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**NGAI LIK INDUSTRIAL HOLDINGS LIMITED**

**毅力工業集團有限公司<sup>#</sup>**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 332)

**VERY SUBSTANTIAL DISPOSAL  
DISPOSAL OF CERTAIN PROPERTY  
IN DONGGUAN  
AND  
RESUMPTION OF TRADING**

**FINANCIAL ADVISER**

**Access**   
**Capital**

**The Disposal**

The Board is pleased to announce that on 4 July 2008, the Agreement was entered into between the Vendor and the Purchaser with regard to the Disposal by the Vendor to the Purchaser for a cash consideration of HK\$230,000,000.

**Possible financial effects of the Disposal**

Based on the Adjusted Carrying Value of the Property and the Adjacent Property as at 31 March 2007 and the Consideration, the Disposal is expected to realise a loss of approximately HK\$113,159,000.

As the consolidated results of the Group for the year ended 31 March 2008 have not yet been finalised, the Board is not in a position to quantify precisely the relevant financial effect at this stage. The Company expects to announce its audited consolidated results for the year ended 31 March 2008 on or before 22 July 2008.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **Implication of the Listing Rules**

Since the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to Shareholders' approval requirements under Rule 14.49 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and no Shareholder is required to abstain from voting for the approval of the Disposal at the SGM.

### **General**

A circular containing, among other things, further information on the Disposal and the notice of the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

### **Resumption of trading**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 July 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 9 July 2008.

## **THE DISPOSAL**

The Board is pleased to announce that on 4 July 2008, the Agreement was entered into between the Vendor and the Purchaser with regard to the Disposal by the Vendor to the Purchaser for a cash consideration of HK\$230,000,000.

## **THE AGREEMENT**

### **Date**

4 July 2008

### **Parties**

Vendor: 東莞鳳崗毅力電子有限公司 (Dongguan Fenggang Ngai Lik Electronics Company Limited)<sup>#</sup>

Purchaser: 陽江市源泰投資有限公司 (Yang Jiang Yuan Tai Investments Limited)<sup>#</sup>

The Purchaser is principally engaged in property investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

**Subject matter**

The Property comprises of the Collective Land together with the Buildings and the Facilities erected thereon.

**Consideration**

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the preliminary valuation on the Property at RMB215,000,000 (approximately HK\$238,650,000) as at 30 June 2008 made by the Independent Valuer ("Market Value"). The Consideration represents a discount of approximately 3.6% to the Market Value. The Consideration will be paid in cash in four instalments as follows:

- (i) a deposit ("Deposit") equal to 10% of the Consideration, HK\$23,000,000 (or its equivalent) upon signing of the Agreement (the "1st Instalment");
- (ii) a further sum of HK\$40,000,000 (or its equivalent) on or before 30 July 2008 (the "2nd Instalment");
- (iii) a further sum of HK\$67,000,000 (or its equivalent) on or before 30 January 2009 (the "3rd Instalment"); and
- (iv) the balance of HK\$100,000,000 (or its equivalent) together with any outstanding sum due and payable under the Agreement on or before 30 June 2009 (the "4th Instalment").

**Conditions Precedent**

Completion is conditional upon:

- (i) the Stock Exchange and/or other relevant authorities (if any) confirming that they have no further comments on the announcement and circular in relation to the Disposal; and
- (ii) the passing of an ordinary resolution by the Shareholders at the SGM as required by the Listing Rules to approve the Disposal and the transactions contemplated thereunder.

If any of the conditions precedent is not fulfilled within 180 days of the signing of the Agreement, the Vendor has the right to rescind the Agreement and is required to return to the Purchaser the Deposit together with any amount of the Consideration received by it and the interest to be accrued thereon, and both the Vendor and the Purchaser shall then have no claims against each other under the Agreement.

