

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

PROPOSED REFRESHMENTS OF SCHEME MANDATE LIMITS ON THE GRANT OF SHARE OPTIONS OF SUBSIDIARIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the board of directors of Shell Electric Mfg. (Holdings) Company Limited (the “Company”) is set out on pages 5 to 7 of this circular. A notice convening an extraordinary general meeting (“EGM”) of the Company to be held at Concord Room II-III, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 16:15 p.m. on Tuesday, 30 May 2006 (or so soon thereafter as the annual general meeting of the Company convened for the same day and place at 16:00 p.m. shall have concluded or adjourned) is set out on pages 8 to 9 of this circular.

Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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DEFINITIONS

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

“Appeon”	Appeon Corporation, an investment holding company incorporated in the British Virgin Islands and a 89.33% owned subsidiary of the Company;
“Appeon Board”	the board of directors of Appeon;
“Appeon Option(s)”	option(s) to subscribe for Appeon Shares granted pursuant to the Appeon Share Option Scheme;
“Appeon Scheme Mandate Limit”	the maximum number of Appeon Shares which may be issued upon the exercise of all options to be granted under the Appeon Share Option Scheme and any other share option schemes of Appeon stipulated in the Note (1) to Rule 17.03(3) of the Listing Rules, namely, that such number shall not exceed 10% of the Appeon Shares in issue as at the date of approval of the refreshed limit;
“Appeon Share(s)”	share(s) of US\$0.01 each in the share capital of Appeon, or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of Appeon from time to time;
“Appeon Share Option Scheme”	the share option scheme adopted by Appeon in November 2002;
“Board”	the board of Directors of the Company;
“Business Day”	a day on which banks generally is open for business in Hong Kong;
“Company”	Shell Electric Mfg. (Holdings) Company Limited, a company incorporated in Hong Kong under the Companies Ordinance, the securities of which are listed on the Main Board of the Stock Exchange;
“Companies Ordinance”	Companies Ordinance (Cap 32 of the Laws of Hong Kong), as amended from time to time;
“Directors”	the directors of the Company;

DEFINITIONS

“EGM”	the extraordinary 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 at 16:15 p.m. on Tuesday, 30 May 2006 (or so soon thereafter as the annual general meeting of the Company convened for the same day and place at 16:00 p.m. shall have concluded or adjourned);
“EGM Notice”	the notice convening the EGM, which is set out on pages 8 to 9 of this circular;
“Galactic”	Galactic Computing Corporation, an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Galactic Board”	the board of directors of Galactic;
“Galactic Option(s)”	option(s) to subscribe for Galactic Shares granted pursuant to the Galactic Share Option Scheme;
“Galactic Scheme Mandate Limit”	the maximum number of Galactic Shares which may be issued upon the exercise of all options to be granted under the Galactic Share Option Scheme and any other share option schemes of Galactic stipulated in the Note (1) to Rule 17.03(3) of the Listing Rules, namely, that such number shall not exceed 10% of the Galactic Shares in issue as at the date of approval of the refreshed limit;
“Galactic Share(s)”	share(s) of US\$0.01 each in the share capital of Galactic, or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of Galactic from time to time;
“Galactic Share Option Scheme”	the share option scheme adopted by Galactic in November 2002;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	2 May 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

DEFINITIONS

“Ordinary Resolutions”	the ordinary resolutions to be passed by the Shareholders at the EGM;
“Scheme Mandate Limits”	means the Appeon Scheme Mandate Limit and the Galactic Scheme Mandate Limit;
“Share Option Schemes”	means the Appeon Share Option Scheme and the Galactic Share Option Scheme;
“Shareholder(s)”	holder(s) of the shares in the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$” and “\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	United States dollars, the lawful currency of the United States; and
“30% Overall Limit”	the maximum number of Appeon Shares and Galactic Shares (as the case may be) which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Appeon Share Option Scheme or the Galactic Share Option Scheme (as the case may be) and any other share option schemes of Appeon or Galactic (as the case may be) stipulated in the Note (2) to Rule 17.03(3) of the Listing Rules, namely, that such number shall not exceed 30% of the Appeon Shares and Galactic Shares in issue (as the case may be) from time to time.

