE COLI OFFER TOGETHER CONSTITUTE DISCLOSEABLE TRANSACTIONS OF COLI**

In accordance with the Listing Rules, one or more of the applicable percentage ratios in respect of the Subscription and the COLI Offer on an aggregate basis exceed 5%, but all of those percentage ratios are less than 25%. Accordingly, the Subscription and the COLI Offer together constitute discloseable transactions for COLI under the Listing Rules.

**SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 29 July 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30 September 2009.

The Board, subject to objections raised by one of its members, Mr. Simon Yung, is pleased to put forward for the Shareholders' consideration a proposal which involves, among other things, the Group Restructuring, the Capital Reorganisation and the Subscription. The Board, subject to objections raised by one of its members, Mr. Simon Yung, considers that the Group Restructuring, the Capital Reorganisation, the Privateco Offer and the COLI Offer (further details of Privateco Offer and COLI Offer are set out in section C headed "Possible Voluntary Unconditional Cash Offer for the Privateco Shares" and section E headed "Possible Voluntary Unconditional Cash Offer for the Shares") altogether are in the interests of the Shareholders as a whole whilst at the same time provide an opportunity to the Shareholders to divest all or some of their investments in the Company and in the Privateco if they so wish. For details, please see the paragraph headed "Reasons for and effects of the Group Restructuring" under section A "Group Restructuring" below. Mr. Simon Yung has indicated to the Board his objection to the Proposal and intends to vote against all the resolutions in connection with the Proposal. Details of the objections raised by Mr. Simon Yung are set out below in the paragraph headed "Divergence of views among Board members" under section I headed "General".

On 9 September 2009, the Company (as issuer), Mr. Yung (as convenator) and COLI (as subscriber) entered into the Subscription Agreement, pursuant to which the Offeror will, conditional upon, among other things, approval by the Independent Shareholders and completion of the Group Restructuring, subscribe for the 157,045,368 Subscription Shares at a consideration of HK\$2.90 per Share in cash, representing approximately 30% of the issued share capital of the Company as at the date of this announcement and approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. As part of the Proposal, the purpose of the Capital Reorganisation as proposed by the Board, subject to the objections raised by one of its members, Mr. Simon Yung, is to enable the Company to have

sufficient distributable reserves to execute the Distribution In Specie. After Completion, the Privateco Offer and the COLI Offer will then be made to enable those Shareholders who wish to realise all or part of their investments in the Company or the Privateco or in both companies. Thus the Privateco Offer and the COLI Offer are conditional on Completion, which is subject to a number of conditions summarised below. Details of the objections raised by Mr. Simon Yung are set out below in the paragraph headed “Divergence of views among Board Members” under Section I headed “General”. Details of the Group Restructuring, the Capital Reorganisation, the Subscription, the Privateco Offer and the COLI Offer are also set out below.

## **A. GROUP RESTRUCTURING**

Pursuant to the Group Restructuring:

- (i) certain assets and liabilities of some of the subsidiaries of the Company, which are carrying on the Distributed Businesses, representing the Group’s businesses of (a) manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business; (b) property leasing; (c) investment holding in real estates including minority share interests in holding companies for certain retail properties and office units of the Citic Plaza in Tianhe district of Guangzhou, a manufacturing building in the Futian free trade zone in Shenzhen, an industrial building in Chaiwan Hong Kong which also houses the Company’s headquarters and other industrial properties in Shunde district of Foshan City (details of which can be found in the latest financial statements of the Company as shown on the Company’s website); (d) other investment holdings including a taxi company with 775 taxi licenses in Guangzhou, a small investment portfolio of approximately HK\$40 million as of 30 June 2009 consisting of bonds and shares of certain listed companies; (e) the Shareholder’s Loan of approximately HK\$824.4 million as of 28 August 2009 (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) due from the Remaining Business to the Distributed Businesses as set out in the paragraph headed “Repayment of the Shareholder’s Loan” under section D headed “Subscription Agreement” in this announcement (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and (f) holding of all Chinese trademarks bearing the name of SMC & Device owned by the Company (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion), will be transferred to the Privateco, a wholly-owned subsidiary of the Company; and
- (ii) all the Privateco Shares held by the Company will be distributed in specie to all of the Shareholders whose names appear on the register of members of the Company on the Record Date (to be determined) on the basis of one Privateco Share for every Share held.

As a result of the Transfer described in (i) above, the Remaining Group will be carrying on the Remaining Business, representing the Group’s business of property leasing and development in the PRC.

## Conditions to the Group Restructuring

Completion of the Group Restructuring will be conditional upon:

- (i) the passing of the necessary resolution(s) approving the Group Restructuring by the Independent Shareholders by way of poll at the EGM;
- (ii) completion of the formation of the Privateco Group (including the granting of any third party or regulatory consents and approvals required to give effect to the Group Restructuring);
- (iii) the Capital Reorganisation and the Distribution In Specie becoming effective (including the grant of all necessary shareholders' approval or regulatory or governmental approval for the transactions contemplated under the Subscription Agreement and the issue of the Subscription Shares); and
- (iv) all the conditions to completion of the Subscription Agreement (other than the condition set out in sub-paragraph (b)(iii) under the paragraph headed "Conditions Precedent" under section D headed "Subscription Agreement" below) having been fulfilled or waived.

None of the above conditions can be waived.

Approval from the Independent Shareholders for the Group Restructuring will be sought at the EGM as part and parcel of the Proposal. Mr. Yung, Ms. Hsu, Madam Yung, the Offeror, their respective associates and parties acting in concert with each of Mr. Yung (excluding Mr. Simon Yung), Ms. Hsu, Madam Yung and the Offeror (including the Directors who hold Shares but excluding Mr. Simon Yung) will abstain from voting on the relevant resolutions regarding the Group Restructuring, which will be taken on a poll at the EGM. Mr. Simon Yung has obtained a ruling (the "**Ruling**") from the Executive that it does not regard Mr. Simon Yung and Mr. Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert. As such, Mr. Simon Yung is not required to abstain from voting on the relevant resolutions in connection with the Proposal.

## Distribution In Specie

Subject to the Capital Reorganisation becoming effective, the Company will distribute all of its Privateco Shares in specie to the Shareholders whose names appear on the register of members of the Company on the Record Date (to be determined) on the following basis:

**for every Share held . . . . . one Privateco Share**

The Distribution In Specie will be effected by distribution from the reserve accounts of the Company following completion of the Capital Reorganisation. The amount to be distributed will be equivalent to the carrying value of the Privateco Group, which will be ascertained immediately prior to Completion. The Privateco Shares when issued will rank pari passu in all respects with each other. No application will be made for the listing of the Privateco Shares on the Stock Exchange or any other stock exchange.

Further details regarding the mechanics of the Group Restructuring (including the Distribution In Specie) will be set out in the Circular.

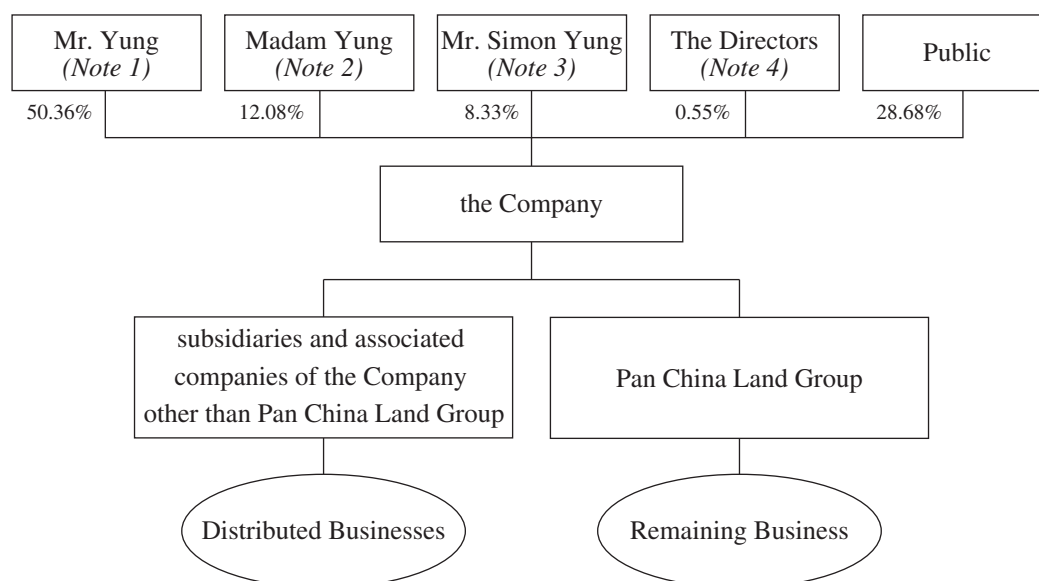
## Completion of the Group Restructuring

The Group Restructuring shall become effective upon fulfilment of the conditions precedent set out above.

Completion of the Group Restructuring is inter-conditional with each of the Capital Reorganisation and the Subscription.

## Group structures

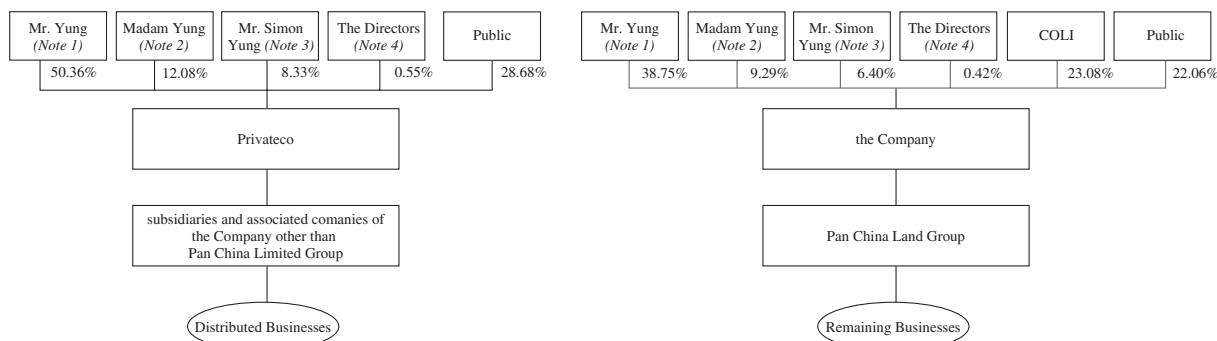
Set out below in simplified form is the Group structure as at the date of this announcement until completion of the Group Restructuring:



### Notes:

1. Of the 263.65 million Shares, approximately 37.32 million Shares are beneficially interested by Mr. Yung, approximately 10.00 million Shares are jointly owned by Mr. Yung and Ms. Hsu, and approximately 216.33 million Shares are held by the Trust.
2. Of the 63.25 million Shares, approximately 53.25 million Shares are beneficially interested by Madam Yung and the remaining balance of approximately 10.00 million Shares represents the Shares held by the late Dr. Yung Yau.
3. Of the 43.58 million Shares, approximately 39.15 million Shares are beneficially interested by Mr. Simon Yung, approximately 3.53 million Shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung, and the remaining balance of 0.90 million Shares represent the Shares held by Mr. Simon Yung's spouse, Madam Chiu Man.
4. Those interests held by Mr. Yung, Madam Yung and Mr. Simon Yung are excluded.

