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**If you are in any doubt** as to any aspect of this document or as to the action to be taken, you should consult your stockbroker 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 **Ngai Lik Industrial Holdings Limited**, you should at once hand this document and the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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**NGAI LIK INDUSTRIAL HOLDINGS LIMITED**

**毅力工業集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 332)

**DISCLOSEABLE TRANSACTION**

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## DEFINITIONS

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

|                                |   |
|--------------------------------|---|
| “associates”                   | as defined in the Listing Rules   |
| “Board”                        | the board of Directors  |
| “Company”                      | Ngai Lik Industrial Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange  |
| “Director(s)”                  | the director(s) of the Company  |
| “Disposals”                    | the series of disposals of an aggregate of 8,768,000 shares of Hop Fung held by the Group to Independent Third Parties through securities brokerage firms during the period from 9 June 2006 to 6 October 2006 in an aggregate gross consideration of approximately HK\$15.95 million |
| “Group”                        | the Company and its subsidiaries  |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| “Hop Fung”                     | Hop Fung Group Holdings Limited, an exempted company in Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange   |
| “Independent Third Party(ies)” | person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with the Company and its connected persons or their respective associates  |
| “Latest Practicable Date”      | 24th October, 2006, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “SFO”                          | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “Shareholder(s)”               | holder(s) of Share(s)   |
| “Share(s)”                     | ordinary share(s), currently with par value of HK\$0.10 each in the share capital of the Company  |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited   |
| “HK\$”                         | Hong Kong dollars, the lawful currency of Hong Kong   |
| “%”                            | per cent.   |

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## LETTER FROM THE BOARD

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### NGAI LIK INDUSTRIAL HOLDINGS LIMITED

毅力工業集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

*Executive Directors:*

Dr. Lam Man Chan (*Chairman*)

Ms. Ting Lai Ling

Ms. Ting Lai Wah

Mr. Yeung Cheuk Kwong

*Registered office:*

Clarendon House

Church Street

Hamilton HM11

Bermuda

*Independent non-executive Directors:*

Mr. Ng Chi Yeung, Simon

Mr. Tam Yuk Sang, Sammy

Mr. Ho Lok Cheong

*Principal place of*

*business in Hong Kong:*

Flat 29 – 32

8th Floor, Block B

Focal Industrial Centre

21 Man Lok Street

Hunghom

Kowloon

Hong Kong

27th October, 2006

*To the Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE TRANSACTION

### INTRODUCTION

The Board announced on 16th October, 2006 that Elite International Capital Limited, a wholly-owned subsidiary of the Company, disposed of 8,768,000 shares in Hop Fung (representing approximately 2.29% of the issued share capital of Hop Fung as at the date of the announcement) during the period from 9 June 2006 to 6 October 2006 for an aggregate gross consideration of approximately HK\$15.95 million, resulting in a net gain of approximately HK\$2.74 million. After the Disposals, the Group does not have any shareholding in Hop Fung as at the Latest Practicable Date.

The purpose of this document is to provide you with further information in respect of the Disposals and other information as required under Chapter 14 of the Listing Rules.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### THE DISPOSALS

The Board announced on 16th October, 2006 that Elite International Capital Limited, a wholly-owned subsidiary of the Company, disposed of 8,768,000 shares in Hop Fung (representing approximately 2.29% of the issued share capital of Hop Fung as at the date of the announcement) at the disposal price ranging from HK\$1.75 per share of Hop Fung to HK\$2.00 per share of Hop Fung in the market through securities brokerage firms to Independent Third Parties during the period from 9 June 2006 to 6 October 2006 for an aggregate gross consideration of approximately HK\$15.95 million. The Disposals were conducted through securities brokerage firms, being Independent Third Parties, for commission.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the securities brokerage firms and purchasers are Independent Third Parties.

Hop Fung and its subsidiaries are principally engaged in manufacturing and sales of corrugated paper-ware products.

For the two years ended 31st December, 2005, the audited consolidated profit before taxation of Hop Fung was approximately HK\$74.6 million and approximately HK\$70.8 million respectively and the audited consolidated profit after taxation was approximately HK\$66.9 million and approximately HK\$69.7 million respectively.

### REASONS FOR AND BENEFITS OF THE DISPOSALS

The shares of Hop Fung were held by the Group as "Non current assets – available-for-sale financial assets". As at 31st March, 2006, the carrying value of available-for-sale financial assets was approximately HK\$16.92 million.

The aggregate consideration of approximately HK\$15.89 million, which was reached after taking into account the market conditions prevailing at the respective relevant times, is being or is to be credited into Elite International Capital Limited's accounts at the respective securities brokerage firms two days after the relevant transactions took place.

The Directors are of the view that the Disposals were in the interest of the Group and the terms of the Disposals were in normal commercial terms, which were fair and reasonable and in the interests of the shareholders of the Company as a whole as it provides an opportunity to the Group in realising the shares of Hop Fung with a profit. The Board considered the Disposals represented good opportunities for the Group to realise a gain.

Based on the aggregate consideration of approximately HK\$15.89 million comparing to the carrying value of approximately HK\$16.92 million, the Disposals resulted in a loss of approximately HK\$1.03 million. Taking into account of the realisation of the reserve for increase in fair value of available-for-sale financial assets of approximately HK\$3.77 million as at 31st March, 2006, the Disposals resulted in a net gain of about HK\$2.74 million.