## **Major Terms of the Agreement**

- (i) Subject to payment of the 2nd Instalment by the Purchaser and that the Shareholders' approval on the Disposal having been obtained at the SGM, and by no later than 1 September 2008, the Vendor will assign to the Purchaser the net rentals (after deducting expenses) of those parts of the Buildings which are currently rented out to Independent Third Parties. The Vendor will pay such rentals to the Purchaser in one lump sum within 15 days after the 4th Instalment having been settled by the Purchaser. If the Purchaser fails to settle payments according to the above payment schedule, the rentals already assigned by the Vendor to the Purchaser shall be fully refunded to the Vendor.
- (ii) Upon payment of the 4th Instalment by the Purchaser, the Vendor shall procure the transfer of title of the Property to the Purchaser. If the Purchaser (a) makes early payment of the 4th Instalment or provides the Vendor with mortgage, finance, guarantee acceptable by the Vendor or (b) makes an early partial payment of the 4th Instalment and provides the Vendor with partial mortgage, finance, guarantee acceptable by the Vendor, the Vendor can proceed with the relevant transfer procedures on the Property ahead of the agreed schedule at the Vendor's discretion.
- (iii) Subject to full payment of the Consideration by the Purchaser, the Vendor will procure the amendments of the current tenancy agreements entered into by the Vendor and the relevant tenants in respect of those parts of the Buildings which are currently rented out (the "Current Tenancy Agreements") in order to assign to the Purchaser all the Vendor's rights and obligations under the Current Tenancy Agreements, including the rental income generated therefrom.
- (iv) Subject to full payment of the Consideration by the Purchaser and upon Completion, the Vendor will transfer to the Purchaser the interest of the Adjacent Property as a gift (the "Transfer") on the basis that the land use rights and property ownership certificates for the Adjacent Property have not yet been obtained as at the date of the announcement. The Vendor's interest in the Adjacent Property is vested under the terms and conditions of certain transfer agreements entered into by the Group and the relevant land owners. Pursuant to the Agreement, the Purchaser confirmed that they are aware of the current status including title of the Adjacent Property and the potential economic and legal risks on the Transfer. The Purchaser undertakes that they will neither terminate the Agreement nor claim against the Vendor for compensation arising from any defects on the title of the Adjacent Property.

- (v) At the discretion of the Vendor and subject to the applicable laws and regulations of the PRC, the Property might be transferred into a newly incorporated wholly owned subsidiary of the Vendor (the “New Co”). The Vendor will sell 100% shareholdings in the New Co to the Purchaser at the Consideration with the same terms and conditions, including, inter alia, the same payment schedule and conditions precedent as stated above. The Purchaser will reimburse the Vendor for any additional costs incurred directly attributable to this arrangement, except that 50% of the costs to be incurred in relation to the transfer of the land use rights of the Property to the New Co will be borne by the Vendor, subject to a maximum of HK\$3,000,000. Further announcement will be made by the Company in accordance with the Listing Rules if the Vendor decides to adopt such arrangement.

The arrangement under section headed “Major terms of the Agreement” point (ii) is to allow a greater flexibility for the Completion to be made earlier, if the Purchaser can satisfy the Vendor its financial ability, such as by providing the mortgage, finance and guarantee to the Vendor to fulfil its obligations under the Agreement. In respect of the defects on the title of the Adjacent Property, as advised by the PRC Legal Adviser, the failure of transfer of the Vendor’s interest in the Adjacent Property to the Purchaser will not constitute a breach of the Agreement by the Vendor and the Vendor will not have any legal obligations arising therefrom.

#### **THE PROPERTY AND THE ADJACENT PROPERTY**

As at 31 March 2007, approximately 214,000 sq.m. and 69,000 sq.m. respectively of the gross floor area of the Property and the Adjacent Property are used for investment purposes and for the Group’s manufacturing facilities. For the year ended 31 March 2006, the Property and the Adjacent Property which were rented to certain companies of the Group were classified as leasehold properties and carried at cost. During the year ended 31 March 2007, the Group has vacated some of the floor areas of the Property and the Adjacent Property when the Group’s certain production facilities were relocated to Qingyuan. Due to the change of use of these floor areas, i.e. previously used by companies of the Group, in accordance with the Hong Kong Accounting Standards, the relevant portions of the Property and the Adjacent Property were re-classified from leasehold properties to investment properties and carried at fair value which was determined on the basis of the valuation carried out by the Independent Valuer of the same date. Parts of the Buildings with net asset values of approximately HK\$172,000,000 as at 31 March 2007 are currently mortgaged for the Group’s banking facilities.