Set out below in simplified form are the respective structures of the Privateco Group and the Remaining Group immediately after Completion, but before the Privateco Offer and the COLI Offer:



*Notes:*

1. Of the 263.65 million Shares, approximately 37.32 million Shares are beneficially owned by Mr. Yung, approximately 10.00 million Shares are jointly owned by Mr. Yung and Ms. Hsu, and approximately 216.33 million Shares are held by the Trust.
2. Of the 63.25 million Shares, approximately 53.25 million Shares are beneficially interested by Madam Yung and the remaining balance of approximately 10.00 million Shares represent the Shares held by the late Dr. Yung Yau.
3. Of the 43.58 million Shares, approximately 39.15 million Shares are beneficially interested by Mr. Simon Yung, approximately 3.53 million Shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung, and the remaining balance of 0.90 million Shares represent the Shares held by Mr. Simon Yung’s spouse, Madam Chiu Man.
4. Those interests held by Mr. Yung, Madam Yung and Mr. Simon Yung are excluded.

**Reasons for and effects of the Group Restructuring**

After arm’s length negotiations between the parties to the Subscription Agreement, COLI agreed that the Offeror will subscribe for the Subscription Shares and make the COLI Offer conditional upon, among other things, completion of the Group Restructuring. In order to facilitate completion of the Subscription Agreement, the Board, subject to objections raised by one of its members, Mr. Simon Yung, would like to put forward the Proposal for the Shareholders’ consideration and approval at the EGM.

After Completion, Red Dynasty will make the Privateco Offer, which is a voluntary unconditional cash offer at HK\$1.80 per Privateco Share for all of the Privateco Shares (including such Privateco Shares to be held by Mr. Simon Yung) other than those to be owned or agreed to be acquired by Red Dynasty Concert Party. In addition, after Completion, the Offeror will become a substantial Shareholder and will make the COLI Offer, which is a voluntary unconditional cash offer at HK\$5.00 per Share for all of the Shares other than those owned by the Offeror and the parties acting in concert with it. In accordance with and subject to the terms of the Undertaking (further details of which are set out in the paragraph headed “The Undertaking” under section E headed “Possible Voluntary Unconditional Cash Offer for the Shares” below), Mr. Yung will irrevocably undertake not to accept the COLI Offer in respect of those Shares beneficially owned by



him or take such action to make these Shares available for acceptance of the COLI Offer and not to transfer to any third party or otherwise dispose of or take such actions to make those Shares available for acceptance prior to the closing of the COLI Offer. Mr. Yung will procure Ms. Hsu, and subject to other parts of the Undertaking and Madam Yung's Undertaking, will use his best endeavours to procure Madam Yung, to comply with similar non-disposal restrictions in respect of the Shares held by them.

**The COLI Offer and the Privateco Offer will provide a cash exit to any Shareholder who wishes to realise all or part of his/her/its interests in the Company and in the Privateco following Completion at a significant premium compared to the prevailing trading price of the Shares.** As such, the Board, subject to objections raised by one of its members, Mr. Simon Yung, considers that it is in the interests of the Shareholders for them to be provided with an opportunity to consider and, if thought fit, approve the relevant resolution for the Group Restructuring as part and parcel of the Proposal at the EGM. Details of the objections raised by Mr. Simon Yung are set out below in the paragraph headed "Divergence of views among Board members" under section I headed "General".

For those Shareholders who wish to retain their investments in the Distributed Businesses after Completion, they can choose not to accept the Privateco Offer and continue to hold the Privateco Shares. They should, however, be aware that there will be no liquid market for the Privateco Shares as there is no intention to list the Privateco Shares on any stock exchange. Moreover, the Privateco Shares may be subject to the compulsory acquisition provision of their Privateco Shares the Companies Act 1981 of Bermuda (as may be amended from time to time) if sufficient Privateco Shares are acquired by Red Dynasty under the Privateco Offer. Details of the possible compulsory acquisition is set out below in the paragraph headed "Background of Red Dynasty and its intentions regarding the Privateco" under section C headed "Possible voluntary unconditional cash offer for the Privateco Shares" below.

The Board, subject to objections raised by one of its members, Mr. Simon Yung, considers that the Group Restructuring, the Capital Reorganisation, the Privateco Offer and the COLI Offer altogether are in the interests of the Shareholders as a whole whilst at the same time provide an opportunity to the Shareholders to divest all or some of their investments in the Company and in the Privateco if they so wish. As mentioned above, details of the objections raised by Mr. Simon Yung are set out below in the paragraph headed "Divergence of views among Board members" under section I headed "General".

### **Information on the Distributed Businesses and the Remaining Business**

The Group is principally engaged in the Distributed Businesses and the Remaining Business as at the date of this announcement.

The Distributed Businesses consist principally of (a) manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business; (b) property leasing; (c) investment holding in real estates including minority share interests in holding companies for certain retail properties and office units of the Citic Plaza in Tianhe district of Guangzhou, a manufacturing building in the Futian free trade zone in Shenzhen, an industrial building in Chaiwan Hong Kong which also

houses the Company's headquarters and other industrial properties in Shunde district of Foshan City (details of which can be found in the latest financial statements of the Company as shown on the Company's website); (d) other investment holdings including a taxi company with 775 taxi licenses in Guangzhou, a small investment portfolio of approximately HK\$40 million as of 30 June 2009 consisting of bonds and shares of certain listed companies; (e) the Shareholder's Loan of approximately HK\$824.4 million as of 28 August 2009 (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) due from the Remaining Business to the Distributed Businesses as set out in the paragraph headed "Repayment of the Shareholder's Loan" under section D headed "Subscription Agreement" in this announcement (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and (f) holding of all Chinese trademarks bearing the name of SMC & Device owned by the Company (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion). The electric fans are primarily ceiling fans, which are sold to worldwide. The Distributed Businesses also involve contract manufacturing of optics and imaging products, as well as electric and electronics goods and have commenced to develop and produce paper handling optics and LED lighting products.

The Remaining Business mainly comprises the Company's 70% interest in Pan China Land, which together with its subsidiaries, are principally engaged in property investment and development in the PRC. The Remaining Business holds various properties in the PRC for investment, development and sale purpose. Properties under development are all located in the PRC, including Beijing, Guangdong and Inner Mongolia, and they will be developed as residential and commercial premises. Properties held for future development are land situated in the PRC, including Beijing, Guangxi, Inner Mongolia and Guangdong Provinces.

## **B. CAPITAL REORGANISATION**

The Distribution In Specie is conditional upon the Capital Reorganisation. The Capital Reorganisation comprises:

- (i) the Share Capital Reduction, which involves the reduction of the nominal value of HK\$0.50 of each of the issued and unissued Shares to HK\$0.01 and by cancelling the issued and paid-up capital to the extent of HK\$0.49 on each issued Share. On the Share Capital Reduction becoming effective, the issued share capital of the Company of HK\$261,742,281.00 will be reduced by HK\$256,507,435.38 to HK\$5,234,845.62; and
- (ii) the Share Premium Cancellation, whereby the entire amount standing to the credit of the share premium account of the Company will be cancelled.

On completion of the Capital Reorganisation, the credit arising from the Share Capital Reduction and the Share Premium Cancellation will be transferred to a reserve account of the Company to be created for this purpose and the Directors be authorised to apply the amount standing to the credit of the reserve account for the implementation of the Distribution In Specie.

As at the date of this announcement, the authorised share capital of the Company is HK\$450,000,000 divided into 900,000,000 Shares, of which 523,484,562 Shares have been issued and are fully paid up. Upon the Share Capital Reduction becoming effective and on the basis of the same number of the Shares in issue, the nominal value of the share of the Company will be reduced from HK\$0.50 to HK\$0.01, the authorised share capital of the Company will remain at HK\$450,000,000 divided into 45,000,000,000 Shares of HK\$0.01 each, but the issued share capital will be reduced from HK\$261,742,281.00 to HK\$5,234,845.62, divided into 523,484,562 Shares.

The Distribution In Specie of the Privateco Shares will then be made out of the reserve account created as described above and the distributable profits of the Company. The exact amount of the distribution will be determined as soon as the carrying value of the pro forma net asset value of the Privateco is ascertained immediately prior to Completion.

Other than the expenses to be incurred in relation to the Distribution In Specie and the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company.

### **Conditions precedent**

The Share Capital Reduction and the Share Premium Cancellation are conditional upon:

- (i) the passing of a special resolution approving the Share Capital Reduction and the Share Premium Cancellation by the Shareholders by way of poll at the EGM;
- (ii) all the conditions to completion of the Subscription Agreement (other than the condition set out in sub-paragraph (b)(iii) under the paragraph headed “Conditions Precedent” under section D headed “Subscription Agreement” below) having been fulfilled or waived;
- (iii) the Court making an order confirming the Share Reorganisation pursuant to section 60 of the Companies Ordinance;
- (iv) the delivery to the Companies Registrar of a copy of the order of the Court confirming the Share Reorganisation and a copy of the minute containing the particulars required under section 61 of the Companies Ordinance duly approved by the Court; and
- (v) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue upon the Share Capital Reduction becoming effective.

