



SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED

蜆壳電器工業（集團）有限公司

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

(Stock Code : 00081)

MAJOR TRANSACTION PROPOSED ACQUISITION OF SHARES IN A COMPANY INVOLVING IN THE BUSINESS OF PROPERTY DEVELOPMENT IN THE PRC

On 29 April 2005, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to, among other matters, (i) acquire from the Vendor the Sale Shares, being the entire issued share capital of Tigerlily, and the Shareholder's Loan, and (ii) assume the Other Liabilities, at an aggregate consideration of HK\$505,183,800.

Tigerlily is the beneficial owner of 80% of the issued share capital of Jodrell, which in turn owns 70% of EB Real Estate, a sino-foreign equity joint venture established in the PRC. EB Real Estate has invested in a group of companies engaging in property development in the PRC, with projects located in Beijing, Shanghai, Guangzhou and Hefei respectively.

The Acquisition constitutes a major transaction for the Company under the Listing Rules and is conditional on approval by the Shareholders.

A circular containing, amongst other things, details of the Acquisition and the financial information of the Group will be despatched to the Shareholders as soon as practicable.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 29 April 2005 pending issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 11 May 2005.

AGREEMENT

The principal terms of the Agreement are as follows:

Date

29 April 2005

Parties

(i) Vendor: Assetbloom Holdings Limited

(ii) Purchaser: SMC Real Estate Fund Limited, a wholly-owned subsidiary of the Company

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners and associates are third parties independent of the Group and connected persons of the Company.

Acquisition

The Purchaser has conditionally agreed to, among other matters, (i) acquire from the Vendor the Sale Shares, being the entire issued share capital of Tigerlily, and the Shareholder's Loan, and (ii) assume the Other Liabilities, at an aggregate consideration of HK\$505,183,800.

Consideration

Pursuant to the Agreement, the Purchaser will pay a sum of HK\$125,172,010 for the acquisition of the Sale Shares and the Shareholder's Loan due from Tigerlily to the Vendor and will satisfy the Other Liabilities amounting to HK\$380,011,790. The Consideration is determined by reference to the arm's length negotiations between the Vendor and the Purchaser with reference to the Valuation Reports.

The Consideration will be satisfied by the Purchaser as to:

- (a) HK\$439,933,800 by way of cash; and
- (b) (i) HK\$65,250,000 by procuring the Company to issue to the Vendor (or its nominee) at Completion 43,500,000 Consideration Shares at the Issue Price; or
- (ii) if the Listing Approval is not obtained prior to Completion, HK\$65,250,000 by way of cash.

The Consideration represents a discount of 11% to the appraised net asset value of Tigerlily and its subsidiaries of approximately RMB599 million (equivalent to approximately HK\$565 million) based on the book value as shown in the unaudited management account of Tigerlily and its subsidiaries for the three months ended 31 March 2005 prepared by the Vendor in accordance with the PRC generally accepted accounting principles and by reference to the Valuation Reports prepared by Messrs. Knight Frank, an independent firm of professional valuers.

The table below illustrates the shareholding structure of the Company immediately before and after the issue and allotment of the Consideration Shares:

| Shareholder | Number of Shares held and approximate percentage of shareholding immediately before the issue and allotment of the Consideration Shares | Number of Shares held and approximate percentage of shareholding immediately after the issue and allotment of the Consideration Shares |
|------------------------|---|--|
| Yung's family (Note 1) | 280,055,126 (62.53%) | 280,055,126 (57%) |
| Directors (Note 2) | 3,844,982 (0.86%) | 3,844,982 (0.78%) |
| Public | 163,992,248 (36.61%) | 163,992,248 (33.37%) |
| Vendor | — | 43,500,000 (8.85%) |
| | <u>447,892,356 (100%)</u> | <u>491,392,356 (100%)</u> |

Notes:

- (1) Members of the Yung's family include Madam Yung Ho Wun Ching, Billy K. Yung, Simon Yung Kwok Choi and the late Dr. Yung Yau (deceased)
- (2) Directors other than Directors who are part of the Yung's family

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

Payment Arrangement

The Good Faith Deposit of RMB8,000,000 (equivalent to approximately HK\$7,540,057) was paid by the Purchaser to the Protector by way of cash prior to the signing of the Agreement, and it will be returned to the Purchaser at Completion unless the Purchaser failed to pay the Deposit to the Vendor or release the mortgage in accordance with the terms of the Agreement or otherwise provided for in the Agreement. Apart from being the escrow agent for the Good Faith Deposit, the Protector does not have any other function in the Acquisition.

