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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

**PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
ALLRIGHT**

AND

ASSIGNMENT OF THE SALE DEBT

28 March 2007

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DEFINITIONS

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

“Accounts Date”	31 December 2006
“Allright”	Allright Investments Limited, a company incorporated in Samoa and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, public holiday and any day on which no. 8 signal or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon during a typhoon or on which a black rainstorm warning is issued or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which banks are open for business in Hong Kong
“CMIC”	CMIC Property (China) Limited, a company incorporated in the British Virgin Islands
“CMIC Completion”	the completion of the CMIC Disposal
“CMIC Disposal”	the proposed disposal of the entire issued share capital of Red Empire and the relevant shareholder’s loan by CMIC to the Purchaser pursuant to the SP Agreement
“Company”	Shell Electric Mfg. (Holdings) Company Limited (蜆壳電器工業(集團)有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share and the Sale Debt in accordance with the terms of the SP Agreement
“Completion Date”	10 May 2007 or an earlier date as the Purchaser may by not less than 3 days notice informing the Vendors after the Conditions have been fulfilled (or where applicable, waived) or such other date as the parties to the SP Agreement may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

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“Consideration”	the total consideration for the purchase of the Sale Share and the Sale Debt calculated in accordance with the terms of the SP Agreement
“Development Project”	the development on the Land by the construction, fitting out and furnishing of a five-star hotel and grade A office premises and shopping arcades thereon, which is referred as The Westin, Guangzhou and Office Annex Development Project
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the Sale Share and the Sale Debt by SMC Property to the Purchaser pursuant to the SP Agreement
“GCC”	Guangzhou City Construction & Development Holdings Company Limited, the PRC party of the PRC Company
“Group”	the Company and its subsidiaries
“Guarantee and Indemnity”	the guarantee and indemnity dated 8 December 2005 in respect of the Loan Agreement and entered into between (i) Poly Hong Kong, the Company and Mr. Yu Pan as guarantors, (ii) Yue Tian as subordinated lender, (iii) the PRC Company as borrower and (iv) the KW Bank as lender
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s), or in the case of corporations, the corporation(s) and their ultimate beneficial owner(s), who is (are) independent of and not connected with the Company and its subsidiaries, any of the connected persons or any of their respective associates
“Latest Practicable Date”	23 March 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“KW Bank”	CITIC Ka Wah Bank Limited
“Land”	the piece of land located at 廣州天河區林和東路以西、天河商旅7區 (West of Linhe Dong Road, Zone 7 of Tianhe District, Guangzhou) in the PRC having a site area of 7,672 square metres

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 10 November 2005 and entered into between the PRC Company as borrower and the KW Bank as lender in respect of a HK\$400,000,000 loan facility
“Poly Hong Kong”	Poly (Hong Kong) Investments Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange, and the holding company of CMIC
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“PRC Company”	廣州市城建天譽房地產開發有限公司 (Guangzhou Cheng Jian Tian Yue Real Estate Development Company Limited), a Sino-foreign cooperative joint venture owned by Yue Tian and GCC
“Purchaser”	Great Elegant Investment Limited, a company incorporated in the British Virgin Islands
“Red Empire”	Red Empire Limited, a company incorporated in the British Virgin Islands
“Ringo”	Ringo Trading Limited, a company incorporated in Hong Kong with limited liability, a substantial shareholder of Poly Hong Kong
“Sale Debt”	HK\$124,689,718, being the total principal amount due from Allright to SMC Property as at 31 January 2007
“Sale Share”	one ordinary share of US\$1.00 in the share capital of Allright, representing the entire issued share capital of Allright as at the Latest Practicable Date
“Second Loan Agreement”	the loan agreement dated 19 December 2006 and entered into between Yue Tian as borrower and the KW Bank as lender in respect of a HK\$96,000,000 loan facility
“Second Share Charge”	the share charge incorporating subordination dated 19 December 2006 and entered into between (i) Wise Gain, Red Empire and Allright as shareholders, (ii) Yue Tian as borrower and (iii) the KW Bank as lender

