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If you are in any doubt as to any aspects of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shell Electric Mfg. (Holdings) Company Limited**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or to the transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or to the transferee.

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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)

**PROPOSALS FOR RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO REPURCHASE
ITS OWN SHARES AND TO ISSUE SHARES
AND ADOPTION OF A SHARE OPTION SCHEME**

A notice convening the annual general meeting of Shell Electric Mfg. (Holdings) Company Limited (the "AGM") to be held at Concord Room II-III, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong, on Wednesday, 11 May 2005 at 4:00 p.m. is set out on pages 25 to 29 of this circular.

Whether or not you intend to attend the meeting, you are requested to complete the form of proxy enclosed with the Company's Annual Report 2004 in accordance with the instructions printed thereon and return it to Shell Electric Mfg. (Holdings) Company Limited at its registered office in Hong Kong at Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the AGM. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

13 April 2005

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DEFINITIONS

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

“Adoption Date”	means 11 May 2005, the proposed effective date of the Share Option Scheme, subject to the Share Option Scheme being adopted by resolution of the Company at the AGM
“associate(s)”	as such term is defined under the Listing Rules
“associated companies”	means those companies and/or enterprises which were defined and/or disclosed as the associates and/or associated companies of the subject company in the latest audited financial statements of the subject company
“AGM”	means the annual general meeting of the Company to be held at Concord Room II-III, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 11 May 2005 at 4:00 p.m.
“AGM Notice”	means the notice convening the AGM as set out on pages 25 to 29 of this circular
“Articles of Association”	means the articles of association of the Company and its amendments from time to time
“Board”	means the board of directors of the Company or a duly authorised committee thereof for the time being, including the independent non-executive Directors
“Business Day”	means a day (other than a Saturday or a Sunday) on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“chief executive(s)”	as such term is defined under the Listing Rules
“Company”	means Shell Electric Mfg. (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange
“Companies Ordinance”	means Companies Ordinance, Chapter 32 of the Laws of Hong Kong

DEFINITIONS

“connected person(s)”	as such term is defined under the Listing Rules
“Directors”	means the directors of the Company for the time being
“Grantee”	means any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) his personal representative(s) entitled to any such Options in consequence of the death of the original Grantee
“Group”	means the Company, its subsidiaries, its associated companies, its jointly controlled entities and its related companies from time to time
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Latest Practicable Date”	means 8 April 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	means the offer of the grant of an Option made by the Board in accordance with the Share Option Scheme
“Offer Date”	means the date on which an Offer is made by the Board in accordance with the Share Option Scheme
“Option(s)”	means a rights to subscribe for Shares pursuant to the terms of the Share Option Scheme
“Option Period”	means a period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the Offer Date
“Ordinary Resolution(s)”	means the proposed ordinary resolution(s) in respect of the special business as referred to in the AGM Notice

DEFINITIONS

- “Participants” means (i) any directors (or any persons proposed to be appointed as such) or any employees of each member of the Group (whether full-time or part-time); (ii) any discretionary objects of a discretionary trust established by any substantial shareholders of the Company or by any employees or directors of each member of the Group; (iii) any executives or employees of any business consultants, business partners, professionals and other advisers to each member of the Group (or any persons proposed to be appointed as such); (iv) any substantial shareholders of the each member of Group; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of the Company’s substantial shareholder or any employees of such substantial shareholder’s subsidiaries or associated companies, as to be determined by the Board at its absolute discretion within the aforesaid categories
- “related company” means a company, an entity or an enterprise (wherever incorporated and whether limited by shares or otherwise) in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest of such company or entity or enterprise; or holds less than 20% of the voting rights of such company or entity or enterprise but is the largest shareholder or the holder of the largest voting rights of such company or entity or enterprise (as the case may be); or (ii) in the opinion of the Board, the Company is able to exercise significant influence to such company or entity or enterprise
- “relevant company” means the Company, the relevant subsidiary, associated company, jointly controlled entity or related company of the Company, as the case may be
- “Share(s)” means share(s) of HK\$0.50 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)

DEFINITIONS

“Share Issue Mandate”	means a general and unconditional mandate given to the Directors to exercise the power of the Company to allot and issue Shares during the period as set out in Ordinary Resolution No. 6 up to 20% of the issued share capital of the Company as at the date of passing of the Ordinary Resolution No. 6
“Share Option Scheme”	the share option scheme in its present or any amended form proposed to be adopted by the Company at the AGM, a summary of the principal terms of the rules of which is set out in Appendix III to this circular
“Share Repurchase Mandate”	means a general and unconditional mandate given to the Directors to exercise the power of the Company to repurchase at any time during the period as set out in Ordinary Resolution No. 5 up to 10% of the issued share capital of the Company at the date of passing of the Ordinary Resolution No. 5
“Shareholder(s)”	means holder(s) of the Share(s)
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subscription Price”	means the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the Share Option Scheme
“subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) or the local companies law, act and/or ordinance where the subject company was incorporated
“substantial shareholder(s)”	as such term is defined under the Listing Rules
“Takeovers Code”	means the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“%”	means per cent.