The Consideration will be satisfied in the following manner:

- (a) the Deposit of HK\$100,000,000 was paid to the Vendor prior to 30 April 2005 by way of cash, among which HK\$59,922,010 will be used towards partial payment of the Sale Shares and the Shareholder's Loan at Completion and HK\$40,077,990 will be used towards partial repayment of the Other Liabilities at Completion;
- (b) (i) on the basis that the Listing Approval will be obtained prior to Completion, the Consideration Shares will be issued at the Issue Price to the Vendor (or its nominee) at Completion as partial payment for the Sale Shares and the Shareholder's Loan at Completion. Such number of Consideration Shares as shall represent HK\$50,000,000 calculated based on the Issue Price will be deposited with the Escrow Agent at Completion as the Retention Fund; or
- (ii) if the Listing Approval is not obtained prior to Completion, no Consideration Shares will be issued and instead the Purchaser will pay a sum of HK\$15,250,000 in cash to the Vendor at Completion as partial payment for the Sale Shares and the Shareholder's Loan. The remaining HK\$50,000,000 will be deposited with the Escrow Agent as the Retention Fund;
- (c) an amount of HK\$339,933,800 will be paid to the Vendor by way of cash on Completion for the settlement of the remaining amount of the Other Liabilities; and
- (d) the Retention Fund, together with any interest, will be released to the Vendor on the earlier of 30 April 2006 or the 15th Business Day of the Purchaser's receipt of the audited accounts of Tigerlily and its subsidiaries for the year ending 31 December 2005, subject to any deduction or withholding arising from claims or disputed claims between the Vendor and the Purchaser.

The Acquisition will be financed as to approximately HK\$350 million by bank loans, HK\$90 million from internal resources of the Group and, on the basis that the Listing Approval can be obtained prior to Completion, HK\$65 million by way of issue of the Consideration Shares. As of the date of this announcement, the Group's balance of cash at bank amounts to approximately HK\$350 million.

To the best knowledge and belief of the Directors, apart from the Consideration Shares, the Vendor does not have any interest in rights or options convertible into Shares.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions:

- (a) the Purchaser having obtained a legal opinion issued by the PRC legal advisers to the Vendor confirming the legality and validity of the holding by Jodrell of 70% interest in EB Real Estate;
- (b) the Purchaser having obtained a legal opinion issued by the BVI legal advisers to the Vendor confirming, among other matters, the due incorporation and valid existence of each of Tigerlily and Jodrell;
- (c) Tigerlily having entered into a supplemental shareholders agreement with the other shareholder of Jodrell;
- (d) Jodrell having adopted its restated and amended memorandum and articles of association;
- (e) the Purchaser having received the audited consolidated financial statements of Tigerlily and its subsidiaries for the three years ended 31 December 2004 prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants and there having been no material deviation between such financial statements and the audited consolidated financial statements of the EB Real Estate for the year ended 31 December 2004 prepared in accordance with the accounting principles generally accepted in the PRC;
- (f) the obtaining of Shareholders' approval of the Acquisition in accordance with the requirements under the Listing Rules; and
- (g) there having been no material breach of warranties.

Apart from (f) above, if any of the conditions precedent is not fulfilled or waived on or before the Longstop Date, the Agreement will be terminated and the Good Faith Deposit and the Deposit will be refunded to the Purchaser without interest. If the Shareholders' approval referred to in (f) above is not obtained as result of the Shareholders holding in aggregate of 51% or more of the Company's present issued share capital not voting in favour of the resolution approving the Acquisition, the Vendor will be entitled to terminate the Agreement and forfeit the Good Faith Deposit and the Deposit.