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.5 each in the Company
“Share Charge”	the share charge incorporating subordination dated 8 December 2005 and entered into between (i) Wise Gain, Red Empire and Allright as shareholders, (ii) Yue Tian as borrower and (iii) the KW Bank as lender
“Shareholder(s)”	holder(s) of Shares
“Skyfame”	Skyfame Realty (Holdings) Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange, and the holding company of the Purchaser
“SMC Property”	SMC Property Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“SP Agreement”	the agreement dated 2 March 2007 entered into between the Vendors and the Purchaser in relation to, among other matters, the Disposal and the CMIC Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	collectively, CMIC and SMC Property
“Wise Gain”	Wise Gain Investment Limited, a company incorporated in the British Virgin Islands
“Yue Tian”	Yue Tian Development Limited 越天發展有限公司, a company incorporated in Hong Kong, the entire issued share capital of which is owned as to 51% by Red Empire, 29% by Wise Gain and 20% by Allright as at the Latest Practicable Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	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 Chief Executive)

Dr. Leo Tung-Hai LEE, *GBM, GBS, Cav Gr Cr, 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. Plato POON Chak Sang

Mr. Eddie HURIP

Mr. Simon YUNG Kwok Choi (*)

Mr. Peter WONG Chung On (**)

Mr. Peter LAM (**)

Registered office and head office:

Shell Industrial Building

12 Lee Chung Street

Chai Wan Industrial District

Hong Kong

() Non-executive Director*

*(**) Independent non-executive Directors*

28 March 2007

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
ALLRIGHT
AND
ASSIGNMENT OF THE SALE DEBT**

INTRODUCTION

The Board announced on 8 March 2007 that the Vendors (being SMC Property, a wholly-owned subsidiary of the Company, and CMIC) entered into the SP Agreement with the Purchaser on 2 March 2007 pursuant to which, among other matters, SMC Property has conditionally agreed to sell and assign and the Purchaser has conditionally agreed to purchase the Sale Share (representing the entire issued

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share capital of Allright) and the Sale Debt at an aggregate consideration of HK\$177,301,667. Completion of the disposal of Allright by SMC Property and completion of the disposal of Red Empire by CMIC are inter-conditional to each other and shall take place simultaneously.

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules. The purpose of this circular is to provide you with further information relating to the Disposal.

DETAILS OF THE SP AGREEMENT IN RELATION TO THE SALE SHARE AND THE SALE DEBT

The principal terms and conditions of the SP Agreement in relation to the Sale Share and the Sale Debt are as follows:

Date

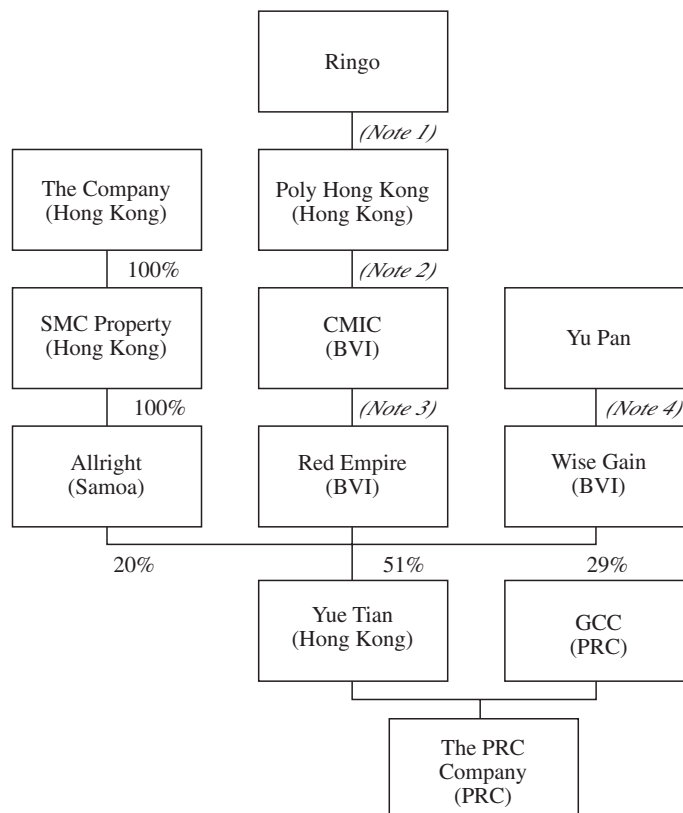
2 March 2007

Parties

- (1) CMIC, one of the Vendors.
- (2) SMC Property, one of the Vendors. As at the Latest Practicable Date, the entire issued share capital of Allright is held by SMC Property. SMC Property is a wholly-owned subsidiary of the Company and its principal activity is investment holding.
- (3) The Purchaser.