LETTER FROM THE BOARD



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)

Directors:

Mr. Billy K. YUNG

(Group Chairman and Managing Director)

Cav Gr Cr Dr. Leo Tung-Hai LEE, GBS, OBE

Chev Leg d'Hon, Comm Leopold II, LLD, JP(**)

Mr. Shiu-Kit NGAI, SBS, OBE, JP(**)

Madam YUNG HO Wun Ching

Mr. LEUNG Chun Wah

Mr. POON Chak Sang, Plato

Mr. Simon YUNG Kwok Choi(*)

Mr. Peter WONG Chung On(**)

Mr. Peter LAM(**)

Registered office:

Shell Industrial Building

12 Lee Chung Street

Chai Wan Industrial District

Hong Kong

(*) *Non-executive Director*

(**) *Independent non-executive Directors*

13 April 2005

To the Shareholders

Dear Sir or Madam,

PROPOSALS FOR RE-ELECTION OF DIRECTORS, GENERAL MANDATES TO REPURCHASE ITS OWN SHARES AND TO ISSUE SHARES AND ADOPTION OF A SHARE OPTION SCHEME

1. INTRODUCTION

The purpose of this circular is to provide you with information regarding the proposed re-election of Directors, general mandates to repurchase Shares and to issue Shares and the proposed adoption of the Share Option Scheme, and to seek your approval of the Ordinary Resolutions relating to these matters at the AGM.

LETTER FROM THE BOARD

2. RE-ELECTION OF DIRECTORS

The Board currently consists of nine Directors, namely Mr. Billy K. YUNG, Dr. Leo Tung-Hai LEE, Mr. Shiu-Kit NGAI, Madam YUNG HO Wun Ching, Mr. LEUNG Chun Wah, Mr. Plato POON Chak Sang, Mr. Simon YUNG Kwok Choi, Mr. Peter WONG Chung On and Mr. Peter LAM.

Pursuant to Article 103 of the Articles of Association, Dr. Leo Tung-Hai LEE, Mr. Shiu-Kit NGAI and Mr. Billy K. YUNG shall retire by rotation at the AGM and, being eligible, offer themselves for re-election.

Pursuant to Article 94 of the Articles of Association, Mr. Peter LAM shall retire at the AGM and, being eligible, offer himself for re-election.

Brief biographical details of the retiring Directors who are proposed to be re-elected at the AGM are set out in Appendix I to this circular.

3. GENERAL MANDATE TO REPURCHASE SHARES

Pursuant to the Companies Ordinance and the Listing Rules, listed companies incorporated in Hong Kong may in certain circumstances, if authorised by their articles of association, purchase their own shares.

On 13 May 2004, general mandates were given to the Directors to exercise the powers of the Company to, among others, repurchase its own Shares. Such general mandate will lapse at the conclusion of the AGM. Therefore an Ordinary Resolution will be proposed at the AGM to give the Share Repurchase Mandate to the Directors; details of which are set out in Ordinary Resolution No. 5 in the AGM Notice.

An explanatory statement as required under the Listing Rules to provide the requisite information is set out in Appendix II to this circular.

4. GENERAL MANDATE TO ISSUE SHARES

On 13 May 2004, general mandates were given to the Directors to exercise the powers of the Company to, among others, issue Shares. Such general mandate will lapse at the conclusion of the AGM. At the AGM, an Ordinary Resolution will be proposed that a Share Issue Mandate to be given to the Directors. In addition, an Ordinary Resolution will be proposed to authorise extension of the Share Issue Mandate which would increase the limit of the Share Issue Mandate by adding to it the number of Shares repurchased under the Share Repurchase Mandate.

Details of the Share Issue Mandate and the extension of the Share Issue Mandate are set out in Ordinary Resolutions No. 6 and No. 7 in the AGM Notice respectively.

LETTER FROM THE BOARD

5. ADOPTION OF THE SHARE OPTION SCHEME

The Company adopted a share option scheme on 17 April 1994 which scheme has already expired on 17 April 2004.

To be in line with the current Listing Rules in relation to share option schemes and in order to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time, the Board proposes that the Share Option Scheme for the Participants be approved and adopted at the AGM, and that the Ordinary Resolution No. 8 in relation thereto be passed at the AGM.