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.



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(**)*
Mr. Peter WONG Chung On^(**)
Mr. Peter LAM^(**)
Madam YUNG HO Wun Ching
Mr. LEUNG Chun Wah
Mr. Plato POON Chak Sang
Mr. Simon YUNG Kwok Choi^(*)

Registered office:

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

() Non-executive Director*

*(**) Independent Non-executive Directors*

9 May 2006

To the Shareholders,

Dear Sir or Madam,

**PROPOSED REFRESHMENTS OF SCHEME MANDATE LIMITS
ON THE GRANT OF
SHARE OPTIONS OF SUBSIDIARIES**

INTRODUCTION

The Board proposes to seek approval of the Shareholders to approve the refreshments of the Scheme Mandate Limits.

The purpose of this circular is to provide the Shareholders with information regarding the proposed refreshments of the Scheme Mandate Limits and to seek your approval of the Ordinary Resolutions at the EGM to be held at Concord Room II-III, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 16:15 p.m. on Tuesday, 30 May 2006 (or so soon thereafter as the annual general meeting of the Company convened for the same day and place at 16:00 p.m. shall have concluded or adjourned).

LETTER FROM THE BOARD

REFRESHMENTS OF SCHEME MANDATE LIMITS

Pursuant to the resolutions passed by the Shareholders at the extraordinary general meeting of the Company held on 13 May 2004 (“General Meeting 2004”), the Scheme Mandate Limits were refreshed by which, Appeon and Galactic were entitled to grant options under the Appeon Share Option Scheme or the Galactic Share Option Scheme carrying the right to subscribe for a maximum of 365,803 Appeon Shares (representing 10% of the Appeon Shares in issue as at the General Meeting 2004) or 1,039,970 Galactic Shares (representing 10% of the Galactic Shares in issue as at the General Meeting 2004), subject to the 30% Overall Limit of the Share Option Schemes. Further resolutions were passed to approve the grant of the Galactic Options to certain individuals, which entitled them to subscribe for an aggregate of 450,000 Galactic Shares at the same meeting.

Pursuant to the resolutions passed by the Shareholders at the extraordinary general meeting of the Company held on 11 May 2005, the grant of certain Appeon Options and Galactic Options were approved, which entitled the grantees to subscribe for an aggregate of 100,000 Appeon Shares and 250,000 Galactic Shares respectively.

Since the General Meeting 2004, 116,000 Appeon Options and 1,110,000 Galactic Options have been granted under the Appeon Share Option Scheme and the Galactic Share Option Scheme respectively, which, if exercised in full, would entitle holders thereof to subscribe for an aggregate of 116,000 Appeon Shares or 1,110,000 Galactic Shares. In view of the limited number of Appeon Options or Galactic Options which can be further granted under the current Scheme Mandate Limits, the Directors consider that it is in the interest of the Company to “refresh” the Scheme Mandate Limits to permit the grant of further options under the Share Option Schemes.

Pursuant to the Share Option Schemes and under the Listing Rules, the Company may seek approval from the Shareholders in general meeting for “refreshing” the Scheme Mandate Limits under the Share Option Schemes. However, the total number of Appeon Shares and Galactic Shares which may be issued upon the exercise of all options to be granted under the limit as “refreshed” must not exceed 10% of the relevant class of Appeon Shares or Galactic Shares (as the case may be) in issue as at the date of approval of the “refreshed” Scheme Mandate Limits and the 30% Overall Limit. In this connection, options previously granted under the Share Option Schemes will not be counted for the purpose of calculating the Scheme Mandate Limits as “refreshed”.

As at the Latest Practicable Date, the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Schemes are 322,675 Appeon Shares (representing approximately 8.82% of the Appeon Shares in issue) and 1,393,750 Galactic Shares (representing approximately 5.84% of the Galactic Shares in issue).