### **Reason for the Capital Reorganisation**

The Capital Reorganisation is one of the major components of the Group Restructuring and, as such, is a crucial step for achieving completions of the Group Restructuring and the Subscription, which in turn will ultimately lead to the Privateco Offer and the COLI Offer. In order to allow the Company to have sufficient distributable reserves to

facilitate the Distribution In Specie in addition to the deployment of the Company's distributable profits, the Board, subject to objections raised by one of its members, Mr. Simon Yung, proposed that the Share Capital Reduction and the Share Premium Cancellation be effected. As such, the Board considers that the Capital Reorganisation, as part and parcel of the Proposal, is in the interests of the Shareholders as a whole. The Capital Reorganisation is subject to approval by the Shareholders by way of poll at the EGM.

Further explanations of the Capital Reorganisation and the Distribution In Specie will be made in the Circular.

### **C. POSSIBLE VOLUNTARY UNCONDITIONAL CASH OFFER FOR THE PRIVATECO SHARES**

Immediately upon Completion and based on the current shareholding structure of the Company, Mr. Yung and the parties acting in concert with him (including the Directors who hold Shares but excluding Mr. Simon Yung) will be interested in a total of 329,756,784 Privateco Shares, which comprise 263,651,084 Privateco Shares held by Mr. Yung, 63,246,300 Privateco Shares held by Madam Yung and 2,859,400 Shares held by the Directors other than Mr. Yung, Madam Yung and Mr. Simon Yung, representing in aggregate approximately 62.99% of the issued share capital of the Privateco. Mr. Simon Yung has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert. Mr. Simon Yung will be interested in 43,577,351 Privateco Shares, representing approximately 8.33% of the issued share capital of the Privateco.

Given that the Privateco Shares will not be listed on any stock exchange upon Completion and will therefore be difficult, if not impossible, for the Privateco Shareholders to realise their interests in the Privateco if they desire, Mr. Yung, who will become the controlling shareholder of the Privateco upon Completion, considers that it will be appropriate for him to provide the Privateco Shareholders with an opportunity to realise their holdings of the Privateco Shares by procuring Access Capital on behalf of Red Dynasty to make the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

The Privateco Shares to be acquired under the Privateco Offer will include such Privateco Shares as will be held by Mr. Simon Yung but not those to be owned or agreed to be acquired by Red Dynasty Concert Party on the following basis:

**for every Privateco Share held \* . . . . . HK\$1.80 in cash**

\* *The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date.*

**As the Privateco Offer will only be made upon Completion, which is subject to a number of conditions, the making of the Privateco Offer may or may not proceed and, as such, is a possibility only.**

In the event that the Privateco Offer is made, it will be an unconditional cash offer.

On the basis that 523,484,562 Privateco Shares are expected to be in issue upon Completion, the Privateco Offer values the entire issued share capital of the Privateco at approximately HK\$942.3 million. Assuming the Group Restructuring is completed and based on 326,897,384 Privateco Shares, representing approximately 62.45% of the share capital of the Privateco expected to be in issue, to be owned collectively by Red Dynasty and parties acting in concert with it (including Mr. Yung, Ms. Hsu and Madam Yung), 196,587,178 Privateco Shares (including the 43,577,351 Privateco Shares to be held by Mr. Simon Yung) which represents approximately 37.55% of the share capital of the Privateco expected to be in issue will be subject to the Privateco Offer under the Takeovers Code. Such Privateco Shares are valued at approximately HK\$353.9 million.

Access Capital, the financial adviser to Red Dynasty, is satisfied that sufficient financial resources are available to Red Dynasty to satisfy full acceptance of the Privateco Offer.

The Privateco Offer price, subject to the objection by Mr. Simon Yung with details as set out below in the paragraph headed “Divergence of views among Board members” under section I headed “General”, has been determined after taking into account, among other things, the underlying assets and liabilities of the Distributed Businesses, the effects of the repayment of the Shareholder’s Loan of approximately HK\$824.4 million (actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review), historical earnings capability and future prospect of the Distributed Businesses. As at the date of this announcement, none of the member of the Red Dynasty Concert Party has received any indication or irrevocable commitment from any Shareholder that it will accept or reject the Privateco Offer. The Privateco Shares subject to the Privateco Offer will be acquired by Red Dynasty with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of the Privateco Shares and free from all third party rights.

As at the date of this announcement, the directors of the Privateco are Mr. Yung, Ms. Hsu and Madam Yung and the Privateco has no outstanding securities, options, warrants or derivatives which are convertible into or confer rights to require the issue of the Privateco Shares. Each of Red Dynasty, Mr. Yung, Ms. Hsu and Madam Yung and parties acting in concert with any of them has not entered into any agreement in relation to the issue of any convertible securities, options, warrants or derivatives of the Privateco. Red Dynasty confirms that there are no other arrangements (whether by way of option, indemnity or otherwise) in relation to the Privateco Shares and which may be material to the Privateco Offer. Save for the Group Restructuring, the Capital Reorganisation, the Subscription Agreement and the Undertaking, Red Dynasty, Mr. Yung, Ms. Hsu and Madam Yung further confirm that there are no other agreements or arrangements to which any of Red Dynasty, Mr. Yung, Ms. Hsu, Madam Yung or parties acting in concert with any of them is a party and relating to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Privateco Offer. Each of Red Dynasty, Mr. Yung, Ms. Hsu, Madam Yung and parties acting in concert with any of them has not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Privateco.

Since the Privateco is a company incorporated in Bermuda and its register of members is located and maintained there, no Hong Kong stamp duty is payable on any transfer of the Privateco Shares.

Save for any entitlements to receive Privateco Shares pursuant to the Group Restructuring, none of Red Dynasty, Mr. Yung, Ms. Hsu, Madam Yung and any party acting in concert with any of them hold any securities in the Privateco. None of Red Dynasty, Mr. Yung, Ms. Hsu, Madam Yung and any party acting in concert with any of them dealt in any securities in the Privateco during the six-month period immediately preceding 10 August 2009, being the date of commencement of the offer period for the Privateco Offer as defined in the Takeovers Code.

### **Background of Red Dynasty and its intentions regarding the Privateco**

Red Dynasty is a company incorporated in BVI with limited liability and is beneficially owned by Mr. Yung, Ms. Hsu and Madam Yung as to 99.996%, 0.002% and 0.002% respectively. Mr. Yung is also the sole director of Red Dynasty.

Mr. Yung is an executive Director, the group chairman and chief executive of the Company. Mr. Yung received a Bachelor's degree in Electrical Engineering from University of Washington and a Master's degree in Industrial Engineering from Stanford University. Mr. Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in USA, Hong Kong and China. He has also over 25 years of experience in real-estate investment and development in USA, Canada, Holland, Hong Kong, Taiwan, Macau and China. He is also a director in various members of the Group.

Ms. Hsu is the spouse of Mr. Yung.

Madam Yung is the mother of Mr. Yung and Mr. Simon Yung, the non-executive Director. Madam Yung has been involved in the development of the Group since inception and was appointed as an executive Director in 1984. She is also a director in various members of the Group.

It is the intention of Red Dynasty that the Privateco Group will not make material changes to its principal businesses. Red Dynasty intends to continue the employment of the existing employees of the Distributed Businesses. It is also the intention of Red Dynasty that after the close of the Privateco Offer, the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor will any major assets be injected into it, or be disposed of, unless necessary approval by the Privateco Shareholders has been obtained. The interests of the Privateco Shareholders will be safeguarded by the new bye-laws of the Privateco, which will contain comparable provisions required under the Listing Rules in respect of listed issuers. A summary of the key terms of the new bye-laws of the Privateco will be included in the Circular.

Though there is no intention for the Privateco Group to conduct any fund raising activities, the Privateco Group may require further funding from the Privateco Shareholders for the development of its businesses in the future.

Subject to sufficient Privateco Shares being acquired, Red Dynasty intends to avail itself of any right under the Companies Act 1981 of Bermuda and the Takeovers Code to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Further announcements will be made about the exercise of such compulsory acquisition rights. Under section 103 of the Company Act 1981 of Bermuda, Red Dynasty can compulsorily acquire the Privateco Shares of the remaining Privateco Shareholders once it holds 95% of all issued Privateco Shares. In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code requires acceptances of the Privateco Offer during the period of 4 months after posting of the Privateco Offer document to total 90% of the disinterested Privateco Shares.

## **D. SUBSCRIPTION AGREEMENT**

### **Date**

9 September 2009

### **Parties**

- (i) the Company (as issuer);
- (ii) Mr. Yung (as convenator); and
- (iii) COLI (as subscriber).

To the best of the knowledge, information and belief of the COLI's directors, the Company and Mr. Yung are third parties independent of COLI and its connected persons (as defined in the Listing Rules).

To the best of the knowledge, information and belief of the Directors, COLI is a third party independent of the Group and its connected persons (as defined in the Listing Rules).

### **Subscription**

Subject to the terms and conditions of the Subscription Agreement, the Offeror will subscribe for the 157,045,368 Subscription Shares at a consideration of HK\$2.90 per Share in cash, representing approximately 30% of the issued share capital of the Company as at the date of this announcement and approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription.

The Subscription Shares will rank pari passu in all respects with the Shares in issue, but the rights to the Distribution in Specie will not be attached to the Subscription Shares.

## **Consideration**

The cash consideration for the Subscription Shares is approximately HK\$455.4 million. The consideration will be payable in full on the Completion Date. The estimated net proceeds from the Subscription is approximately HK\$450.9 million, representing the net price of approximately HK\$2.87 per Subscription Share. The Company intends to apply the net proceeds for general working capital purposes of the Group.

The Subscription Price of HK\$2.90 per Subscription Share has been arrived at after arm's length negotiations between the Company and COLI, with reference to the following factors:

- (i) value of the Company taking into account the effect of the Distribution In Specie;
- (ii) the Subscription Shares will not have the rights to the Distribution In Specie;
- (iii) it is not uncommon that new share placement price is set at a discount to the market price; and
- (iv) a premium for the control of the Remaining Businesses has been taken into account for determination of the COLI Offer price.