Subject to the passing of the Ordinary Resolution No. 8 at the AGM, the Share Option Scheme will take effect, subject to the fulfillment of all conditions precedent as referred to below, on 11 May 2005.

Conditions precedent of the Share Option Scheme

Subject to the fulfillment of the following conditions, the Share Option Scheme will take effect on 11 May 2005:

- (a) the passing of the Ordinary Resolution approving the adoption of the Share Option Scheme by the Shareholders in general meeting and authorising the Directors to grant Options to subscribe for Shares hereunder and to allot, issue and deal with Shares pursuant to the exercise of any Options granted under the Share Option Scheme; and
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme.

Maximum number of options to be granted under the Share Option Scheme

Upon satisfaction of the above conditions, the Board will have the right to grant to the Participants Options to subscribe for Shares, which when aggregated with Shares to be granted under any other share option schemes of the Company, representing up to 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme, unless the Company obtains a fresh approval from its Shareholders to refresh the 10% limit. The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the Shares in issue from time to time.

As at the Latest Practicable Date, the issued share capital of the Company comprised 447,892,356 Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the Adoption Date, the number of Shares issuable pursuant to the Share Option Scheme on the date of

LETTER FROM THE BOARD

its adoption will be 44,789,235 Shares, being 10% of the total issued share capital of the Company as at the Adoption Date. As such, the Company will be making application to the Stock Exchange for the approval of the listing of, and permission to deal in, 44,789,235 Shares to be issued pursuant to the exercise of the Options granted under the Share Option Scheme.

Explanation of the terms of the Share Option Scheme

In Appendix III to this circular, you will find a summary of the principal terms of the rules of the Share Option Scheme. By offering Options to the Participants in such flexible terms under the Share Option Scheme, in particular, the Subscription Price of the Options will be determined on a fair basis, such Participants may exercise their Options at anytime within the Option Period to acquire a monetary gain or ownership interest in the Company which may in turn provide a further incentive to the Participants to better serve the Company and its subsidiaries.

Value of the Options

The Board considers that it is not appropriate to state in this circular the value of all the Options that can be granted under the Share Option Scheme as if they had been granted at the Latest Practicable Date prior to the adoption of the Share Option Scheme, given that the variables which are crucial for the calculation of the value of the Options cannot be determined at this juncture. The variables which are critical for the determination of the value of the Options include the Subscription Price for the Shares upon the exercise of the subscription rights attaching to the Options, whether or not Options will be granted under the Share Option Scheme, and the timing of the grant of the Options, the period during which the subscription rights may be exercised, and any other conditions that the Board may impose on the Options and whether or not such Options, if granted, will be exercised by the Grantees. The Subscription Price payable for the Shares depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board are to grant Options under the Share Option Scheme. With a scheme life of ten years, the Board is of the view that it is premature to state whether or not Options will be granted under the Share Option Scheme, and if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the Subscription Price of the Shares given that the share price may fluctuate during the 10-year life span of the Share Option Scheme. In the premises, the Board is of the view that the value of the Options depends on a number of variables which are difficult to be ascertained as at the date of this circular. Accordingly, the Board considers that it is premature and inappropriate to state the value of the Options for the time being in this circular.

LETTER FROM THE BOARD

6. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

7. ANNUAL GENERAL MEETING

The AGM Notice is set out on pages 25 to 29 of this circular to consider the resolutions relating to, among others, the re-election of Directors, the Share Repurchase Mandate, the Share Issue Mandate, the extension of the Share Issue Mandate and the adoption of the Share Option Scheme.

Pursuant to Article 74 of the Articles of Association, at any general meetings a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:-

- (i) by the chairman of the meeting; or
- (ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

8. ACTIONS TO BE TAKEN

A form of proxy for use at the AGM is enclosed with the Company's Annual Report 2004. Whether or not you intend to be present at the AGM, you are requested to complete the form of proxy and return it to the registered office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the AGM. Completion and deposit of the form of proxy will not preclude you from attending and voting at the AGM if you so wish.

LETTER FROM THE BOARD

9. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the Share Option Scheme will be available for inspection at the registered office of the Company during normal business hours for a period of 14 days before and at the AGM.

10. RECOMMENDATION

The Directors believe that the re-election of Directors, the Share Repurchase Mandate, the Share Issue Mandate, the extension of the Share Issue Mandate and the adoption of the Share Option Scheme are in the interests of the Company and the Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant Ordinary Resolutions to be proposed at the AGM.