Set out below is the income generated from, profit before and after tax attributable to the Property and the Adjacent Property:

	<b>For the year ended 31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Total Income		
– Inter-companies	<b>22,168</b>	33,592
– Independent Third Parties	<b>45</b>	–
	<u><b>22,213</b></u>	<u>33,592</u>
Profit before tax attributable to the Property and the Adjacent Property	<u><b>49,508*</b></u>	<u>25,366</u>
Profit after tax attributable to the Property and the Adjacent Property	<u><b>38,345*</b></u>	<u>25,366</u>

\* Including a fair value gain of HK\$33,828,000

*Note:* The above figures are derived and based upon books and records which form parts of the audited consolidated financial statements of the Company.

As advised by the PRC Legal Adviser, the Group has proper title of ownership on the Property. As at the date of this announcement, no land use rights and property ownership certificates on the Adjacent Property have been obtained. Total income derived from the Property and the Adjacent Property for the year ended 31 March 2007 decreased by approximately 33.9% as compared to that of the previous year as the Group have been relocating certain production facilities from Dongguan to Qingyuan for operation efficiency. The Buildings and the buildings erected on the Adjacent Property with a total gross floor area of approximately 36,800 sq.m. are being leased to various Independent Third Parties with monthly rentals of approximately RMB297,000 (approximately HK\$329,670) for industrial purposes as at the date of this announcement.

## **REASONS AND BENEFIT OF THE DISPOSAL**

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in design, manufacture and sale of electronic products and property investment.

The Board intends to realise the Group's property investment and apply part of the sales proceeds to reduce the Group's bank borrowings. As stated in the Company's annual report for the year ended 31 March 2007 ("2007 Annual report"), the Group's audited total bank and other borrowings was approximately HK\$707,517,000 as at 31

March 2007 (31 March 2006: approximately HK\$701,942,000) of which approximately HK\$426,371,000 (31 March 2006: approximately HK\$384,076,000) was due within one year. The Group's total bank and other borrowings to total equity was approximately 65.5% as at 31 March 2007 (31 March 2006: approximately 65.4%). According to the Company's interim report for the six months ended 30 September 2007, bank and other borrowings was approximately HK\$774,997,000 of which approximately HK\$469,230,000 was due within one year.

Interest expenses on bank and other borrowings were approximately HK\$37,961,000 for the year ended 31 March 2007 (2006: approximately HK\$28,248,000). The increase in interest expenses was mainly due to higher average interest rate on the Group's bank borrowings which were denominated in RMB.

Upon Completion, part of net sales proceeds (after deducting expenses) from the Disposal will be applied to repay the Group's bank borrowings and to release the related mortgage on the Buildings. Accordingly, the Group's interest expenditure and debt burden are expected to be reduced. The Group's production facilities are currently located in Qingyuan and Dongguan, Guangdong Province, the PRC. According to the 2007 Annual Report and interim report of the Company for the six months ended 30 September 2007, the Group has been consolidating its manufacturing facilities by relocating most of its operations to Qingyuan for operating efficiency. Upon Completion, all production facilities in the Property and the Adjacent Property will be relocated to the Qingyuan Industrial Estate in Qingyuan, the PRC. Having considered the above mentioned reasons and benefits of the Disposal, the uncertainties as to the time and cost to be incurred to rectify the titles of the Adjacent Property and the uncertainties prevailing the property market in the PRC, the Directors are of the view that, despite the expected loss resulting from the Disposal, the terms of the Agreement, including the Consideration which is at a slight discount to the Market Value and the Transfer which is one of the major terms of the Agreement, are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

#### **USE OF PROCEEDS**

The gross sales proceeds from the Disposal will be approximately HK\$230,000,000. The Board intends to use part of the net sales proceeds from the Disposal to repay certain bank borrowings and to release the related mortgage on the Buildings and for general working capital of the Group. However, the Group has not yet determined the exact allocation of the net sale proceeds from the Disposal.