The Subscription Price of HK\$2.90 per Subscription Share represents discounts of approximately 22.7%, 24.3% and 20.5% to the closing price of HK\$3.75 per Share as quoted on the Stock Exchange on the Last Trading Day, the average of the closing prices of the Company before the Group Restructuring of approximately HK\$3.83 and HK\$3.65 per Share for the 10 and 30 consecutive trading days up to and including the Last Trading Day, respectively.

## **Conditions precedent**

Completion of the Subscription Agreement is conditional upon the following conditions:

- (a) the representation and warranties given by the Company and Mr. Yung under the Subscription Agreement shall remain true, accurate and not misleading throughout the period from the date of the Subscription Agreement to the Completion Date;
- (b) the Group Restructuring and the Capital Reorganisation having been completed (with evidences to the satisfaction of COLI having been provided) and the relevant Shareholders' approvals as required under applicable laws, rules and regulations (including the Listing Rules and the Takeovers Code) having been obtained, including the following conditions, having been fulfilled:
  - (i) (if required) the relevant Shareholders' approval, where applicable, under the Listing Rules at the EGM in respect of the Group Restructuring and the Capital Reorganisation having been obtained;
  - (ii) the Transfer having been completed (including the obtaining of all necessary consents and approvals in relation to the Group Restructuring from third parties, regulatory bodies and governmental authorities); and



- (iii) the Distribution In Specie and the Capital Reorganisation which is to facilitate the Distribution In Specie, having been completed and becoming effective, including the Company having obtained all necessary Shareholders' approval and governmental approvals (which shall not impose any conditions causing material adverse effect on the Company or COLI) in respect of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Subscription Shares, the Transfer, the Distribution In Specie and the Share Premium Cancellation, etc.), and all registrations and filings (including court's approval or order in respect of the Distribution In Specie and the Share Premium Cancellation) in respect of such transactions having been completed, and all such approvals, filings and registrations shall remain valid; and the Company having provided evidences satisfactory to COLI (as disclosed above, completion of the Group Restructuring and the Capital Reorganisation is conditional upon, among other things, all conditions precedent to completion of the Subscription Agreement (other than the condition set out in this paragraph (b)(iii)) having been fulfilled or waived);
- (c) the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange, and the relevant approval and permission shall not be withdrawn before completion of the Subscription Agreement;
- (d) the Company and Mr. Yung having obtained all necessary approvals for entering into the Subscription Agreement and for completing the transactions contemplated under the Subscription Agreement as required under any existing contractual arrangements (including any borrowing or financing documents) to which members of the Group or Mr. Yung is a party in a manner reasonably satisfactory to COLI, and all such approvals shall remain valid;
- (e) the Stock Exchange and the SFC not having indicated that the listing of the Shares on the Stock Exchange will be suspended, cancelled or withdrawn following completion of the transactions contemplated under the Subscription Agreement, whether or not such suspension, cancellation or withdrawal relates to the transactions contemplated under the Subscription Agreement;
- (f) COLI is satisfied with the result of the due diligence conducted after the date of the Subscription Agreement on the Remaining Group and the Remaining Business;
- (g) Mr. Yung having executed and delivered a legally valid and effective Undertaking in the form satisfactory to COLI;
- (h) all parties to the Subscription Agreement having agreed to the arrangement or solution in respect of the following matters:
  - (i) the 30% equity interest in the Remaining Business directly and indirectly held by Assure Win and the actual economic interests thereof; and
  - (ii) the Management Options;

- (i) Mr. Yung and the Company having complied with and having performed all of their respective agreements, obligations and conditions as required under the Subscription Agreement before completion of the transactions contemplated under the Subscription Agreement;
- (j) there are no events which have caused, causes or may cause material adverse effect on (i) the business, operation, financial condition or most of the assets or property of the Group or (ii) the ability of Mr. Yung or the Company to perform or comply with their respective obligations, undertakings or covenants under the Subscription Agreement;
- (k) there are no applicable laws which shall, or which shall reasonably be expected to, forbid, restrict or impose conditions or restrictions on completion of the transactions contemplated under the Subscription Agreement;
- (l) there are no ongoing, pending or threatened legal proceedings which shall with reasonable grounds forbid, restrict or impose conditions or restrictions on or in any way challenge the transactions contemplated under the Subscription Agreement; and
- (m) all bank loans owed by the Company up to the Completion Date and all related interest, fees and penalties (if any) incurred having been assigned or novated outside the Remaining Group.

Save for conditions (b), (c), (g) and (h) above, COLI may waive any or all of the above conditions at its absolute discretion.

The Board, subject to objections raised by one of its members, Mr. Simon Yung, considers that the terms of the Subscription Agreement are fair and reasonable and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole on the basis that completion of the Subscription will enlarge the capital base of the Company and is a pre-condition of the COLI Offer and the Privateco Offer. Details of the objections raised by Mr. Simon Yung are set out below in the paragraph headed “Divergence of views among Board members” under section I headed “General”.

The Company did not have any fund raising exercises in the past 12 months immediately preceding the date of this announcement.

### **Listing application in respect of the Subscription Shares**

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

## Warranty

Mr. Yung warrants that the audited net asset value (the “**Audited NAV**”) of the Remaining Business on the Completion Date shall not be less than HK\$1,110 million (excluding the proceeds from the Subscription) (the “**Warranted NAV**”). Mr. Yung shall compensate COLI if the Audited NAV is less than the Warranted NAV in the following manner:

$$\begin{array}{c} \text{Difference between the Warranted NAV and the Audited NAV} \\ \times \\ 60\% \\ \times \\ \text{the percentage of the shareholding of the Company held by the Offeror} \\ \text{immediately after completion of the COLI Offer (i.e. 50.1\%), which percentage} \\ \text{shall have taken into account the shareholdings in the Company which} \\ \text{Mr. Yung has to maintain pursuant to the Undertaking and the restoration of} \\ \text{the minimum public float of the Company after completion of the COLI Offer} \end{array}$$

Any claim of the warranty shall be submitted by COLI before 30 April 2011 subject to certain exceptions including those claims arising out of the Distributed Businesses, the Transfer, the Capital Reorganisation, the Distribution In Specie and the Distributed Businesses, etc..

## Assignment of agreements

In association with the Group Restructuring, Mr. Yung and the Company jointly and severally undertake to use their respective reasonable endeavours to procure the termination and assignment of certain intellectual property rights, employment contracts, letter of credits, insurance contracts, guarantees and other business contracts and assets of the Company to parties outside the Group (i.e. Privateco) within 180 business days from the Completion Date or such longer period as agreed by COLI.

## Lock up

Mr. Yung irrevocably undertakes to COLI that save with the consent from COLI, he will not, in a period of six months from the Completion Date, sell or dispose of or enter into agreement to sell or dispose of any of his Shares or any rights, benefits or economic interests in such Shares, save for any sale or disposal necessary for the performance of any of his obligations under the Subscription Agreement and the Undertaking.

Mr. Yung also irrevocably undertakes that he (altogether with Ms. Hsu and the Trust) shall maintain a holding of no less than 136 million Shares (representing approximately 26.0% of the issued share capital of the Company as at the date of this announcement and approximately 20.0% of the issued share capital of the Company as enlarged by the Subscription) and the rights, benefits and economic interests in such Shares for a period of one year from the Completion Date (except for the purpose of performing the Undertaking or sale to the subscriber which renders the shareholding held by Mr. Yung be lower than the prescribed percentage), and a holding of no less than 68 million Shares (representing approximately 13.0% of the issued share capital of the Company as at the

date of this announcement and approximately 10.0% of the issued share capital of the Company as enlarged by the Subscription) and the rights, benefits and economic interests in such Shares the subsequent one year after the first anniversary of the Completion Date.

### **Repayment of the Shareholder's Loan**

The Distributed Businesses have advanced Shareholder's Loan in aggregate of approximately HK\$824.4 million (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) to the Remaining Business in the past. As such, the Company will repay 50% of the Shareholder's Loan and relevant interest accrued up to the Completion Date to the Privateco Group upon Completion. The Offeror undertakes to procure the Company to repay to the Privateco Group the remaining 50% of the Shareholder's Loan and the relevant interest accrued up to the date of payment in Hong Kong dollars (or in such other currency as mutually agreed by COLI and Mr. Yung) within 45 days from the Completion Date.

### **Non-competition undertaking**

Mr. Yung undertakes that during the period from the Completion Date to the first anniversary of the Completion or as long as he holds no less than 10% of the issued share capital of the Company (whichever is shorter), except with the prior written consent from COLI (such consent should not be unreasonably withheld), Mr. Yung and his associates will not (a) involve in any business, whether by himself or jointly with any individual, entity or corporate or represent any individual or corporate, whether directly or indirectly, in or outside of the PRC, that competes with the business of the Group, such prohibition includes direct or indirect involvement, participation (including being director, employee, adviser or providing other services) in business or interested directly or indirectly in such business; (b) employ any individual who is or has, within 12 months of the date of the Subscription Agreement, been senior staff or employee of the Group (not including those who are related to the Distributed Business). This non-competition undertaking does not apply to (i) entities or companies that Mr. Yung has less than 20% beneficial interests; (ii) the businesses or activities in which Mr. Yung has been engaged on or before the date of the Subscription Agreement (including the Distributed Businesses); and (iii) any business opportunity which has been referred by Mr. Yung to COLI for COLI's consideration and COLI has decided not to participate in such opportunity (such decision has to be made within two weeks from the referral), in such circumstances Mr. Yung's involvement in such opportunity will not be restricted by this undertaking.

### **Exclusivity**

Mr. Yung undertakes that during the period from the signing of the Subscription Agreement to the Completion Date, or to the date on which the Subscription Agreement lapses or being terminated (whichever is earlier), Mr. Yung will not discuss or negotiate with any other party or entity other than COLI regarding the transactions contemplated under the Subscription Agreement or similar transactions. Mr. Yung shall compensate COLI in a sum of US\$5,000,000 if Mr. Yung is in breach of this undertaking.