Yours faithfully

For and on behalf of the Board

SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED

Billy K. YUNG

Group Chairman and Managing Director

Dr. Leo Tung-Hai LEE GBS, LLD, JP

Dr. LEE, GBS, LLD, JP, aged 83, has been an independent non-executive director of the Company since 1998. Dr. LEE is the chairman of Tung Tai Group of Companies. He is also an independent non-executive director of several public listed companies in Hong Kong, namely Beijing Enterprises Holdings Limited, K. Wah International Holdings Limited, Liu Chong Hing Investment Limited, Termbray Industries International (Holdings) Limited and Prime Investments Holdings Limited (in which he has resigned on 8 December 2003). He is also a non-executive director of Asia Financial Holdings Limited, a public listed company in Hong Kong. He is a member of a number of public services committees and heads many social service organizations, including as an adviser of the Advisory Board of the Tung Wah Group of Hospitals, chairman of the Association of Chairman of the Tung Wah Group of Hospitals, chairman of Friends of Hong Kong Association and vice president of the China Overseas Friendship Association. Dr. LEE served as a Standing Committee member of the eighth and ninth National Committee of the Chinese People's Political Consultative Conference; an Adviser on Hong Kong Affairs to the Hong Kong and Macau Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for Hong Kong; and a member of The Selection Committee for the First Government of Hong Kong. He has been honoured with awards by different governments, which include the Cavaliere di Gran Croce of Italy, the O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. LEE has over 40 years of experience in business management. Save as disclosed above, he has not held any directorship in any public listed company in the last three years or any position with the Company or other members of the Group.

He does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

As at the Latest Practicable Date, he has beneficial interest in 306,382 Shares within the meaning of Part XV of the Securities and Futures Ordinance, representing approximately 0.068% of the issued share capital of the Company.

Dr. LEE has been appointed for a period of 3 years, from 1 September 2004 to 31 August 2007 and will also be subject to retirement by rotation and re-election at the AGM and vacation of office in accordance with the provisions of the Articles of Association. For the year ending 31 December 2005, he will receive a Director's fee of HK\$100,000 per annum subject to adjustment as appropriate in the future as determined by the Company in general meeting, together with remuneration of HK\$80,000 per annum for being a chairman of the audit committee. His emoluments are based on his duties and responsibilities in the Group and the market conditions.

The Directors are not aware of any other matters relating to the re-election of Dr. LEE as a Director that need to be brought to the attention of the Shareholders.

Mr. Shiu-Kit NGAI SBS, OBE, JP

Mr. NGAI, SBS, OBE, JP, aged 80, was appointed as an independent non-executive director of the Company since 1998. Mr. NGAI is a Deputy of the 9th National Peoples' Congress of the People's Republic of China, a member of The Preparatory and Working Committee for Hong Kong and also a member of The Selection Committee for the First Government of Hong Kong. He served as an Adviser on Hong Kong Affairs to the People's Republic of China; and was a member of The Legislative Council of Hong Kong and The Chairman of The Trade and Industry Panel (1985-1997). He has been honoured with awards by O.B.E. of Great Britain and Silver Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Mr. NGAI was the Former President of The Chinese Manufacturers' Association of Hong Kong and is now the permanent Hon. President of such Association. Save as disclosed above, he has not held any directorship in any public listed company in the last three years or any position with the Company or other members of the Group.

He does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

As at the Latest Practicable Date, he does not have any beneficial interest in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. NGAI has been appointed for a period of 3 years, from 1 September 2004 to 31 August 2007 and will also be subject to retirement by rotation and re-election at the AGM and vacation of office in accordance with the provisions of the Articles of Association. For the year ending 31 December 2005, he will receive a Director's fee of HK\$100,000 per annum subject to adjustment as appropriate in the future as determined by the Company in general meeting, together with remuneration of HK\$60,000 per annum for being a member of the audit committee. His emoluments are based on his duties and responsibilities in the Group and the market conditions.

The Directors are not aware of any other matters relating to the re-election of Mr. NGAI as a Director that need to be brought to the attention of the Shareholders.

Mr. Billy YUNG Kwok Kee

Mr. YUNG, aged 51, the eldest son of the late Dr. YUNG Yau (*note 1*), is the Group Chairman and Managing Director of the Company. He is also a director in various members of the Group. Mr. YUNG received a Bachelor's degree in Electrical Engineering from University of Washington and a Master degree in Industrial Engineering from Stanford University. He has worked for the Group for over 28 years. Save as disclosed above, he has not held any directorship in any public listed companies in the last three years.

As at the Latest Practicable Date, he has beneficial interest in 173,181,475 Shares within the meaning of Part XV of the Securities and Futures Ordinance, representing approximately 38.666% of the issued share capital of the Company.