LETTER FROM THE BOARD

To the best of the Directors' knowledge and information having made all reasonable enquiry, the shareholding structure of Yue Tian and the PRC Company as at the Latest Practicable Date is as follows:



Notes:

To the best of the Directors' knowledge and information having made all reasonable enquiries:

1. Ringo is a substantial shareholder of Poly Hong Kong and it is also a joint venture partner of two associated companies of the Group. Ringo is not a connected person of the Company;
2. Poly Hong Kong is the holding company of CMIC;
3. CMIC is the holder of the entire issued share capital of Red Empire. The principal activity of CMIC is investment holding. CMIC is not a connected person of the Company; and
4. Wise Gain is owned by Mr. Yu Pan, who is an executive director, chairman and controlling shareholder of Skyfame. Skyfame is the holding company of the Purchaser. The principal activity of the Purchaser is investment holding.

Save as aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CMIC, together with its ultimate beneficial owners and their respective associates are third parties independent of the Group and connected persons of the Company.

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

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Wise Gain, together with its ultimate beneficial owners, and their respective associates are third parties independent of the Group and connected persons of the Company.

The Sale Share and the Sale Debt

Subject to the terms and conditions of the SP Agreement, SMC Property has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase, the Sale Share, representing the entire issued share capital of Allright, and the Sale Debt at an aggregate consideration of HK\$177,301,667.

Consideration

The Consideration shall be HK\$177,301,667, which shall be apportioned as follows:

- (i) the consideration for the Sale Debt shall be the amount of the Sale Debt on a dollar for dollar basis; and
- (ii) the consideration for the Sale Share shall be the balance thereof.

The Consideration will be satisfied by means of telegraphic transfer or cashier's order issued by a bank licensed in Hong Kong or any other means to be agreed between SMC Property and the Purchaser in the following manner:

- (1) an initial deposit of HK\$1,000,000 ("**Initial Deposit**") has been paid on the signing of the SP Agreement;
- (2) a further deposit of HK\$2,540,000 ("**Further Deposit**") shall be paid on or before 31 March 2007; and
- (3) the balance of the Consideration shall be paid on the Completion Date.

The Consideration was determined by reference to the market value of grade A office premises located in the area in close proximity to the Land as of September 2006 immediately prior to signing of the non-legally binding letter of intent in relation to the Disposal between SMC Property and the Purchaser and the unaudited consolidated net asset value of Yue Tian as at 31 July 2006. The Group has not performed any valuation on the Project or the Land. The Board did not contemplate a significant difference between the market value as of September 2006 and that as of the date of the SP Agreement. The Consideration and the terms and conditions of the SP Agreement have been negotiated by the parties on an arm's length basis. It is currently intended that the whole amount of Consideration will be settled in cash.

SMC Property shall within one month after the Completion Date deliver to the Purchaser the unaudited completion accounts of Allright ("**Completion Accounts**"). In the event that the balance of all liabilities (whether actual or contingent and excluding the Sale Debt and any debt disclosed by SMC Property to the Purchaser) of Allright as shown in the Completion Accounts exceeds that disclosed in the

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audited accounts of Allright as at the Accounts Date by HK\$1,000,000, the Consideration shall be reduced by an amount equal to such excess on a dollar for dollar basis.

Within three months after delivery of the Completion Accounts to the Purchaser, the Purchaser shall be entitled to, at the Purchaser's own cost, audit the Completion Accounts by instructing a firm of certified public accountants selected by the Purchaser and approved by SMC Property. In the event that the balance of all liabilities (whether actual or contingent and excluding the Sale Debt and any debt disclosed by SMC Property to the Purchaser) of Allright as shown in the audited version of the Completion Accounts is more than that shown in the Completion Accounts, SMC Property shall repay to the Purchaser an amount equal to such excess on a dollar for dollar basis.