### **Escrow of Shares owned by Mr. Yung**

Mr. Yung undertakes that 60 million Shares (representing approximately 11.5% of the existing issued share capital of the Company and approximately 8.8% of the issued share capital of the Company as enlarged by the Subscription) owned by him will be escrowed (but not pledged) at an escrow agent acceptable to both Mr. Yung and COLI and to be appointed on the Completion Date, during a period from Completion to 30 April 2011. This 60 million Shares represent part of the 136 million Shares that Mr. Yung has irrevocably undertaken to maintain pursuant to the lock up undertaking as described in the paragraph headed “Lock up” above. During such period, Mr. Yung will not in any way dispose of such Shares unless both Mr. Yung and COLI agree.

### **Change of Company name**

Within 60 days from the posting of the COLI Offer Document, COLI, with the assistance of Mr. Yung, will procure the Company to change the name of the Company such that Mr. Yung and the Privateco Group can use the existing names of the Company (i.e. any names including Shell, Shell Electric, SMC, 蜆壳 and 蜆華). COLI undertakes to Mr. Yung that it and the Remaining Group will not use Shell, Shell Electric, SMC, 蜆壳 and 蜆華 for any commercial purposes upon completion of the aforesaid change of name.

### **Completion**

Each party to the Subscription Agreement shall issue a notice of Completion to the other parties to the Subscription Agreement before fulfilment and/or waiver of the conditions precedent. Completion of the Subscription Agreement shall take place within the fifth Business Day from the date of the last notice of Completion issued by any party to the Subscription Agreement. In the event that any of the conditions precedent cannot be fulfilled or waived by 5:00 p.m. on 2 February 2010 or such later date as may be agreed by the parties to the Subscription Agreement, the Subscription Agreement shall lapse and be terminated.

Completion of the Subscription is inter-conditional with the Group Restructuring and the Capital Reorganisation.

## **E. POSSIBLE VOLUNTARY UNCONDITIONAL CASH OFFER FOR THE SHARES**

After Completion, the Offeror will hold 157,045,368 Shares, representing approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. The Offeror and Mr. Yung, both of whom are parties acting in concert together will hold in aggregate 420,696,452 Shares upon Completion, representing approximately 61.83% of the issued share capital of the Company as enlarged by the Subscription. Subject to Completion, J.P. Morgan will, on behalf of the Offeror, make the COLI Offer, which is a voluntary unconditional cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it on the following basis:

**for every Share held . . . . . HK\$5.0 in cash**

In accordance with but subject to the terms of the Undertaking, however, Mr. Yung will irrevocably undertake not to accept the COLI Offer in respect of those Shares beneficially owned by him and not to transfer to any third party or otherwise dispose of or take such actions to make those Shares available for acceptance prior to closing of the COLI Offer. Mr. Yung will procure Ms. Hsu, and subject to other parts of the Undertaking and Madam Yung's Undertaking, will use his best endeavours to procure Madam Yung, to comply with similar non-disposal restrictions in respect of the Shares held by them.

**The making of the COLI Offer is a possibility only and it may or may not proceed.**

In the event that the COLI Offer is made, it will be an unconditional cash offer.

The COLI Offer price has been determined with reference to (i) the value of the Pan China Land Group; (ii) the value of the Company taking into account the effect of the Distribution In Specie; and (iii) the premium for controlling the Company.

Based on the Company's share capital of 680,529,930 Shares as enlarged by the Subscription, the COLI Offer values the entire issued share capital of the Company at approximately HK\$3,402.6 million. Assuming the COLI Offer is accepted in full, the COLI Offer applies to 523,484,562 Shares, representing approximately 76.92% of the issued share capital of the Company after Completion, and the value of the COLI Offer will amount to approximately HK\$2,617.4 million (excluding stamp duty). J.P. Morgan is satisfied that the Offeror has sufficient financial resources available to it to satisfy full acceptance of the COLI Offer.

The Shares subject to the COLI Offer will be acquired ex-entitlements to the Distribution In Specie pursuant to the Group Restructuring but with the right to receive all dividends or distributions declared, paid or made on or after the date of the Subscription Agreement and free from all third party rights attaching thereto on or after that date.

The ad valorem stamp duty payable by the accepting Shareholders in connection with the COLI Offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration will be payable by the accepting Shareholders and will be deducted by the Offeror from the consideration payable to them on acceptance of the COLI Offer. The Offeror will then pay the stamp duty on behalf of the accepting Shareholders.

As at the date of this announcement, the Company has no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares. The Offeror and parties acting in concert with it have not entered into any agreements in relation to the issue of any convertible securities, options, warrants or derivatives of the Company.

On 9 June 2009, Mr. Yung has acquired 50,000 Shares at a price of HK\$3.37 per Share and Ms. Hsu has acquired 50,000 Shares at a price of HK\$3.37 per Share. Save as disclosed herein, none of the Offeror and parties acting in concert with it dealt in any securities in the Company during the six-month period immediately preceding 10 August 2009, being the date of commencement of the offer period for the COLI Offer as defined in the Takeovers Code.

The Offeror confirms that there are no other arrangements, whether by way of option, indemnity or otherwise, in relation to the Shares and which may be material to the COLI Offer.

The Offeror further confirms that, other than those disclosed in this announcement, there are no other agreements or arrangements to which the Offeror is a party and relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the COLI Offer.

As at the date of this announcement, the Offeror and any party acting in concert with it have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

### **The Undertaking**

Pursuant to the Subscription Agreement, as a condition precedent to completion of the Subscription, Mr. Yung will irrevocably undertake to COLI that:

- (i) Mr. Yung will, and will procure Ms. Hsu and the Trust to, and will use his best endeavours to procure Madam Yung and Mr. Simon Yung to, accept the COLI Offer to the extent that the Offeror will own no less than 50.1% of the issued share capital of the Company as enlarged by the Subscription upon closing of the COLI Offer;
- (ii) subject to performance of obligations of Mr. Yung under (i) above and (vi) below, Mr. Yung together with Ms. Hsu and the Trust will hold 136,000,000 Shares (representing approximately 20.0% of the issued share capital of the Company as enlarged by the Subscription) or above and the rights and economic interests therein for a period of one year from the Completion Date;
- (iii) even if the Stock Exchange deems Madam Yung or Mr. Simon Yung as a member of the public (as defined in the Listing Rules) and the Shares held by them as public shareholdings after the COLI Offer, the shareholding held by Mr. Yung, together with Ms. Hsu and the Trust, in the Company still shall not exceed 169,320,000 Shares, representing approximately 24.9% of the issued share capital of the Company as enlarged by the Subscription, after completion of the COLI Offer;
- (iv) in the event that Mr. Yung, together with Ms. Hsu and the Trust, own less than 136,000,000 Shares after completion of the COLI Offer, Mr. Yung will, as far as permitted under the Takeovers Code, use his reasonable endeavours to acquire the Shares from Madam Yung and Mr. Simon Yung after completion of the COLI Offer so that Mr. Yung, together with Ms. Hsu and the Trust, will own 136,000,000 Shares;
- (v) other than required under (i) and (iii) above and (vi) below, Mr. Yung will not accept the COLI Offer in respect of those Shares beneficially owned by him or take such action to make these Shares available for acceptance of the COLI Offer or transfer to any third party his Shares or the rights and economic interests

therein or otherwise dispose of them prior to closing of the COLI Offer, Mr. Yung will procure Ms. Hsu and the Trust, and subject to (i) and (iv) above will use his best endeavours to procure Madam Yung, to comply with similar non-disposal restrictions in respect of the Shares held by them;

- (vi) upon the closing of the COLI Offer, Mr. Yung and COLI will jointly undertake to maintain the 25% public float requirement and will jointly sell or transfer the Shares held by them to the public (as defined in the Listing Rules) such that at least 25% of the Shares are held by the public; and
- (vii) Mr. Yung irrevocably authorises COLI to sign, transfer and execute all necessary documents to fulfil items (i), (iii), (iv) and (vi) above.

Pursuant to the Undertaking, Mr. Yung (together with Ms Hsu and the Trust) will in any event accept the COLI Offer as to a minimum of approximately 94.33 million Shares held by them.

Pursuant to Madam Yung's Undertaking, Madam Yung has undertaken to Mr. Yung and COLI to accept the COLI Offer in respect of the 53,246,300 Shares beneficially owned by her. Mr. Yung has tried to approach Mr. Simon Yung but no response was received from Mr. Simon Yung with regard to the acceptance of the COLI Offer as detailed in (i) above.

Save for the Undertaking and Madam Yung's Undertaking, the Offeror and parties acting in concert with it have not received any indication or irrevocable commitment from any Shareholders that it will accept or reject the COLI Offer as at the date of this announcement.



Set out below is the shareholding structure of the Company as at the date of this announcement and immediately after Completion:

|  | As at the date of<br>this announcement |               | Immediately upon<br>completion of the<br>Subscription Agreement<br>and the Capital<br>Reorganisation and<br>before the COLI Offer |               |
|--|--|---------------|---|---------------|
|  | Number<br>of Shares<br>(in million)    | %             | Number<br>of Shares<br>(in million)   | %             |
| Mr. Yung (Note 1)  | 263.65                                 | 50.36         | 263.65  | 38.75         |
| Madam Yung (Note 2)  | 63.25                                  | 12.08         | 63.25   | 9.29          |
| The Directors (Note 3)   | 2.86                                   | 0.55          | 2.86  | 0.42          |
| The Offeror  | —                                      | —             | 157.05  | 23.08         |
| <b>Subtotal for Mr. Yung,<br/>the Offeror and their<br/>respective concert parties</b> | <b>329.76</b>                          | <b>62.99</b>  | <b>486.81</b>   | <b>71.54</b>  |
| Mr. Simon Yung (Note 4)  | 43.58                                  | 8.33          | 43.58   | 6.40          |
| Public   | 150.14                                 | 28.68         | 150.14  | 22.06         |
| <b>Total</b>   | <b>523.48</b>                          | <b>100.00</b> | <b>680.53</b>   | <b>100.00</b> |

Notes:

1. Of the 263.65 million Shares, approximately 37.32 million Shares are beneficially interested by Mr. Yung, approximately 10.00 million Shares are jointly owned by Mr. Yung and Ms. Hsu and approximately 216.33 million Shares are held by the Trust.
2. Of the 63.25 million Shares, approximately 53.25 million Shares are beneficially interested by Madam Yung and the remaining balance of approximately 10.00 million shares represents the Shares held by the late Dr. Yung Yau.
3. Those interests held by Mr. Yung, Madam Yung and Mr. Simon Yung are excluded.
4. Of the 43.58 million Shares, approximately 39.15 million Shares are beneficially interested by Mr. Simon Yung, approximately 3.53 million Shares are held by Konvex Enterprises Limited which is wholly-owned by Mr. Simon Yung, and the remaining balance of 0.90 million Shares represent the shares held by Mr. Simon Yung's spouse, Madam Chiu Man. Mr. Simon Yung has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert.