Mr. YUNG was appointed as an executive Director in 1998 and will also be subject to retirement by rotation and re-election at the AGM and vacation of office in accordance with the provisions of the Articles of Association. For the year ending 31 December 2005, he will receive a Director's fee of HK\$100,000 per annum subject to adjustment as

appropriate in the future as determined by the Company in general meeting, together with emoluments of HK\$3,709,000 per annum for being an executive Director. Subject to the results of the Group and his performance in the Group, he may also receive a discretionary bonus, amount of which is to be determined by the remuneration committee of the Company at the beginning of year ending 31 December 2006. His emoluments are based on his duties, responsibilities and performance in the Group, the market conditions and the results of the Group.

The Directors are not aware of any other matters relating to the re-election of Mr. YUNG as a Director that need to be brought to the attention of the Shareholders.

Note 1: Dr. YUNG Yau, who passed away on 2 May 2004, was the founder of the Group. His widow, Madam YUNG HO Wun Ching, aged 73, has been involved in the development of the Group since inception and was appointed as an executive Director in 1998. His son, Mr. Simon YUNG Kwok Choi has been a non-executive Director since 1998.

Mr. Peter LAM

Mr. LAM, aged 53, has been appointed as an independent non-executive director of the Company in September 2004. Mr. LAM is a civil engineer and have extensive experience in civil engineering and constructions works. He has been the Project Director and the President of Lam Construction Group since 1992 and 1995 respectively. He holds a Bachelor of Science degree in Civil Engineering from Lehigh University, Pennsylvania, U.S.A. and a Master of Science degree in Construction Management from Stanford University, California, U.S.A. He is the Registered Manager of Building Contractors' Association School and was a Former Council Member of Community Church Hong Kong. He was the Former President of the Hong Kong Construction Association in 1993 and 1997, Former Vice President of Hong Kong Institution of Engineers, Former Director of "Mother's Choice" Association under Community Chest, Former Member of Construction Advisory Board (CAB) from 1996 to 1999 and Former Member of the 'electoral college' electing the Chief Executive for Hong Kong and deputies to the National People's Congress. Save as disclosed above, he has not held any directorship in any public listed companies in the last three years or any positions with the Company or other members of the Group.

He does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

As at the Latest Practicable Date, he has beneficial interest in 1,000,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance, representing approximately 0.223% of the issued share capital of the Company.

Mr. LAM has been appointed for a period of 3 years, from 6 September 2004 to 31 August 2007 and will also be subject to retirement by rotation and re-election at the AGM and vacation of office in accordance with the provisions of the Articles of Association. For the year ending 31 December 2005, he will receive a Director's fee of HK\$100,000 per annum subject to adjustment as appropriate in the future as determined by the Company in general meeting, together with remuneration of HK\$40,000 per annum for being the chairman of the remuneration committee of the Company. His emoluments are based on his duties and responsibilities in the Group and the market conditions.

The Directors are not aware of any other matters relating to the re-election of Mr. LAM as a Director that need to be brought to the attention of the Shareholders.

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to Shareholders for their consideration of the Share Repurchase Mandate. This explanatory statement further constitutes the memorandum required under section 49BA(3)(b) of the Companies Ordinance.

1. LISTING RULES

The Listing Rules permit companies whose primary listing are on the Stock Exchange to repurchase their fully paid up shares on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(a) Source of Funds

Repurchases must be funded out of funds which are legally available for the purpose and in accordance with the company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

(b) Maximum Number of Shares to be Repurchased

A maximum of 10% of the existing issued share capital of a company at the date of passing the relevant resolution may be repurchased on the Stock Exchange.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 447,892,356 Shares.

Subject to the passing of ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Share Repurchase Mandate to repurchase a maximum of 44,789,235 Shares.

3. REASON FOR REPURCHASES

The Directors believe that the Share Repurchase Mandate is in the best interest of the Company and its Shareholders. Such purchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made when the Directors believe that such a purchase will benefit the Company and its Shareholders.

4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the company or from the proceeds of a new issue of shares made for the purpose.

The Companies Ordinance further provides that the amount of premium payable on repurchase may only be paid out of the distributable profits of the company. Where the repurchased shares were issued at a premium, any premium payable on repurchase may be paid out of the proceeds of a fresh issue of shares made for the purposes of the share repurchase up to certain limits specified by the Companies Ordinance.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2004) in the event that the Share Repurchase Mandate was to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:-

	Shares price	
	Highest HK\$	Lowest HK\$
2004		
April	2.35	1.90
May	1.98	1.70
June	1.90	1.20
July	1.33	1.24
August	1.32	1.23
September	1.50	1.29
October	1.70	1.44
November	1.76	1.62
December	1.67	1.50
2005		
January	1.57	1.45
February	1.77	1.50
March	1.76	1.60

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that in the event they exercise the powers of the Company to make repurchases pursuant to the Share Repurchase Mandate, they will exercise such powers in accordance with the Listing Rules, the regulations set out in the memorandum and articles of association of the Company, the Companies Ordinance and any other applicable laws of Hong Kong.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, have any present intention to sell any Shares to the Company under the Share Repurchase Mandate if such is approved by the Shareholders.