Completion

Subject to the fulfillment or waiver of the conditions precedent above, Completion will take place on the Business Day following the fulfillment (or if applicable, waiver) of all the above conditions precedent or such other date to be mutually agreed by the parties.

If Completion does not take place due to any default by the Vendor, the Vendor shall, in addition to the refund of the Good Faith Deposit and the Deposit, pay to the Purchaser an amount of HK\$100,000,000 to the Purchaser. If however Completion does not take place due to any default by the Purchaser, the Vendor shall be entitled to forfeit the Good Faith Deposit and the Deposit.

SECURITY ARRANGEMENT

In connection with the Agreement, the Vendor and the Purchaser have entered into the Deed on 29 April 2005, whereby the Vendor has mortgaged the Sale Shares to the Purchaser as security to secure repayment of the Good Faith Deposit and the Deposit by the Vendor under certain circumstances in favour of the Purchaser prior to Completion, in consideration of the Purchaser having agreed to pay the Vendor and the Protector prior to Completion a deposit in the amount of HK\$107,540,057, being the aggregate amount of the Good Faith Deposit and the Deposit.

The mortgage will terminate upon the earliest of the following:

- (a) the Completion Date;
- (b) 20 June 2005 unless court or arbitration proceedings have been commenced but a court order or an arbitration award has not been issued before 20 June 2005;
- (c) if Completion has not occurred under the Agreement and no court or arbitration proceedings have been commenced in respect of an alleged default by the Vendor under the Agreement, the date on which the secured money under the Deed is refunded by the Vendor to the Purchaser pursuant to the Agreement;
- (d) if Completion has not occurred under the Agreement and the Purchaser has issued a notice of default to the Vendor alleging that the Vendor has defaulted under the Agreement, the date on which payment of HK\$207,540,057 (comprising the aggregate amount of the Good Faith Deposit and the Deposit plus a security payment of HK\$100 million) (together with any applicable interest prescribed under the Agreement) is made by the Vendor to the Purchaser; or
- (e) upon the Purchaser's default to complete under the Agreement notwithstanding fulfilment or waiver of the conditions under the Agreement.

OPTION

In connection with the Acquisition, Equitas has provided certain advisory services to the Company. In consideration of such advisory services rendered, the Purchaser, on the same day of the Agreement, granted the Option to Equitas to have the right to acquire 1,250 Option Shares representing 2.5% of the entire issued share capital of Tigerlily as at the date of this announcement, subject to, among other matters, Completion and the compliance of any applicable provisions of the Listing Rules. The Purchaser has undertaken to capitalise the value of Tigerlily's loans in the total amount of RMB537,590,000 as at 29 April 2005 for the same value so that thereupon, Tigerlily's entire issued capital remains at 50,000 shares without any debt. The exercise price of the Option is HK\$12,630,000 (being 2.5% of the Consideration in equivalent Hong Kong dollars) within 5 years after the Completion Date, and in any event before the occurrence of a Qualifying IPO. If the Option remains unexercised upon expiry of the exercise period, the Option shall automatically lapse.