For illustration purpose, set out below is the possible shareholding structures of the Company following the closing of the COLI Offer:

|  | Scenario 1<br>(Note 1):             |                      | Scenario 2<br>(Note 2):             |                      | Scenario 3<br>(Note 3):             |                      | Scenario 4<br>(Note 4):             |                      |
|--|-------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|
|  | Number<br>of Shares<br>(in million) | %                    | Number<br>of Shares<br>(in million) | %                    | Number<br>of Shares<br>(in million) | %                    | Number<br>of Shares<br>(in million) | %                    |
| Mr. Yung   | 133.00                              | 19.55                | 136.00                              | 19.98                | 136.00                              | 19.98                | 169.32                              | 24.88                |
| Madam Yung (Note 5)  | 10.00                               | 1.47                 | 7.00                                | 1.04                 | –                                   | 0.00                 | –                                   | 0.00                 |
| The Directors  | 2.86                                | 0.42                 | 2.86                                | 0.42                 | –                                   | 0.00                 | –                                   | 0.00                 |
| The Offeror  | <u>340.95</u>                       | <u>50.10</u>         | <u>340.95</u>                       | <u>50.10</u>         | <u>544.53</u>                       | <u>80.02</u>         | <u>511.21</u>                       | <u>75.12</u>         |
| <b>Subtotal for Mr. Yung,<br/>the Offeror and<br/>their respective<br/>concert parties</b> | <b><u>486.80</u></b>                | <b><u>71.54</u></b>  | <b><u>486.80</u></b>                | <b><u>71.54</u></b>  | <b><u>680.53</u></b>                | <b><u>100.00</u></b> | <b><u>680.53</u></b>                | <b><u>100.00</u></b> |
| Mr. Simon Yung<br>(Notes 5 and 6)  | 43.58                               | 6.40                 | 43.58                               | 6.40                 | –                                   | 0.00                 | –                                   | 0.00                 |
| Public   | <u>150.15</u>                       | <u>22.06</u>         | <u>150.15</u>                       | <u>22.06</u>         | <u>–</u>                            | <u>0.00</u>          | <u>–</u>                            | <u>0.00</u>          |
| <b>Total</b>   | <b><u>680.53</u></b>                | <b><u>100.00</u></b> | <b><u>680.53</u></b>                | <b><u>100.00</u></b> | <b><u>680.53</u></b>                | <b><u>100.00</u></b> | <b><u>680.53</u></b>                | <b><u>100.00</u></b> |

*Notes:*

- Scenario 1 assumes nil acceptance by Shareholders other than Mr. Yung and Madam Yung who accept the COLI Offer pursuant to the Undertaking and Madam Yung's Undertaking respectively.
- Scenario 2 assumes (i) nil acceptance by Shareholders other than Mr. Yung and Madam Yung; (ii) Mr. Yung has successfully procure Madam Yung to sell her Shares to Mr. Yung such that Mr. Yung can maintain 136,000,000 Shares (i.e. approximately 20% shareholding interest in the Company); and (iii) the Offeror can maintain 50.1% shareholding interest in the Company.
- Scenario 3 assumes (i) 100% acceptance by Shareholders other than Mr. Yung; and (ii) Mr. Yung maintains 136,000,000 Shares (i.e. approximately 20.0% shareholding interest in the Company) pursuant to the Undertaking.
- Scenario 4 assumes (i) 100% acceptance by Shareholders other than Mr. Yung; and (ii) Mr. Yung maintains 169,320,000 Shares (i.e. approximately 24.9% shareholding interest in the Company) pursuant to the Undertaking.
- Madam Yung and Mr. Simon Yung, will be regarded as public Shareholders if they resign as Directors upon Completion provided that they have no other connected relationships with the Company.
- Mr. Simon Yung has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert.

## **Background of the Offeror and its intention regarding the Company**

COLI is one of the leading property development and investment companies in the PRC. It is also engaged in other property-related businesses such as property management and construction design. COLI has completed property development projects in more than 20 major cities in the PRC and is widely recognized for its industry track record and experience. As at 17 August 2009, COLI had a total land bank of approximately 25.63 million sq. m. across 22 mainland China cities and districts (including Hong Kong and Macau).

COLI is also the largest PRC property developer listed on the Stock Exchange as at the date of this announcement (by market capitalization). It is a subsidiary of China State Construction Engineering Corporation, one of the largest construction conglomerates in the PRC.

As a leading real estate development and investment company in the PRC, COLI's strategy is to grow its business both organically and via acquisitions. The proposed COLI Offer represents an opportunity for COLI to acquire and expand its real estate platform in the PRC. The Remaining Group had a total saleable and leasable land bank of approximately 1.7 million sq. m. as at 30 June 2009. The Remaining Group's property projects are located across prime tier one cities such as Beijing, Guangzhou and Shanghai as well as emerging cities such as Hohhot, Inner Mongolia. The portfolio also has a balanced mix of properties under development and land bank held for future developments. In addition to development projects, the Remaining Group has an investment property portfolio comprising two completed office properties in Beijing and Shanghai and a retail mall under development in Guangzhou with a planned gross floor area of 81,651 sq. m..

It is the Offeror's intention to develop the Remaining Group's platform in the PRC by leveraging on the COLI's real estate investment, development and project management expertise. The primary focus of the Remaining Group will be residential and mixed use developments in emerging second and third tier cities, as well as selective, smaller-scale developments in tier-one and tier-two cities, if opportunities arise. The Remaining Group, through maintaining listing of the Shares on the Stock Exchange, will remain listed to provide access to the public equity capital markets to fund its future expansions.

With a view to ensuring continuity of the management of the Remaining Group and leveraging Mr. Yung's vast experience in the real-estate investment and development industry, pursuant to the Subscription Agreement, COLI agrees to appoint Mr. Yung as the Vice Chairman of the Board if Mr. Yung maintains 20% or more shareholding and beneficial interests in the Company (the "**Interests**") in the year following Completion and 10% or more Interests in each of following years after the first anniversary of Completion. It is the intention that Mr. Yung's remuneration as the Vice-Chairman of the Board will be substantially less than the total remuneration currently received by Mr. Yung from the Company and no other benefits will be paid to Mr. Yung and there will be no fixed term for his appointment. Further announcement will be made as and when there is a change in the composition of the Board.

## F. COMPARISON OF THE COMBINED OFFER PRICE UNDER THE PROPOSAL WITH MARKET PRICES AND NET ASSET VALUE OF THE SHARES

The combined consideration under the Proposal on a part and parcel basis including the COLI Offer and the Privateco Offer is equivalent to HK\$6.80 per Share, which represents:

- a premium of approximately 14.5% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$5.94 per Share as at 30 June 2009;
- a premium of approximately 81.3% over the closing price of HK\$3.75 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- premiums of approximately 77.5%, 81.3%, 86.3%, 125.9% and 165.6% over the average of the closing prices of approximately HK\$3.83, HK\$3.75, HK\$3.65, HK\$3.01 and HK\$2.56 per Share respectively for the 10, 20, 30, 90 and 180 consecutive trading days up to and including the Last Trading Day.

The COLI Offer price of HK\$5.00 per Share represents:

- a premium of approximately 33.3% over the closing price of HK\$3.75 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- premiums of approximately 30.5%, 33.3%, 37.0%, 66.1% and 95.3% over the average of the closing prices of approximately HK\$3.83, HK\$3.75, HK\$3.65, HK\$3.01 and HK\$2.56 per Share respectively for the 10, 20, 30, 90 and 180 consecutive trading days up to and including the Last Trading Day.

## G. FINANCIAL INFORMATION ON THE GROUP

Set out below is a summary of the Group's audited consolidated income statements for each of the two years ended 31 December 2007 and 2008 and the interim results of the Group as at 30 June 2009:

|   | <b>For the year</b>      |                     | <b>For the</b>       |
|---|--------------------------|---------------------|----------------------|
|   | <b>ended 31 December</b> |                     | <b>six months</b>    |
|   | <b>2008</b>              | <b>2007</b>         | <b>ended 30 June</b> |
|   | <i>HK\$ million</i>      | <i>HK\$ million</i> | <b>2009</b>          |
|   |                          |                     | <i>HK\$ million</i>  |
| Turnover                                | 2,502.6                  | 3,552.0             | 1,672.5              |
| Profit before taxation                  | 530.9                    | 741.3               | 491.2                |
| Profit attributable to the Shareholders | 23.6                     | 434.4               | 34.1                 |

The unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2009 was approximately HK\$3,111.5 million, representing approximately HK\$5.94 per Share based on 523,484,562 Shares in issue.

Further financial information on the Remaining Group and the Distributed Group will be set out in the Circular to be despatched to the Shareholders.

## **H. THE SUBSCRIPTION AND THE COLI OFFER TOGETHER CONSTITUTE DISCLOSEABLE TRANSACTIONS OF COLI**

In accordance with the Listing Rules, one or more of the applicable percentage ratios in respect of the Subscription and the COLI Offer on an aggregate basis exceed 5%, but all of those percentage ratios are less than 25%. Accordingly, the Subscription and the COLI Offer together constitute discloseable transactions for COLI under the Listing Rules.

In light of the benefits set out in the above paragraph headed “Background of the Offeror and its intention regarding the Company” under section E headed “Possible voluntary unconditional cash offer for the Shares”, the directors of COLI believe that the terms of the Subscription and the COLI Offer are fair and reasonable and in the interests of COLI and its shareholders as a whole.

## **I. GENERAL**

### **Maintenance of the listing status of the Company**

The Offeror intends that the Company remains listed on the Stock Exchange. As set out in section E headed “Possible voluntary unconditional cash offer for the Shares” above, COLI and Mr. Yung will irrevocably undertake that, among other things, they will be responsible for maintaining the 25% public float requirement upon the closing of the COLI Offer.