No connected persons have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Share Repurchase Mandate is approved by the Shareholders.

If on the exercise of the power to repurchase Shares pursuant to the Share Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, the late Dr. YUNG Yau, Madam YUNG HO Wun Ching, Mr. Billy K. YUNG and Mr. Simon YUNG Kwok Choi (the "said Persons") together with their respective associates were beneficially interested in 280,055,126 Shares representing approximately 62.527% of the issued share capital of the Company. In the event that the Directors exercised the Share Repurchase Mandate in full, then (if the present shareholdings otherwise remained the same) the collective shareholdings of the said Persons together with their respective associates in the Company would be increased to 69.475% of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any purchases made under the Share Repurchase Mandate. However, the Directors have no intention to exercise the Share Repurchase Mandate to the extent that the number of shares held by the public would be reduced to less than 25% of the issued share capital of the Company or such level of minimum public float requirement stipulated under the Listing Rules from time to time.

7. SHARE REPURCHASE MADE BY THE COMPANY

During the six months preceding the Latest Practicable Date, there was no repurchase of its Shares made by the Company (whether on the Stock Exchange or otherwise).

The following is a summary of the principal terms of the rules of the Share Option Scheme:

(A) PURPOSE

The purpose of the Share Option Scheme is for the Company to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

(B) CONDITIONS

The Share Option Scheme is conditional upon (i) the passing of the Ordinary Resolution approving the adoption of the Share Option Scheme by the Shareholders in general meeting and authorising the Directors to grant Options to subscribe for Shares hereunder and to allot, issue and deal with Shares pursuant to the exercise of any Options granted under the Share Option Scheme; and (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme.

(C) SCOPE OF PARTICIPANTS AND ELIGIBILITY OF PARTICIPANTS

The scope of the Participants comprises of (i) any directors (or any persons proposed to be appointed as such) or any employees of each member of the Group (whether full-time or part-time); (ii) any discretionary objects of a discretionary trust established by any substantial shareholders of the Company or by any employees or directors of each member of the Group; (iii) any executives or employees of any business consultants, business partners, professionals and other advisers to each member of the Group (or any persons proposed to be appointed as such); (iv) any substantial shareholders of the each member of the Group; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees (whether full-time or part-time) of the Company's substantial shareholder or any employees of such substantial shareholder's subsidiaries or associated companies, as to be determined by the Board at its absolute discretion within the aforesaid categories.

In determining the basis of eligibility of each Participants, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(D) ACCEPTANCE OF OFFER

An Option shall be deemed to have been accepted by the Grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the granting thereof is received by the Company within the 14 days from the date of the Offer, and the Option to which the Offer relates shall be deemed to have been granted on the Offer Date of such Option.

(E) SUBSCRIPTION PRICE

The Subscription Price in respect of each Share issued pursuant to the exercise of Options granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

(F) MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- (i) Subject to paragraph (iv) below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme, unless the Company obtains an approval from its Shareholders pursuant to paragraph (ii) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit. As at the Latest Practicable Date, the issued share capital of the Company comprised 447,892,356 Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the Adoption Date, the number of Shares issuable pursuant to the Share Option Scheme on the date of its adoption will be 44,789,235 Shares, being 10% of the total issued share capital of the Company as at the Adoption Date.
- (ii) Subject to paragraph (iv) below, the Company may seek approval of its Shareholders in general meeting for refreshing the 10% limit set out in paragraph (i) above such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised Options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, the Company shall send a circular to its Shareholders containing the information required under the Listing Rules.
- (iii) Subject to paragraph (iv) below, the Company may seek separate approval by its Shareholders in general meeting for granting Options beyond the 10% limit provided the Options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such a case, the Company shall send a circular to its Shareholders containing, amongst other terms, a generic description of the specified Participant(s) who

may be granted such Options, the number of Shares subject to the Options to be granted, the terms of the Options to be granted, the purpose of granting Options to the specified Participant(s), an explanation as to how these Options serve such purpose and such other information as required under the Listing Rules.