Conditions Precedent

The Completion will be conditional, inter alia, on the following having taken place:

- (a) the passing of the necessary resolutions by the shareholders (or if required, the independent shareholders) of Skyfame at a special general meeting of Skyfame approving the SP Agreement and the transactions contemplated thereunder, in compliance with the Listing Rules;
- (b) the obtaining of all consents from other third parties which are necessary or desirable in connection with the execution and performance of the SP Agreement and the transfer of the Sale Share contemplated under the SP Agreement (including, if required, the relevant consent from Westin International Services Company under its management contract with the PRC Company);
- (c) all obligation and liabilities of the Company or SMC Property in favour of the KW Bank pursuant to the Guarantee and Indemnity, the Loan Agreement, the Second Loan Agreement, the Share Charge, the Second Share Charge and other related security documents (if any) having been fully released and/or discharged;
- (d) the Purchaser at its costs having obtained a legal opinion issued by a PRC firm of lawyers in respect of the PRC Company and its business (including the Development Project), the Land and Yue Tian's interest in the PRC Company, in such form and substance to the reasonable satisfaction of the Purchaser;
- (e) the conditions for the CMIC Disposal having been fulfilled (or waived in accordance with the terms of the SP Agreement);
- (f) the Purchaser and/or Skyfame having obtained sufficient financing for payment of the Consideration and the consideration for the CMIC Disposal on terms reasonably acceptable to the Purchaser and Skyfame.

LETTER FROM THE BOARD

There are also certain standard conditions precedent for the Disposal, including without limitation, no breach of representation and warranties, conducting of legal due diligence and no material adverse change. As at the date of the Latest Practicable Date, none of the conditions precedent has been fulfilled. In respect of the condition precedent (c) above, the Company, Allright, the KW Bank and other parties have never taken any steps to draw down the loan under the Second Loan Agreement. The Company, together with other parties concerned, is now arranging for cancellation of the loan and security documentation (including the Second Loan Agreement and the Second Share Charge) with the KW Bank.

Completion

Subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out above, Completion shall take place on 10 May 2007 or an earlier date as the Purchaser may by not less than 3 days notice informing the Vendors after the conditions precedent have been fulfilled (or where applicable, waived) or such other date as the parties may agree in writing and is inter-conditional with CMIC Completion.

If any of the Vendors or the Purchaser fails to comply with any of its obligations under the SP Agreement in relation to Completion and the CMIC Completion, the party not in default may by notice:

- (1) defer Completion to a date at its sole discretion but in any event not later than 31 May 2007. In the event the party in default is the Purchaser, the Purchaser shall pay an interest accrued on the total amount of the Consideration from the original Completion Date up to and including the actual Completion Date at the rate of 1% per month; or
- (2) proceed to Completion and CMIC Completion so far as practicable; or
- (3) rescind the SP Agreement. In the event the party in default is any of the Vendors, the Vendors shall forthwith refund to the Purchaser all the monies paid by the Purchaser to the Vendors without interest. In the event the party in default is the Purchaser, inter alia, the Initial Deposit and the Further Deposit shall be forfeited by SMC Property.

CMIC Disposal

Subject to the terms and conditions of the SP Agreement, CMIC has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of Red Empire and the debt owed by Red Empire to CMIC at an aggregate consideration of HK\$452,147,600. The principal conditions precedent for completion of the CMIC Disposal are substantially the same as the conditions precedent for Completion.

INFORMATION ON ALLRIGHT, YUE TIAN AND THE PRC COMPANY

Allright is a limited liability company incorporated in Samoa on 23 November 2004. As at the Latest Practicable Date, it is a wholly-owned subsidiary of SMC Property. Immediately after Completion, the Purchaser will own the entire issued share capital of Allright. Allright is an investment holding company and apart from its 20% shareholding in Yue Tian, Allright does not have any investment in other entities.

LETTER FROM THE BOARD

The consolidated unaudited net loss both before and after taxation and extraordinary items of Allright for the period from 23 November 2004 to 31 December 2005 were approximately HK\$534,000 based on the Hong Kong generally accepted accounting principles. The consolidated unaudited net loss both before and after taxation and extraordinary items of Allright for the period from 1 January 2006 to 31 December 2006 were approximately HK\$4,961,000 based on the Hong Kong generally accepted accounting principles. As at 31 December 2006, the value of the net liabilities of Allright was approximately HK\$3,032,000. As at the same date, the loan due from Allright to its shareholder was the same as the amount of the Sale Debt. The major assets of Allright is its investment in Yue Tian and its major liabilities is the loan due to its shareholder.