#### **POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL**

Based on the carrying value of the Property and the Adjacent Property as at 31 March 2007 of approximately HK\$343,159,000 after adjusting to the exchange rate as at 31 March 2008, where appropriate ("Adjusted Carrying Value"), the Disposal would realise a loss of approximately HK\$113,159,000 being the difference between the Consideration and the Adjusted Carrying Value. For reference only, the unaudited carrying value of the Property and Adjacent Property as at 30 September 2007 being the date of the latest published interim report of the Company, was approximately HK\$353,371,000.



The expected loss on the Disposal is mainly attributed to the drop in market value of the Property. Prices of properties in Dongguan have been declining since the beginning of the year 2008 due to the austerity plans on property market adopted by the PRC government.

As the consolidated results of the Group for the year ended 31 March 2008 have not yet been finalised, the Board is not in a position to quantify precisely the relevant financial effects at this stage. The Company expects to announce its audited consolidated results for the year ended 31 March 2008 on or before 22 July 2008.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **IMPLICATION OF THE LISTING RULES**

Since the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 75%, the Disposal constitutes a very substantial disposal for the Company under Listing Rules which is subject to Shareholders' approval requirements under Rule 14.49 of the Listing Rules.

### **GENERAL**

The SGM will be convened and held to consider and, if thought fit, pass the necessary resolution to approve the Disposal.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and no Shareholder is required to abstain from voting for the approval of the Disposal at the SGM.

A circular containing, among other things, further information on the Disposal and the notice of the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 July 2008 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 9 July 2008.



## DEFINITIONS

Unless the context otherwise require, the following expressions have the following meanings in this announcement:

“Adjacent Property”	comprising of the collective land of an area approximately 49,000 sq.m., adjacent to the Collective Land together with the buildings of an area approximately 80,000 sq.m. erected thereon
“Agreement”	the sale and purchase agreement dated 4 July 2008 entered into between the Vendor and the Purchaser in respect of the Disposal
“Board”	the board of Directors
“Buildings”	comprising of 28 blocks of buildings of approximately 198,297.14 sq.m. erected on the Collective Land and being used for manufacturing facilities, staff quarters and canteen
“Collective Land”	集體建設用地. Land area which is collectively owned by the peasants and used for the non-agricultural construction and comprising of various parcels of collective land of approximately 124,176.10 sq.m. situated at Longping Road, Guanjjington, Fenggang Town, Dongguan City, Guangdong Province, the PRC for industrial purpose
“Company”	Ngai Lik Industrial Holdings Limited, a company incorporated in the Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“Consideration”	HK\$230,000,000, being the consideration payable by the Purchaser to the Vendor for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Property pursuant to the Agreement
“Facilities”	comprising of the water and electrical appliance and fixtures and fire control facilities installed on the Collective Land and the Buildings

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s), or in case of companies, their ultimate beneficial owner(s), who are independent of and are not connected with the Company and its subsidiaries and its connected persons (as defined in the Listing Rules)
“Independent Valuer”	B.I. Appraisals Limited, an independent valuer not connected with the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong and Macau
“PRC Legal Adviser”	Hills & Co. being the PRC legal adviser of the Company
“Property”	comprising of Collective Land together with the Buildings and the Facilities erected thereon
“Purchaser”	陽江市源泰投資有限公司 (Yang Jiang Yuan Tai Investments Limited) <sup>#</sup> , a company incorporated in the PRC
“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, to approve the Disposal and the transactions contemplated thereunder
“Shares(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	東莞鳳崗毅力電子有限公司 (Dongguan Fenggang Ngai Lik Electronics Company Limited) <sup>#</sup> , a sino-foreign joint venture in the PRC established by the Group with an Independent Third Party

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“%”	percentage

**For the purpose of illustration only, conversion of RMB into Hong Kong dollars in this announcement is based on the exchange rate of RMB1.00 to HK\$1.11. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be exchanged at this or any other rate.**

By order of the Board  
**Lam Man Chan**  
*Chairman*

Hong Kong, 9 July 2008

*As at the date of this announcement, the executive Directors are Dr. Lam Man Chan, Ms. Ting Lai Ling, Ms. Ting Lai Wah, Mr. Yeung Cheuk Kwong and Mr. Lam Shing Ngai and the independent non-executive Directors are Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong.*

*# For identification purpose only*