- (iv) Notwithstanding any other provisions of the Share Option Scheme, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

(G) CONDITIONS, RESTRICTIONS OR LIMITATIONS ON OFFER

Unless otherwise determined by the Board and specified in the offer letter at the time of the Offer, there is neither any performance targets that need to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may when making the Offer impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

(H) MAXIMUM ENTITLEMENT OF SHARES OF EACH PARTICIPANT

- (i) The maximum entitlement for any one Participant is that the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% limit as referred to in paragraph (i) above shall be subject to Shareholders' approval in general meeting with such Participant and his associates abstaining from voting. The number and terms of the Options to be granted to such Participant shall be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price. In such a case, the Company shall send a circular to its Shareholders containing, amongst other terms, the identity of such Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant) and such other information as required under the Listing Rules.

(I) GRANT OF OPTIONS TO CONNECTED PERSONS

- (i) any grant of Options to a Participant who is a Director, chief executive of the Company or substantial Shareholder or their respective associates (including a discretionary trust whose discretionary objects include a Director, chief executive of the Company or substantial Shareholder or a company beneficially owned by any Directors, chief executives of the Company or substantial Shareholders) must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the Grantee).
- (ii) where the Board proposes to grant any Options to a Participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial Shareholder or an independent non-executive Director or a company beneficially owned by any substantial Shareholders or independent non-executive Directors), would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate more than 0.1% of the total number of Shares in issue; and
 - (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to its Shareholders containing all those terms as required under the Listing Rules. All connected persons of the Company must abstain from voting at such general meeting (except that any connected person may vote against the relevant resolution provided that his intention to do so has been stated in the circular). Any votes taken at the meeting to approve the grant of such Options must be taken on a poll.

(J) EXERCISE OF OPTION

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the Option Period after the Option has been granted by the Board. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the Option Period.

(K) TRANSFERABILITY OF OPTIONS

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Options (where the Grantee is a company, any change of its major shareholder or any substantial change in its management (to be determined by the Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid). Any breach of the foregoing by a Grantee shall entitle the Company to cancel any outstanding Options or part thereof.

(L) IF A GRANTEE CEASES TO BE A PARTICIPANT BY REASON OTHER THAN DEATH OR MISCONDUCT

If a Grantee ceases to be a Participant for any reason other than on the Grantee's death or the termination of the Grantee's employment, directorship, office or appointment on one or more of the grounds specified in paragraph (N) below, the Grantee may exercise the Option up to the Grantee's entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of three months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office or appointment as director of, as consultant, professional or other advisers to the relevant company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(M) ON THE DEATH OF A GRANTEE

If a Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the Grantee's employment, directorship, office or appointment under paragraph (N) below arises, the personal representative(s) of the Grantee shall be entitled within a period of six months or such longer period as the Board may determine from the date of death, to exercise the Option up to the entitlement of such Grantee at the date of death (to the extent which has become exercisable and not already exercised). Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(N) TERMINATION OF EMPLOYMENT OF A GRANTEE BY REASON OF MISCONDUCT

An Option shall lapse automatically (to the extent not already exercised) on the date on which the Grantee ceases to be a full-time or part-time employee, director, consultant, professional or other adviser or chief executive of the relevant company or substantial shareholder of the Company (as the case may be) by reason of the termination of his employment, directorship, office or appointment on the grounds that he has been guilty

of misconduct, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty.

(O) VOLUNTARY WINDING-UP OF THE COMPANY

If a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the Shareholders' meeting, give notice thereof to all Grantees. Each Grantee (or his legal personal representative(s)) may by notice in writing to the Company (such notice to be received by the Company not later than two Business Days prior to the proposed general meeting) exercise the Option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(P) GENERAL OFFER BY WAY OF TAKE-OVER

If a general offer by way of take-over is made to all the holders of Shares (other than by way of scheme of arrangement) (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) may by notice in writing to the Company within 21 days of the notice of the offeror exercise the Option (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) to its full extent or to the extent specified in such notice. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(Q) RANK PARI PASSU

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

(R) ALTERATION IN CAPITAL STRUCTURE

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the Subscription Price;

as an independent financial adviser or the auditors of the Company shall at the request of the Board certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give a Grantee the same proportion of the issued share capital of the Company as that to which the Grantee was previously entitled, provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value.

(S) DURATION OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be issued but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(T) CANCELLATION OF OPTIONS GRANTED

The Board may, with the consent of the relevant Grantee, at any time at its absolute discretion cancel any Option granted but not exercised. Where the Company cancels Options and makes an Offer of the grant of new Options to the same Option holder, the Offer of the grant of such new Options may only be made, under the Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (F) above. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by the Board as provided above.

(U) TERMINATION OF THE SHARE OPTION SCHEME

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Upon the termination of the Share Option Scheme, any Options granted but not yet exercised thereunder shall continue to be subject to the provisions of the Share Option Scheme.