**The Stock Exchange has stated that if, at the close of the COLI Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:**

- a false market exists or may exist in the trading of the Shares; or**
- there are insufficient Shares in public hands to maintain an orderly market,**

**it will consider exercising its discretion to suspend dealings in the Shares.**

## **EGM**

The EGM will be held for the Shareholders, if thought fit, approving the resolutions in respect of the Proposal. Mr. Yung, Ms. Hsu, Madam Yung, COLI, the Offeror, their respective associates and parties acting in concert with any of Mr. Yung, Ms. Hsu, Madam Yung, COLI and the Offeror (including the Directors who hold Shares but excluding Mr. Simon Yung) will abstain from voting on the relevant resolution(s), which will be taken on a poll at the EGM. As at the date of this announcement, Mr. Yung, Ms. Hsu, Madam Yung, their associates and parties acting in concert with them (including the Directors who hold Shares but excluding Mr. Simon Yung) altogether held 329,756,784 Shares, representing approximately 62.99% of the existing issued share capital of the Company. Mr. Simon Yung has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Yung are acting in concert purely by virtue of their relationship of “siblings” or “close relatives” under class (8) of the definition of acting in concert. As such, Mr. Simon Yung is not required to abstain from voting on the relevant resolution(s) in connection with the Proposal. Mr. Simon Yung holds 43,577,351 Shares, representing approximately 8.33% of the existing issued share capital of the Company.

Mr. Simon Yung has indicated to the Board his objection to the Proposal and confirmed that he intends to vote against all the resolutions in connection with the Proposal.

Save as disclosed above, none of the Offeror, its associates and parties acting in concert with the Offeror held any Shares as at the date of this announcement.

### **Divergence of views among Board members**

The Board was informed by Mr. Simon Yung, the non-executive Director and the brother of Mr. Yung, that he objected to the Proposal and considered the Proposal would not be in the interests of the Shareholders based on the following reasons:

- (i) the Subscription Price of HK\$2.90 per Share, which is substantially lower than the offer price under the COLI Offer of HK\$5.0 per Share, was considered by Mr. Simon Yung as not reasonably reflecting the value of the Group and was at a discount of approximately 51.18% to the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$5.94 per Share as at 30 June 2009;
- (ii) Mr. Simon Yung believed that the current corporate structure and diversified businesses of the Group should be maintained;
- (iii) the offer price of HK\$1.80 by Privateco to the Independent Shareholders is substantially lower than the actual value of the Distributed Business of (a) manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business; (b) property leasing; (c) investment holding in real estates including minority share interests in holding companies for certain retail properties and office units of the Citic Plaza in Tianhe district of Guangzhou, a manufacturing building in the Futian free trade zone

in Shenzhen, an industrial building in Chaiwan Hong Kong which also houses the Company's headquarters and other industrial properties in Shunde district of Foshan City (details of which can be found in the latest financial statements of the Company as shown on the Company's website); (d) other investment holdings including a taxi company with 775 taxi licenses in Guangzhou, a small investment portfolio of approximately HK\$40 million as of 30 June 2009 consisting of bonds and shares of certain listed companies; (e) the Shareholder's Loan of approximately HK\$824.4 million as of 28 August 2009 (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) due from the Remaining Business to the Distributed Businesses as set out in the paragraph headed "Repayment of the Shareholder's Loan" under section D headed "Subscription Agreement" in this announcement (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and (f) holding of all Chinese trademarks bearing the name of SMC & Device owned by the Company (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and

- (iv) Mr. Simon Yung considered that a direct disposal of the Remaining Business to COLI at a price in the interest of the Shareholders should be a better alternative so as to avoid any dilution to the Shareholders' interests in the Company.

Mr. Simon Yung has indicated to the Board his objection to the Proposal and intends to vote against all the resolutions in connection with the Proposal.

### **Independent Board Committee**

The Independent Board Committee of the Company comprising all the independent non-executive Directors has been formed in order to make a recommendation to the Independent Shareholders. As Mr. Simon Yung has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Yung as acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert, Mr. Simon Yung, being the non-executive Director, will be included as a member of the independent board committee pursuant to Rule 2.8 of the Takeovers Code. However, Mr. Simon Yung, being the non-executive Director, has indicated to the Board his objection to the Proposal.

### **The Circular and appointment of the independent financial adviser**

The Circular, which will contain, among other things, details of the Proposal, an accountants' report on each of the Group and the Privateco Group, pro forma consolidated balance sheet, income statement and cash flow statement of the Remaining Group, the property valuation reports of the Group, the letter of recommendation from the Independent Board Committee and the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, regarding the Proposal, the Privateco Offer and the COLI Offer and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

An independent financial adviser to the Independent Board Committee and Independent Shareholders will be appointed in due course by the Independent Board Committee in respect of the COLI Offer, in particular, as to whether the COLI Offer is, or is not, fair and reasonable and as to its acceptance if it is made. The advices and recommendations of the independent financial adviser and the Independent Board Committee in respect of the COLI Offer will be included in the COLI Offer Document.

In respect of the Privateco Offer, an independent financial adviser will be appointed by the board of directors of the Privateco to advise the independent Privateco Shareholders, in particular, as to whether the Privateco Offer is, or is not, fair and reasonable and as to its acceptance if it is made. The advice and recommendation of the independent financial adviser in respect of the Privateco Offer will be included in the Privateco Offer Document.

Further announcement will be made in relation to the appointment of the independent financial adviser pursuant to Rule 2.1 of the Takeovers Code.

### **Waiver of Rule 8.2 of the Takeovers Code**

In accordance with Rule 8.2 of the Takeovers Code, both the COLI Offer Document and the Privateco Offer Document are required to be posted by or on behalf of the Offeror and Red Dynasty respectively within 21 days of the date of this announcement. However, as there are pre-conditions, i.e. Completion, to the making of the COLI Offer and the Privateco Offer respectively, application will be made by the Offeror and Red Dynasty for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the COLI Offer Document and the Privateco Offer Document to within seven days of fulfilment of such pre-conditions.

### **Securities in the Company**

As at the date of this announcement, the Company has a total of 523,484,562 Shares in issue. Save as aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement.

### **Dealings disclosure**

The associates (as defined in the Takeovers Code) of the Company, the Privateco, Red Dynasty and the Offeror are reminded to disclose their dealings in the securities in the Company under Rule 22 of the Takeovers Code.

### **Responsibilities of stockbrokers, banks and other intermediaries**

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates (as defined in the Takeovers Code) and other persons under Rule 22 of the Takeovers Code and that those clients are willing to



comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates (as defined in the Takeovers Code) and other person themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that the stockbrokers and other intermediaries will supply the Executive with the relevant information as to those dealings, including identities of clients, as part of that co-operation.

### **Suspension and resumption of trading in the Shares**

On 28 July 2009 (after trading hours), the Company and COLI reached a very rough preliminary understanding in relation to a framework for the Proposal. The Board considered that, among other things, the possible offer by the Offeror was reasonably imminent and there was a possibility that an uninformed market for the Shares could develop prior to the publication of this announcement. As such, the Company requested a suspension of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 29 July 2009 pending the release of this announcement. When making the announcement dated 10 August 2009, the Company was of the view that the relevant agreement in relation to the Proposal could be entered into between the relevant parties shortly thereafter and that an immediate resumption of trading in the Shares then might create an uninformed market of the Shares. As such, trading in the Shares remained suspended pending the release of this announcement.

Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30 September 2009.

### **Warning**

**AS THE PRIVATECO OFFER AND THE COLI OFFER WILL ONLY BE MADE AFTER COMPLETION, WHICH IS SUBJECT TO A NUMBER OF CONDITIONS, EACH OF THE PRIVATECO OFFER AND THE COLI OFFER MAY OR MAY NOT PROCEED AND, AS SUCH, ARE POSSIBILITIES ONLY. INVESTORS AND SHAREHOLDERS ARE THEREFORE URGED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES.**

## **J. DEFINITIONS**

*Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:*

|                          |  |
|--------------------------|--|
| “Access Capital”         | Access Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to Red Dynasty  |
| “acting in concert”      | having the meaning defined in the Takeovers Code   |
| “associate”              | having the meaning defined in the Listing Rules  |
| “Assure Win”             | Assure Win Investments Limited, a company incorporated in BVI and the beneficial owner of a 30% interest in Pan China Land, which is a 70% owned subsidiary of the Company   |
| “Board”                  | the board of Directors   |
| “Business Day”           | means any day (excluding a Saturday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at an time between 9 a.m. to 5 p.m. and is not lowered or discontinued at or before 5 p.m.) on which banks are generally open for business in Hong Kong |
| “BVI”                    | British Virgin Islands   |
| “Capital Reorganisation” | the Share Capital Reduction and the Share Premium Cancellation   |
| “Circular”               | a circular of the Company in relation to, inter alia, the Proposal, to be despatched to the Shareholders   |
| “COLI”                   | China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and the shares of which are listed on the Main Board of the Stock Exchange  |

|                          |  |
|--------------------------|--|
| “COLI Offer”             | the possible voluntary unconditional cash offer to be made by J.P. Morgan on behalf of the Offeror to acquire all the issued Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it  |
| “COLI Offer Document”    | the offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Shareholders pursuant to the COLI Offer   |
| “Company”                | Shell Electric Mfg. (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange  |
| “Completion”             | completion of the Group Restructuring, the Capital Reorganisation and the Subscription Agreement   |
| “Completion Date”        | the date of Completion   |
| “Director(s)”            | the director(s) of the Company from time to time   |
| “Distributed Businesses” | all businesses of the Group, other than the Remaining Business, carried on by the Privateco Group, including (a) manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business; (b) property leasing; (c) investment holding in real estates including minority share interests in holding companies for certain retail properties and office units of the Citic Plaza in Tianhe district of Guangzhou, a manufacturing building in the Futian free trade zone in Shenzhen, an industrial building in Chaiwan Hong Kong which also houses the Company’s headquarters and other industrial properties in Shunde district of Foshan City (details of which can be found in the latest financial statements of the Company as shown on the Company’s website); (d) other investment holdings including a taxi company with 775 taxi licenses in Guangzhou, a small investment portfolio of approximately HK\$40 million as of 30 June 2009 consisting of bonds and shares of certain listed companies; (e) the Shareholder’s Loan of approximately HK\$824.4 million as of 28 August 2009 (the actual amount |