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## LETTER FROM THE BOARD

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### USE OF NET PROCEEDS

The net proceeds of approximately HK\$15.89 million arising from the Disposals (after deducting the trading expenses of approximately HK\$54,000) will be used for general working capital of the Group.

### GENERAL

The Company is an investment holding company. The Group is currently organised into two operating activities – electronics manufacturing services business and property investment.

Upon disposal of the remaining shares of Hop Fung on 6th October, 2006, the Disposals, when aggregated, constituted a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules.

Your attention is also drawn to the additional information set out in the appendix to this document.

Yours faithfully,  
For and on behalf of  
**Ngai Lik Industrial Holdings Limited**  
**Lam Man Chan**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This document 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 document 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. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interest of the Directors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) were as follows:

### the Company

| Name of Director              | Capacity/<br>Nature of interest | Number of Shares held |                   | Percentage<br>of holding |
|-------------------------------|---------------------------------|-----------------------|-------------------|--------------------------|
|                               |                                 | Long<br>position      | Short<br>position |                          |
| Lam Man Chan<br>(“Dr. Lam”)   | family interest<br>(note)       | 278,723,176           | –                 | 35.15%                   |
| Ting Lai Ling<br>(“Ms. Ting”) | family interest<br>(note)       | 278,723,176           | –                 | 35.15%                   |

### Note:

The interests are held by Goodchamp Holdings Limited, which is 100% owned by Sinowin Inc. as trustee of The Sinowin Unit Trust. The Sinowin Unit Trust is a unit trust owned by HSBC International Trustee Limited as trustee of a discretionary trust. The discretionary trust was settled by Dr. Lam and the discretionary objects of which are Ms. Ting herself (the wife of Dr. Lam) and the family members of both Dr. Lam and Ms. Ting.

Save as disclosed in this document, as at the Latest Practicable Date, none of the Directors or chief executives of the Company have interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have 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 which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

- (b) As at the Latest Practicable Date, so far as was known to the Directors, the interest of the Shareholders in the Shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

| Name of Shareholder                        | Note | Capacity / Nature of Interest | Number of Shares held |                | Percentage of holding |
|--|------|-------------------------------|-----------------------|----------------|-----------------------|
|  |      |                               | Long position         | Short position |                       |
| Goodchamp Holdings Limited                 | 1    | Beneficial interest           | 277,923,176           | –              | 35.05%                |
| HSBC International Trustee Limited         | 1    | Trustee interest              | 278,423,176           | –              | 35.11%                |
| Sinowin Inc.                               | 1    | Trustee interest              | 277,923,176           | –              | 35.05%                |
| Grandlink Holdings Limited                 | 2    | Beneficial interest           | 40,640,000            | –              | 5.12%                 |
| Guardian Trustee Limited                   | 2    | Trustee interest              | 40,640,000            | –              | 5.12%                 |
| Basab Inc.                                 | 2    | Trustee interest              | 40,640,000            | –              | 5.12%                 |
| FMR Corp.                                  | 3    | Investment manager            | 70,904,000            | –              | 8.94%                 |
| Templeton Investment Counsel, LLC          | –    | Investment manager            | 63,622,532            | –              | 8.02%                 |
| Oaktree Capital Management, L.L.C. (“OCM”) | 4    | Corporate interest            | 48,880,000            | –              | 6.16%                 |
| OCM Emerging Markets Fund, L.P. (“EMF”)    | 4    | Beneficial interest           | 48,880,000            | –              | 6.16%                 |

*Notes:*

1. The details of this note are stated in note of the above section (a) headed "Disclosure of interests".
  2. The 40,640,000 shares of the Company are held by and registered in the name of Grandlink Holdings Limited, which is 100% owned by Basab Inc. as trustee of The Basab Unit Trust. The Basab Unit Trust is a unit trust owned by Guardian Trustee Limited as trustee of a discretionary trust.
  3. The interests are indirectly held by FMR Corp. through its 100% controlled corporations, namely, Fidelity Management & Research Company and Fidelity Management Trust Company.
  4. These shares are held through EMF. OCM is the general partner of EMF and is holding 2% in EMF. OCM is deemed to be interested in shares held by EMF solely as general partner of EMF but disclaims any beneficial interest therein except for its pecuniary interest.
- (c) Save as disclosed above, as at the Latest Practicable Date, there was no person known to the Directors 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 and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any member of the Group, or any options in respect of such capital.

**3. DIRECTORS' INTERESTS IN CONTRACTS**

- (a) As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a 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.
- (b) As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses, which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

**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. MISCELLANEOUS**

- (a) The registered office of the Company is Clarendon House, Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company in Hong Kong is Flat 29 – 32, 8th Floor, Block B, Focal Industrial Building, 21 Man Lok Street, Hunghom, Kowloon, Hong Kong
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) Mr. Yeung Cheuk Kwong is the company secretary and qualified accountant of the Company is. He is Fellow Member of the Association of Chartered Certified Accountant, Associate Member of the Institute of Chartered Accountant in England and Wales and Fellow Member of the Hong Kong Institute of Directors.
- (d) The translation into Chinese language of this document is for reference only. In the event of any inconsistency, the English text of this document shall prevail over the Chinese language text.