(V) ALTERATION OF PROVISIONS OF THE SHARE OPTION SCHEME

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that the definitions of “Grantee”, “Option Period” and “Participant” of the Share Option Scheme and any other provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants without the prior approval of the Shareholders in general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules. Any changes to the authority of the Directors or scheme administrators in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(W) TRUSTEES

The Company confirms that none of the Directors will be trustees of the Share Option Scheme and accordingly, none of the Directors will have any direct or indirect interest in such trustees.

(X) RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

No grant of Options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published as required by the Listing Rules. In particular, during such period of time as specified by the Listing Rules immediately preceding the earlier of (i) the date of the meeting of the Board (as such date is first notified by the Company to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company’s results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or other interim period (whether or not under the Listing Rules), and ending on the date of the results announcement, no Option may be granted.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Shell Electric Mfg. (Holdings) Company Limited ("the Company") will be held at Concord Room II-III, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong, on Wednesday, 11 May 2005 at 4:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31 December 2004.
2. To declare a final dividend.
3. To elect directors and to fix the directors' fees.
4. To appoint auditors for the ensuing year and to authorise the directors to fix their remuneration.

As special business, to consider and if thought fit, pass the following resolutions as Ordinary Resolutions:-

5. **"THAT:-**
 - (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares in the Company on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") or on any other stock exchange on which the shares in the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of the shares in the Company which may be repurchased pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:-
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; or
 - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this resolution.”
6. **“THAT:-**
- (a) subject to paragraph (c) of this resolution and pursuant to Section 57B of the Companies Ordinance, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company which carry rights to subscribe for or are convertible into shares in the Company; or (iii) an issue of shares in the Company upon the exercise of options granted under any share option schemes or any similar arrangements for the time being adopted for the grant or issue to the grantees as specified in such schemes or similar arrangements of shares or rights to acquire shares in the Company; or (iv) any scrip dividend schemes or similar arrangements providing for the allotment

NOTICE OF ANNUAL GENERAL MEETING

and issue of shares in lieu of the whole or part of a dividend on shares in the Company in accordance with the memorandum and articles of association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:-

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; or
- (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this resolution; and

“Rights Issue” means an offer of shares in the Company or issue of options, warrants or other securities giving the right to subscribe for shares in the Company, open for a period fixed by the directors of the Company to the holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares in the Company (or, where appropriate, such other securities), (subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

7. **“THAT** subject to the passing of Ordinary Resolutions Nos. 5 and 6 set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with any additional shares in the Company pursuant to Ordinary Resolution No. 6 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5 set out in the notice convening this meeting, provided that such extended

NOTICE OF ANNUAL GENERAL MEETING

amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution.”

8. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing of, and permission to deal in, the shares of HK\$0.50 each in the share capital of the Company (“Share(s)”) to be issued pursuant to the exercise of any options to be granted under the share option scheme of the Company (the “Share Option Scheme”) (the rules of the Share Option Scheme are contained in the document marked “A” produced to this meeting and for the purposes of identification signed by the Chairman thereof), the Share Option Scheme be and is hereby approved and adopted with effect from 11 May 2005 and the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme including but without limitation:
- (a) to administer the Share Option Scheme under which options will be granted to participants eligible under the Share Option Scheme to subscribe for Shares;
 - (b) to modify and/or amend the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Share Option Scheme relating to modification and/or amendment;
 - (c) to allot, issue and deal with from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the Share Option Scheme and subject to the Rules Governing the Listing of Securities on the Stock Exchange;
 - (d) to make application at the appropriate time or times to the Stock Exchange; and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued pursuant to the exercise of the options under the Share Option Scheme; and
 - (e) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the Share Option Scheme”

By Order of the Board
Peter LEE Yip Wah
Secretary

Hong Kong, 13 April 2005

NOTICE OF ANNUAL GENERAL MEETING

Registered office:

Shell Industrial Building
12 Lee Chung Street
Chai Wan Industrial District
Hong Kong

Notes:-

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more than one proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's registered office, Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong not less than 48 hours before the time fixed for holding this meeting or adjourned meeting or poll (as the case may be).
3. The register of members of the Company will be closed from Friday, 6 May 2005 to Wednesday, 11 May 2005, both days inclusive, during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend, all transfers of shares in the Company accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 5 May 2005.
4. With regard to the proposed Ordinary Resolutions 3 and 5 to 8 set out in this notice, a circular giving details of the proposed re-election of directors, the proposed general mandates to repurchase and issue shares and the proposed share option scheme will be despatched to the shareholders of the Company together with the Company's Annual Report 2004.
5. This notice will also be available for viewing on the website of each of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company at www.smc.com.hk from 13 April 2005.
6. As at the date of this notice, the board of directors of the Company comprises 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.