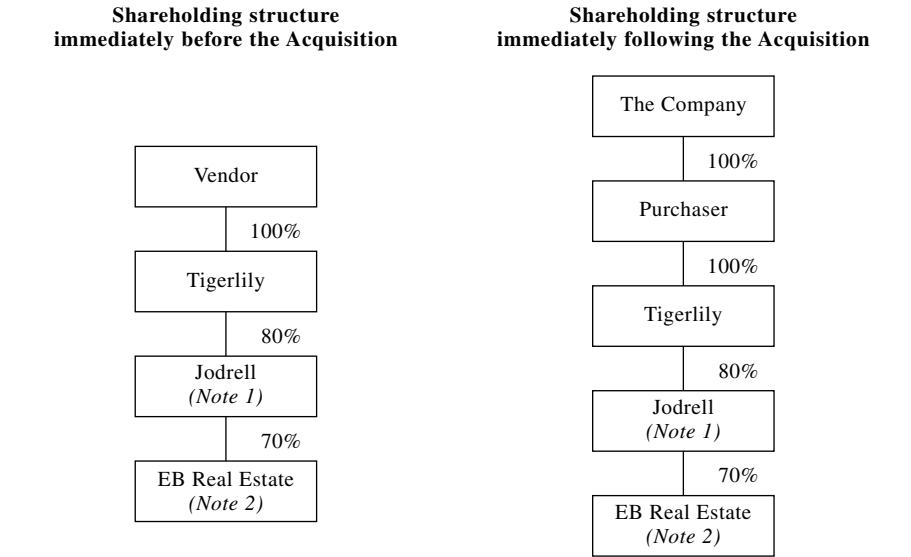
Pursuant to the terms of the Option, Tigerlily shall not issue any new shares as shall represent 5% of its entire issued share capital as enlarged by such issue without the prior written consent of Equitas. In addition, any borrowings by Tigerlily that exceed HK\$100,000,000 will be subject to the prior written consent of Equitas.

Equitas is a limited company incorporated in Hong Kong, the principal activity of which is the provision of advisory services. Save as being a holder of the Option (subject to Completion), none of Equitas, its directors and shareholders is connected with the Company, its subsidiary, connected persons of the Company or the Vendor.

The allotment of the Option Shares (being shares in Tigerlily) upon the exercise of the Option will not affect the shareholding structure of the Company.

INFORMATION ON TIGERLILY AND ITS SUBSIDIARIES

Set out below are the simplified shareholding structures of Tigerlily prior to and immediately following the Acquisition:



- Notes:
- 1. The remaining 20% of the issued share capital of Jodrell is held by a third party who is and whose ultimate shareholders are independent of the Company and its controller (as defined in Rule 14A.10 of the Listing Rules) before the Acquisition.
 - 2. The remaining 30% of the issued share capital of EB Real Estate is held by a third party who is and whose ultimate shareholders are independent of the Company and its controller (as defined in Rule 14A.10 of the Listing Rules) before the Acquisition.

So far as the Directors are aware, the Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

Tigerlily is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the date of this announcement, Tigerlily is wholly owned by the Vendor. Tigerlily is the beneficial owner of 80% of the issued share capital of Jodrell, which in turn owns 70% of EB Real Estate.

Jodrell is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the date of this announcement, Jodrell is owned as to 80% by Tigerlily and 20% by an independent third party. Jodrell is the beneficial owner of 70% of the registered capital of EB Real Estate, a sino-foreign equity joint venture established in the PRC. EB Real Estate has invested in a group of companies engaging in property development in the PRC, with projects located in Beijing, Shanghai, Guangzhou and Hefei respectively. The equity interests held by EB Real Estate in the six primary projects under development include (i) 95% interest in a proposed cultural and commercial property development project in the Financial Street District in Beijing that will provide gross floor area of approximately 101,680 m² of office space; (ii) 100% interest in a residential apartment development project in Beijing providing residential and commercial gross floor area of 77,716 m²; (iii) 65% interest in a commercial property development project in Zhang Jiang High-tech Zone, Pudong, Shanghai with proposed office space comprising about 14,500 m² of gross floor area; (iv) 50% interest in an ongoing residential property development project in Guangzhou with total planned construction area of about 1,210,000 m² to be developed in multiple phases; (v) 45% interest in a proposed exhibition centre property development project accommodating gross floor area of about 179,000 m² of office and exhibition hall space in Pazhou, Guangzhou; and (vi) 70% interest in a partially completed commercial and office property development project in Hefei.

