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SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED

蜆壳電器工業(集團)有限公司

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

(Stock Code: 00081)

**DISCLOSEABLE TRANSACTION
MEMORANDUM OF UNDERSTANDING IN RELATION TO
SUBSCRIPTION FOR THE TRANCHE A CONVERTIBLE NOTES, THE TRANCHE
B CONVERTIBLE NOTES AND THE TRANCHE C NON-CONVERTIBLE NOTES
ISSUED BY KORVAC**

Reference is made to the announcement (“**January Announcement**”) of Shell Electric Mfg. (Holdings) Company Limited dated 4 January 2007. Capitalised terms used in this announcement shall have the same meanings as those defined in the January Announcement, unless the context otherwise requires.

The Board announces that on 27 March 2007, the Company, Korvac and the Original Shareholders mutually agreed to extend the deadline of the Subscription Conditions Precedent fulfillment date, the exclusivity period, the execution date of the Agreement and the term of the MOU for a period of 30 days from 27 March 2007 to 26 April 2007 or such later date as the parties may agree in writing. The parties further mutually agreed to extend the deadline of the Release Condition Precedent fulfillment date from 30 June 2007 to 31 August 2007 or such later date as the parties may agree in writing.

Save as disclosed in this announcement, all other terms and conditions of the MOU shall remain and continue in full force. The Company will make a further announcement when the Agreement is entered into by the parties or the Subscription will not proceed.

By Order of the Board

Billy K. Yung

Group Chairman and Chief Executive

Hong Kong, 27 March 2007

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