If the Scheme Mandate Limits are “refreshed”, on the basis of 3,658,032 Appeon Shares and 23,861,240 Galactic Shares in issue as at the Latest Practicable Date and assuming that no Appeon Shares or Galactic Shares are issued or repurchased by the Company prior to the EGM, Appeon and Galactic will respectively be entitled to grant further options under the Share Option Schemes carrying the rights to subscribe (if any) for a maximum of 365,803 Appeon Shares (representing 10% of the Appeon Shares in issue) and 2,386,124 Galactic Shares (representing 10 % of the Galactic Shares in issue).

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The EGM Notice convening the EGM is set out on pages 8 to 9 of this circular.

An announcement will be published by the Company in relation to the outcome of the EGM on the Business Day immediately thereafter.

PROCEDURE FOR DEMANDING A POLL

Pursuant to the Company's Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands 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 by:–

- (i) the chairman of the meeting; or
- (ii) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) 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) a member or members present in person or by proxy and holding shares in the Company 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.

RECOMMENDATION

The Directors consider that the proposed refreshments of the Scheme Mandate Limits under the Share Option Schemes are in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Directors recommend that all Shareholders should vote in favour of the Ordinary Resolutions to be proposed at the EGM.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Share Option Schemes will be available for inspection at the head office and principal place of business of the Company in Hong Kong at Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong during normal business hours up to and including the date which is 14 days from the date of despatch of this circular.

Yours faithfully,
By Order of the Board
Billy K. YUNG

Group Chairman and Managing Director



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(Stock Code: 00081)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“**EGM**”) 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, at 16:15 p.m. on Tuesday, 30 May 2006 (or so soon thereafter as the annual general meeting of the Company convened for the same day and place at 16:00 p.m. shall have concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** pursuant to Clause 8.2(b) of the share option scheme (the “**Appeon Scheme**”) of Appeon Corporation (“**Appeon**”) adopted in November 2002, approval be and is hereby generally and unconditionally granted for “refreshing” the Appeon Scheme Mandate Limit (as defined in the circular of the Company dated 9 May 2006 in relation to the EGM (the “**Circular**”)) under the Appeon Scheme provided that (i) the total number of shares of US\$0.01 each (“**Appeon Shares**”) in the share capital of Appeon which may be issued upon the exercise of all options to be granted under the Appeon Scheme under the limit as “refreshed” hereby shall not exceed 10% of the Appeon Shares in issue on the date of the passing of this resolution; (ii) options previously granted under the Appeon Scheme (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Appeon Scheme) shall not be counted for the purpose of calculating the Appeon Scheme Mandate Limit as “refreshed” hereby; and (iii) the maximum number of Appeon Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Appeon Scheme shall not exceed 30% of the Appeon Shares in issue from time to time.”
2. **“THAT** pursuant to Clause 8.2(b) of the share option scheme (the “**Galactic Scheme**”) of Galactic Computing Corporation (“**Galactic**”) adopted in November 2002, approval be and is hereby generally and unconditionally granted for “refreshing” the Galactic Scheme Mandate Limit (as defined in the Circular) under the Galactic Scheme provided that (i) the total number of shares of US\$0.01 each (“**Galactic Shares**”) in the share capital of Galactic which may be issued upon the exercise of all options to be granted under the Galactic Scheme under the limit as “refreshed” hereby shall not exceed 10% of the Galactic Shares in issue on the date of the passing of this resolution; (ii) options previously granted under the Galactic Scheme (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Galactic Scheme) shall not be counted for the purpose of calculating the Galactic Scheme Mandate Limit as “refreshed” hereby; and (iii) the maximum

NOTICE OF EXTRAORDINARY GENERAL MEETING

number of Galactic Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Galactic Scheme shall not exceed 30% of the Galactic Shares in issue from time to time.”

By the Order of the Board
Peter Lee Yip Wah
Company Secretary

Hong Kong, 9 May 2006

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or notorially certified copy of that power of attorney or authority must be deposited at the registered office of the Company at Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.