The audited net loss both before and after taxation and extraordinary items of EB Real Estate for the year ended 31 December 2003 were approximately RMB26,343,000 (equivalent to approximately HK\$24,828,000) and approximately RMB31,724,000 (equivalent to approximately HK\$29,900,000) based on the PRC generally accepted accounting principles. The audited net profit both before and after taxation and extraordinary items of EB Real Estate for the year ended 31 December 2004 were approximately RMB79,391,000 (equivalent to approximately HK\$74,827,000) and approximately RMB74,005,000 (equivalent to approximately HK\$69,750,000) based on the PRC generally accepted accounting principles. The audited net asset value of EB Real Estate for the two years ended 31 December 2004 were approximately RMB136,079,000 (equivalent to approximately HK\$128,255,000) and approximately RMB211,762,000 (equivalent to approximately HK\$199,587,000) based on the PRC generally accepted accounting principles. The unaudited total indebtedness of Tigerlily, Jodrell, EB Real Estate and its subsidiaries as at 31 March 2005 amounts to approximately RMB897 million (equivalent to approximately HK\$845 million), which includes bank loan of approximately RMB160 million (equivalent to approximately HK\$151 million), contingent liability of approximately RMB407 million (equivalent to approximately HK\$383 million) and commitment of approximately RMB330 million (equivalent to approximately HK\$311 million).

The substantial fluctuation of profitability mainly stems from the fact that certain property development projects were deferred to 2004 from 2003 when the new plague of SARS broke out. Based on the existing financial position of EB Real Estate and its subsidiaries, it is expected that further capital commitment by the Group will amount to approximately RMB40.3 million (equivalent to approximately HK\$38 million).

Each of Tigerlily and Jodrell has not engaged in any business activities since its incorporation, apart from its direct or indirect investments in EB Real Estate. Tigerlily and Jodrell were incorporated on 24 February 2003 and 4 April 2003 respectively.

The unaudited net profit both before and after taxation and extraordinary items of Tigerlily and its subsidiaries for the year ended 31 December 2004 were approximately RMB45 million (equivalent to approximately HK\$43 million) and approximately RMB42 million (equivalent to approximately HK\$40 million) based on the PRC generally accepted accounting principles. The unaudited net asset value of Tigerlily and its subsidiaries for the year ended 31 December 2004 was approximately RMB119 million (equivalent to approximately HK\$112 million) based on the PRC generally accepted accounting principles.

REASONS FOR AND BENEFITS OF ESTABLISHMENT OF THE ACQUISITION

The principal activities of the Group are production of electrical household appliances, property investments and high technology businesses. The principal activity of the Purchaser is investment holding.

The Group has been engaging in property development and currently owns property investment portfolio in Tian He District, Guangzhou, the PRC, Futian District, Shenzhen, the PRC, Hong Kong, USA and Canada. Profit from property leasing and property development accounts for approximately 63% of the Group's profit before taxation and minority interests for the year ended 31 December 2004. As at 31 December 2004, approximately 45% of the Group's total assets comes from the property sector. The Board is of the view that the property development business of Tigerlily will strengthen the Group's property portfolio and income base in the fast growing and profitable PRC market. Tigerlily offers access of over 5 high quality on-going real estate projects in one shot. This portfolio will deliver a combination of short, medium and long term, low risk returns which combines nicely with the current property investment activities of the Group.

The Directors consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable as far as the Shareholders are concerned as a whole.

REQUIREMENTS OF THE LISTING RULES

The Acquisition constitutes a major transaction of the Company under the Listing Rules and is conditional on approval by the Shareholders.

No Shareholder has a material interest in the Acquisition and is thus required to abstain from voting.

A circular containing, among other things, details of the Acquisition and the financial information of the Group will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 29 April 2005 pending issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 11 May 2005.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:–