Yue Tian is a limited liability company incorporated in Hong Kong on 2 March 1993. As at the Latest Practicable Date, it is held as to 51% by Red Empire, 29% by Wise Gain and 20% by Allright. The Company accounts for its investment in Yue Tian as an associated company. Apart from its equity holding in the PRC Company, Yue Tian does not have any investment in other entities.

The PRC Company is a sino-foreign cooperative joint venture enterprise established by Yue Tian and GCC on 26 September 2002 in the PRC with a registered capital of US\$45 million (of which US\$27.5 million has been fully paid up) and has a term of operation for 16 years. Yue Tian would be responsible for paying up the remaining registered capital. According to the terms of the sino-foreign cooperative joint venture agreement entered into between the parties, Yue Tian has paid RMB90 million to GCC as cash compensation and GCC is no longer entitled to the future profits generated by the PRC Company. The entire results of the PRC Company are consolidated into the accounts of Yue Tian.

The Development Project is a commercial development project principally comprises the development and construction on the Land a five-star hotel tower, namely the Westin, Guangzhou and a grade A office premises and shopping arcades. As at the Latest Practicable Date, the superstructure wall of the Development Project was completed and glass walls, mechanical engineering facilities installation and internal decoration are underway and are at their final stage close to completion. The hotel will be managed and operated by Westin International Services Company. It is expected that the grand opening for the hotel will take place, and the office tower will be available for lease in the second half of 2007.

The consolidated audited loss both before and after taxation and extraordinary items of Yue Tian for the year from 1 January 2005 to 31 December 2005 were HK\$9.8 million based on the Hong Kong generally accepted accounting principles. The consolidated unaudited loss both before and after taxation and extraordinary items of Yue Tian for the year from 1 January 2006 to 31 December 2006 were approximately HK\$24 million based on the Hong Kong generally accepted accounting principles. As at 31 December 2006, the consolidated net asset value of Yue Tian was approximately HK\$364 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activities of the Group are the manufacturing and marketing of electrical household appliances and investments in property and high technology businesses.

The Disposal readily generates an attractive return for the Group and will enable it to obtain immediate cash inflow. As a result of the Disposal, the Group is expected to record an unaudited estimated gain on disposal of approximately HK\$55,644,000, being the difference between the

LETTER FROM THE BOARD

Consideration and the loan due from Allright to SMC Property, minus the consolidated net liabilities of Allright. The sale proceeds from the Disposal will be applied as the Group's additional general working capital and funding for other development projects. The Directors, including the independent non-executive Directors, consider that the terms and conditions of the SP Agreement are on normal commercial terms and are fair and reasonable as far as the Shareholders as a whole are concerned and in the interests of the Shareholders as a whole.

Save as disclosed above, the Board believes that the Disposal will not give rise to any material effect on the earnings, working capital, gearing ratio and the assets and liabilities of the Group.

LISTING RULES IMPLICATION

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules.

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Shell Electric Mfg. (Holdings) Company Limited
Billy K. Yung
Group Chairman and Chief Executive

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, the interests of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO), or were required to be recorded in the register required to be maintained by the Company under Section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in the Shares

Name of Directors	Capacity	Nature of Interests	Number of ordinary Shares held	Aggregate long position	Percentage of aggregate long position in Shares to the issued share capital of the Company
Mr. Billy K. Yung	Beneficial Owner	Personal	26,800,000	253,129,084	48.17%
	Interest of child under 18 or spouse (<i>Note 1</i>)	Other	216,329,084		
	Interest held jointly with another person (<i>Note 2</i>)	Other	10,000,000		
Dr. Leo Tung-Hai Lee	Beneficial Owner	Personal	5,306,382	5,306,382	1.01%
Mr. Peter Lam	Beneficiary of a trust (<i>Note 3</i>)	Other	1,300,000	1,300,000	0.25%
Madam Yung Ho Wun Ching	Beneficial Owner	Personal	53,196,300	63,196,300	12.03%
	Interest of spouse (<i>Note 4</i>)	Family	10,000,000		

Name of Directors	Capacity	Nature of Interests	Number of ordinary Shares held	Aggregate long position	Percentage of aggregate long position in Shares to the issued share capital of the Company
Mr. Leung Chun Wah	Beneficial Owner	Personal	1,799,400	1,799,400	0.34%
Mr. Plato Poon Chak Sang	Beneficial Owner	Personal	739,200	739,200	0.14%
Mr. Simon Yung Kwok Choi	Beneficial Owner	Personal	39,147,911	43,677,351	8.31%
	Interest of controlled corporation (Note 5)	Corporate	3,529,440		
	Interest of spouse (Note 6)	Family	1,000,000		