of which is subject to confirmation in writing by COLI based on results of the due diligence review) due from the Remaining Business to the Distributed Businesses as set out in the paragraph headed “Repayment of the Shareholder’s Loan” under section D headed “Subscription Agreement” in this announcement (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and (f) holding of all Chinese trademarks bearing the name of SMC & Device owned by the Company (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion)

|                               |  |
|-------------------------------|--|
| “Distribution In Specie”      | the distribution in specie of the Privateco Shares by the Company to the Shareholders as described in paragraph (ii) under section A headed “Group Restructuring” of this announcement   |
| “EGM”                         | the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the resolution(s) in respect of the Proposal  |
| “Executive”                   | the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director   |
| “Group”                       | the Company and its subsidiaries as at the date of this announcement   |
| “Group Restructuring”         | the proposed reorganisation of the Group comprising the Transfer and the Distribution In Specie, details of which are set out in section A headed “Group Restructuring” in this announcement   |
| “HK\$”                        | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Independent Board Committee” | an independent committee of the Board established which comprises all independent non-executive Directors, namely Mr. Peter Wong Chung On, Mr. Peter Lam and Mr. Lawrence Leung Man Chiu, and will include Mr. Simon Yung (subject to confirmation of independency), for the purpose of advising the Independent Shareholders in respect of the Proposal, the COLI Offer and the Privateco Offer |

|                              |   |
|------------------------------|---|
| “Independent Shareholder(s)” | Shareholder(s) other than Mr. Yung and parties acting in concert with him and their respective associates (excluding Mr. Simon Yung and his nominee(s))   |
| “J.P. Morgan”                | J.P. Morgan Securities (Asia Pacific) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (Advising on corporate finance) and Type 7 (Providing automated trading services) and the financial adviser to the Offeror |
| “Last Trading Day”           | 28 July 2009, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of this announcement  |
| “Listing Rules”              | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Madam Yung”                 | Madam Yung Ho Wun Ching, the mother of Mr. Yung and Mr. Simon Yung  |
| “Madam Yung’s Undertaking”   | the undertaking given by Madam Yung to Mr. Yung and COLI pursuant to which Madam Yung has undertaken to accept the COLI Offer in respect of the 53,246,300 Shares beneficially owned by her   |
| “Management Options”         | options granted to 49 persons on 29 November 2007 by Terborley Limited, an indirect non wholly-owned subsidiary of the Company, in respect of the shares of Pan China Land, details of which have been set out in the announcement of the Company dated 29 November 2007            |
| “Mr. Simon Yung”             | Mr. Simon Yung Kwok Choi, the non-executive Director and a brother of Mr. Yung  |
| “Mr. Yung”                   | Mr. Billy K Yung, the chairman and chief executive of the Company and an executive Director   |
| “Ms. Hsu”                    | Madam Vivian Hsu, the spouse of Mr. Yung  |
| “Offeror”                    | COLI or one or more special purpose vehicles wholly-owned by COLI   |

|                            |   |
|----------------------------|---|
| “Pan China Land”           | Pan China Land (Holdings) Corporation, a company incorporated in the Cayman Islands with limited liabilities  |
| “Pan China Land Group”     | Jodrell Investments Limited, a direct wholly-owned subsidiary of the Company, and its subsidiaries including Terborley and Pan China Land   |
| “PRC”                      | People’s Republic of China  |
| “Privateco”                | Shell Electric Holdings Limited, a company incorporated in Bermuda with limited liability pursuant to the Group Restructuring for the purpose of holding the Distributed Businesses and a wholly-owned subsidiary of the Company  |
| “Privateco Group”          | Privateco and its subsidiaries  |
| “Privateco Offer”          | the possible voluntary unconditional cash offer to be made by Access Capital on behalf of Red Dynasty to acquire all the Privateco Shares (including the Privateco Shares to be held by Mr. Simon Yung) other than those owned or agreed to be owned by Red Dynasty Concert Party |
| “Privateco Offer Document” | the offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Privateco Shareholders pursuant to the Privateco Offer   |
| “Privateco Share(s)”       | ordinary share(s) in the capital of the Privateco   |
| “Privateco Shareholder(s)” | holder(s) of the Privateco Shares   |
| “Proposal”                 | the proposal to be put forward by the Board at the EGM for the approval of the Capital Reorganisation, the Group Restructuring, the Subscription and the transactions contemplated thereunder   |
| “Record Date”              | a date to be fixed for determining entitlements of the Shareholders to the Distribution In Specie   |
| “Red Dynasty”              | Red Dynasty Investments Limited, a special purpose vehicle incorporated in BVI beneficially owned by Mr. Yung, Ms. Hsu and Madam Yung as to 99.996%, 0.002% and 0.002% respectively   |

|                              |   |
|------------------------------|---|
| “Red Dynasty Concert Party”  | Red Dynasty and parties acting in concert with it excluding Mr. Simon Yung, who has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Yung are acting in concert purely by virtue of their relationship of “siblings” or “close relatives” under class (8) of the definition of acting in concert                                 |
| “Remaining Business”         | the Group’s business of property investment and development in the PRC to be carried on by the Pan China Land Group after the Group Restructuring   |
| “Remaining Group”            | the Group excluding the Privateco Group   |
| “SFC”                        | Securities and Futures Commission of Hong Kong  |
| “SFO”                        | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong  |
| “Share(s)”                   | ordinary share(s) of HK\$0.50 each in the capital of the Company prior to the Share Capital Reduction becoming effective, or ordinary shares of HK\$0.01 each in the capital of the Company arising from the Share Capital Reduction (as the case may be)   |
| “Share Capital Reduction”    | the reduction of the nominal value of each of the Shares from HK\$0.50 to HK\$0.01  |
| “Shareholder(s)”             | holder(s) of the Shares   |
| “Shareholder’s Loan”         | the principal, accrued interest and all relevant fees and penalties (if any) in respect of certain shareholder’s loans due from the Remaining Business to the Distributed Businesses up to 28 August 2009 of approximately HK\$824.4 million (actual of amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) |
| “Share Premium Cancellation” | the cancellation of the entire amount standing to the credit of the share premium account of the Company  |

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| “Somerley”               | Somerley Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purposes of the SFO and the financial adviser to the Company  |
| “sq. m.”                 | square meters  |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited  |
| “Subscription”           | the subscription by the Offeror of the Subscription Shares pursuant to the Subscription Agreement  |
| “Subscription Agreement” | the agreement dated 9 September 2009 entered into among the Company, COLI and Mr. Yung in respect of the Subscription  |
| “Subscription Shares”    | an aggregate of 157,045,368 new Shares, representing 30% of the issued capital of the Company, to be subscribed by the Offeror under the Subscription Agreement  |
| “Takeovers Code”         | Hong Kong Code on Takeovers and Mergers  |
| “Transfer”               | the transfer of certain assets and liabilities of some of the subsidiaries of the Company to the Privateco as described in paragraph (i) under section A headed “Group Restructuring” in this announcement   |
| “Trust”                  | a discretionary trust holding approximately 216.4 million Shares as at the date of this announcement established for the benefit of Mr. Yung’s immediate family members including Ms. Hsu and his four children pursuant to the trust deed dated 5 November 1990, with UBS Trustees (B.V.I.) Limited being the trustee and Mr. Yung being the primary liaison who can give written directions to the trustee in respect of investment of the Shares owned by the trust (including voting and disposal of the Shares) |
| “Undertaking”            | an irrevocable letter of undertaking to be given by Mr. Yung to COLI before Completion in respect of the COLI Offer, details of which are set out in section E headed “Possible voluntary unconditional cash offer for the Shares” in this announcement  |



“US\$” United States dollars, the lawful currency of United States of America

“%” per cent.

By Order of the board of  
**CHINA OVERSEAS LAND &  
INVESTMENT LIMITED**

**Kong Qingping**  
Chairman

By Order of the board of  
**SHELL ELECTRIC MFG.  
(HOLDINGS) COMPANY  
LIMITED**

**Billy K Yung**  
Group Chairman and  
Chief Executive

By Order of the board of  
**RED DYNASTY  
INVESTMENTS LIMITED**

**Billy K Yung**  
Sole director

Hong Kong, 29 September 2009

*As at the date of this announcement, Messrs. Kong Qingping (Chairman), Hao Jian Min (Vice Chairman and Chief Executive Officer), Xiao Xiao (Vice Chairman), Chen Bin, Dong Daping, Nip Yun Wing, Luo Liang and Lin Xiaofeng are executive directors of COLI; Mr. Wu Jianbin (Vice Chairman) is the non-executive director of COLI; and Messrs. Li Kwok Po, David, Lam Kwong Siu, Wong Ying Ho, Kennedy and Madam Fan Hsu Lai Tai, Rita are the independent non-executive directors of COLI.*

*The directors of COLI jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to (i) Red Dynasty, its associates and parties acting in concert with Red Dynasty and the Group; and (ii) Mr. Simon Yung, in particular the Ruling obtained by him and his views in relation to the Proposal including but not limited to those as set out in section headed “Divergence of views among Board members”) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*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.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to (i) the Offeror and Red Dynasty, their respective associates and parties acting in concert with each of the Offeror and Red Dynasty; and (ii) Mr. Simon Yung, in particular the Ruling obtained by him and his views in relation to the Proposal including but not limited to those as set out in section headed “Divergence of views among Board members”) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*As at the date of this announcement, Mr. Yung is the sole director of Red Dynasty.*

*Mr. Yung accepts full responsibility for the accuracy of the information contained in this announcement (other than that relating to (i) the Offeror, its associates and parties acting in concert with the Offeror (save for Mr. Yung himself); and (ii) Mr. Simon Yung, in particular the Ruling obtained by him and his views in relation to the Proposal including but not limited to those as set out in section headed “Divergence of views among Board members”) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*Mr. Simon Yung accepts full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Offeror and Red Dynasty, their respective associates and parties acting in concert with each of the Offeror and Red Dynasty) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The English text of this announcement shall prevail over its Chinese text.*