| | |
|------------------------|---|
| “Acquisition” | the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement |
| “Agreement” | the sale and purchase agreement dated 29 April 2005 entered into between the Purchaser and the Vendor |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | a day other than a Saturday, Sunday or public holiday in Hong Kong |
| “Company” | Shell Electric Mfg. (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange |
| “Completion” | completion of the sale and purchase of the Sale Shares in accordance with the Agreement |
| “Completion Date” | the next Business Day after the Longstop Date |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consideration” | the aggregate consideration for the Acquisition in the amount of HK\$505,183,800 |
| “Consideration Shares” | 43,500,000 Shares, being Shares to be issued for the value of HK\$65,250,000 calculated by reference to the Issue Price |
| “Deed” | the deed of mortgage date 29 April 2005 entered into between the Vendor and the Purchaser |
| “Deposit” | a sum of HK\$100,000,000 paid to the Vendor prior to 30 April 2005 |
| “Directors” | the directors of the Company |
| “Equitas” | Equitas Capital Limited |
| “Escrow Agent” | the escrow agent to be appointed by the Purchaser and the Vendor |
| “EB Real Estate” | China EverBright Real Estate Development Company, a sino-foreign equity joint venture established in the PRC, which is owned by Jodrell and China EverBright (Group) Company as to 70% and 30% respectively |
| “Jodrell” | Jodrell Investments Limited, a company incorporated in the British Virgin Island, which is owned by Tigerlily and an independent third party as to 80% and 20% respectively |
| “Good Faith Deposit” | a sum of RMB8,000,000 (equivalent to approximately HK\$7,540,057) paid by the Purchaser to the Protector prior to the signing of the Agreement |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Issue Price” | HK\$1.50 per Share |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Listing Approval” | approval by the Stock Exchange for the listing of and permission to deal in the Consideration Shares |
| “Longstop Date” | 15 June 2005 (or other date as agreed by the Purchaser and the Vendor) |
| “Option” | an option to acquire the Option Shares |
| “Option Shares” | 1,250 ordinary shares of US\$1.00 each in the share capital of Tigerlily |
| “Other Liabilities” | other loans in the amount of RMB403,192,500 (equivalent to approximately HK\$380,011,790) in Tigerlily |
| “PRC” | the People’s Republic of China |
| “Protector” | an individual who is an independent third party appointed by the Purchaser and the Vendor |
| “Purchaser” | SMC Real Estate Fund Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company |
| “Qualifying IPO” | initial public offering of the shares of Tigerlily (or any shares of a holding company incorporated to hold the shares of Tigerlily for the purpose of such initial public offering) on any stock or securities exchange(s) |
| “Retention Fund” | Shares to be issued (or the equivalent proceeds from their sale) for the value of HK\$50,000,000 by reference to the Issue Price or HK\$50,000,000 in cash |
| “Sale Shares” | 50,000 ordinary shares of US\$1.00 each in the share capital of Tigerlily to be acquired by the Purchaser pursuant to the Agreement |
| “Share(s)” | ordinary share(s) of HK\$0.50 each in the Company |
| “Shareholder(s)” | holder(s) of Shares |
| “Shareholder’s Loan” | shareholder’s loan due from Tigerlily to the Vendor in the amount of RMB134,397,500 (equivalent to approximately HK\$126,670,597) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tigerlily” | Tigerlily Overseas Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by the Vendor prior to the Acquisition |
| “USA” | United States of America |
| “Valuation Reports” | the valuation reports issued by Messrs. Knight Frank, an independent firm of professional valuers, on an open market existing use basis, on the assets of Tigerlily and its subsidiaries as at 31 March 2005 |
| “Vendor” | Assetbloom Holdings Limited, a company incorporated in the British Virgin Islands |
| “HK\$” | Hong Kong dollars, the lawful currency for the time being of Hong Kong |
| “RMB” | Renminbi, the lawful currency for the time being of the PRC |
| “US\$” | United States dollars, the lawful currency for the time being of the USA |
| “%” | per cent. |

Throughout this announcement, amounts in RMB have been translated, for illustration only, into HK\$ at the exchange rate of HK\$1.0 = RMB1.061.

By Order of the Board
Peter Lee Yip Wah
Secretary

Hong Kong, 10 May 2005

As at the date of this announcement, the Board comprises of Mr. Billy K YUNG, Madam YUNG HO Wun Ching, Mr. LEUNG Chun Wah and Mr. Plato POON Chak Sang as executive Directors, Mr. Simon YUNG Kwok Choi as non-executive Director and Dr. Leo Tung-Hai LEE, Mr. Shiu-Kit NGAI, Mr. Peter WONG Chung On and Mr. Peter LAM as independent non-executive Directors.