Notes:

- (1) These Shares are held by a trust for the benefit of Mr. Billy K. Yung's family members.
- (2) These Shares are held jointly with his wife, Madam Hsu Vivian.
- (3) These Shares are held by a trust for the benefit of Mr. Peter Lam.
- (4) This interest represents the holding of Shares held by the late Dr. Yung Yau.
- (5) These Shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.
- (6) This interest represents the holding of Shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

(b) Share option scheme

Details of the share options held by the Directors as at the Latest Practicable Date were as follows:

(i) Share options to subscribe for shares in Appeon Corporation (“Appeon”)

Name	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options held as at the Latest Practicable Date	Percentage to the issued share capital of Appeon as at the Latest Practicable Date
Mr. Billy K. Yung	09.06.2003	09.06.2003-10.11.2012	2.50	6,750	
	09.06.2003	01.10.2003-10.11.2012	2.50	3,375	
	09.06.2003	01.04.2004-10.11.2012	2.50	3,375	
	09.06.2003	01.10.2004-10.11.2012	2.50	3,375	
	09.06.2003	01.04.2005-10.11.2012	2.50	3,375	
	09.06.2003	01.10.2005-10.11.2012	2.50	3,375	
	09.06.2003	01.04.2006-10.11.2012	2.50	3,375	
Total number of share options held by Director				27,000	0.74%

Appeon is a company incorporated in January 2002 with limited liability and engaged in investment holding and computer software development. As at the Latest Practicable Date, the issued share capital of Appeon is held as to 89.33% by the Company indirectly, 0.82% by an employee of Appeon and 9.85% by Independent Third Parties.

(ii) Share options to subscribe for shares in Galactic Computing Corporation (“Galactic”)

Name	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options held as at the Latest Practicable Date	Percentage to the issued share capital of Galactic as at the Latest Practicable Date
Mr. Billy K. Yung	09.06.2003	09.06.2003-10.11.2012	0.45	25,000	
	09.06.2003	01.12.2003-10.11.2012	0.45	25,000	
	09.06.2003	01.06.2004-10.11.2012	0.45	25,000	
	09.06.2003	01.12.2004-10.11.2012	0.45	25,000	
	09.06.2003	01.06.2005-10.11.2012	0.45	25,000	
	09.06.2003	01.12.2005-10.11.2012	0.45	25,000	
	09.06.2003	01.06.2006-10.11.2012	0.45	25,000	
	09.06.2003	01.12.2006-10.11.2012	0.45	25,000	
Total number of share options held by Director				200,000	0.84%

Galactic is a company incorporated in November 2001 with limited liability and engaged in investment holding and computer software and hardware development. As at the Latest Practicable Date, the Company indirectly held 100% of the issued share capital of Galactic.

(c) Disclosure of other interests

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and chief executives of the Company was interested in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by the Directors of Listing Companies to be notified to the Company and the Stock Exchange.

3. DISCLOSABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by, the Directors and chief executives of the Company, the persons, other than a Director or chief executive of the Company, who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital were as follows:

(a) Shares in the Company

Name of Substantial Shareholder	Capacity	Nature of Interests	Number of ordinary Shares held	Aggregate long position	Percentage of ordinary shares held to the issued share capital of the Company
UBS Trustee (BVI) Limited	Trustee of a Trust <i>(Note 1)</i>	Other	224,437,334	224,437,334	42.71%
Diamond Key Enterprises Inc.	Beneficial Owner <i>(Note 1)</i>	Beneficial	143,612,287	143,612,287	27.33%
On Fat Profits Corporation	Beneficial Owner <i>(Note 1)</i>	Beneficial	72,716,797	72,716,797	13.84%

Name of Substantial Shareholder	Capacity	Nature of Interests	Number of ordinary Shares held	Aggregate long position	Percentage of ordinary shares held to the issued share capital of the Company
Madam Chiu Man	Beneficial Owner	Personal	1,000,000	43,677,351	8.31%
	Interest of spouse (Note 2)	Family	42,677,351		
Madam Hsu Vivian	Interest of spouse	Family	26,800,000	36,800,000	7.00%
	Interest held jointly with another person (Note 3)	Other	10,000,000		
Yung Siu Chee Margaret (Note 4)	Beneficial Owner	Personal	28,154,604	28,154,604	5.36%

Notes:

- (1) 143,612,287 Shares and 72,716,797 Shares form part of the 224,437,334 Shares held by UBS Trustee (BVI) Limited. Of which, the aggregate of 143,612,287 Shares and 72,716,797 Shares (i.e. 216,329,084 Shares) are disclosed in the sub-paragraph headed “(a) Long position in the Shares” under the paragraph headed “Directors’ and Chief Executive’s Interests” above as being held under a trust with Mr. Billy K. Yung’s family as the beneficiaries. None of the Directors are directors or employees of On Fat Profits Corporation and Diamond Key Enterprises Inc.
- (2) Madam Chiu Man’s Shares held under personal and family interest are in fact the same block of Shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi as disclosed in the sub-paragraph headed “(a) Long position in the Shares” under the paragraph headed “Directors’ and Chief Executive’s Interests” above.
- (3) Madam Hsu Vivian’s Shares held under family interest and other interest are in fact the same block of Shares already disclosed respectively under personal interest and other interests of her husband, Mr. Billy K. Yung as disclosed in the sub-paragraph headed “(a) Long position in Shares” under the paragraph headed “Directors’ and Chief Executive’s Interests” above.
- (4) Madam Yung Siu Chee Margaret is daughter of Madam Yung Ho Wun Ching. She is also a sister of Mr. Billy K. Yung and Mr. Simon Yung Kwok Choi.

(b) Shares in the Company's subsidiaries

Name of substantial shareholder	Name of subsidiary	Percentage of equity interest
APD Semiconductor, Inc.	Phoenix Atlantic Limited	35.00%
Honwise International Limited	Brentwood Ventures Limited	12.50%
Wyler Investments Limited	Brentwood Ventures Limited	12.50%
Poly Bright Holdings Limited	Brentwood Ventures Limited	12.50%
Assure Win Investments Limited	China EverBright Real Estate Development Limited	30.00%
呼和浩特繞城公路建設開發 有限責任公司 (Hohhot Rao Cheng Gong Lu Construction and Development Company Limited*)	呼和浩特光大環城建設開發有限公司 (Hohhot Guang Da Huan Cheng Construction and Development Company Limited*)	20.00%
深圳市光大策略投資有限公司 (Shenzhen City Guang Da Strategic Investment Company Limited*)	廣州市光大花園房地產開發有限公司 (Guangzhou City Guang Da Hua Yuan Real Estate Development Company Limited*)	42.00%
桂林光大國富房地產開發有限責任公司 (Guilin Guang Da Guo Fu Real Estate Development Company Limited*)	廣西光大旅遊投資有限公司 (Guangxi Guang Da Travel Investment Company Limited*)	10.00%
廣西農墾集團有限責任公司 (Guangxi Nong Ken Group Company Limited*)	廣西桂林光大立元生態家園 開發建設有限公司 (Guangxi Guilin Guang Da Li Yuan Sheng Tai Jia Yuan Development Company Limited*)	12.00%
廣西國有良豐農場 (Guangxi State-owned Liang Feng Farm*)	廣西桂林光大立元生態家園開發建設有限公司 (Guangxi Guilin Guang Da Li Yuan Sheng Tai Jia Yuan Development Company Limited*)	18.00%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, none of the persons, other than a Director or chief executive of the Company, had any interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or had, directly or indirectly, any interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. COMPETING BUSINESS

None of the Directors and their respective associates have any interests in a business or are interested in any business which competes or is likely to compete either directly or indirectly with, or is similar to, the business of the Group as at the Latest Practicable Date.

7. GENERAL

- (a) The head and registered office of the Company is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.
- (b) The secretary of the Company is Mr. Peter Lee Yip Wah, a qualified solicitor practising in Hong Kong.
- (c) The qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Chu Ka Loy, the Group financial controller, who is an associate member of both The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom and is also an associate member of The Hong Kong Institute of Certified Public Accountants.
- (d) The share registrar and transfer office of the Company is Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The translation into Chinese language of this circular is for reference only. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

* *For identification purpose only*