
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult a 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 Circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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NGAI LIK INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION

Financial Adviser to Ngai Lik Industrial Holdings Limited



THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

Independent Financial Adviser to the Independent Board Committee



A letter from the Independent Board Committee is set out on page 10 of this Circular.

A letter from Access Capital Limited, being the independent financial adviser to the Independent Board Committee, containing its recommendation to the Independent Board Committee is set out on pages 11 to 20 of this Circular.

A notice convening a special general meeting of Ngai Lik Industrial Holdings Limited to be held at Flat 29-32, 8th Floor, Block B, Focal Industrial Centre, 21 Man Lok Street, Hung Hom, Kowloon, Hong Kong on 5th September, 2003 at 11:00 a.m. is set out on pages 26 to 27 of this Circular. Whether or not Shareholders are able to attend the meeting, Shareholders are advised to read the notice and complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch Share Registrar in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting or adjourned meeting should the Shareholders so wish.

15th August, 2003

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EXPECTED TIMETABLE

Year 2003

Latest time for lodging forms of proxy for the SGM	3rd September at 11:00 a.m.
SGM	5th September at 11:00 a.m.
Publication of the announcement of results of the SGM	8th September
Register of members closed	from 29th September to 30th September
Record Date	30th September
Payment Date for special dividend	3rd October

DEFINITIONS

In this Circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Access Capital”	Access Capital Limited, who has been appointed independent financial adviser to the Independent Board Committee in relation to the Disposal;
“Agreement”	the agreement dated 28th July, 2003 among Ngai Lik and City Harvest Limited in relation to the Disposal;
“associates”	has the meaning ascribed thereto by the Listing Rules;
“Board”	the board of Directors;
“Completion”	completion of the Disposal in accordance with the provisions of the Agreement;
“Director(s)”	any director of Ngai Lik from time to time;
“Disposal”	the proposed sale of the entire issued share capital of Hangerton and the related shareholder’s loan to City Harvest Limited pursuant to the Agreement;
“Goodchamp”	Goodchamp Holdings Limited, a company incorporated in the British Virgin Islands, which held 40.11% of the issued Ngai Lik Shares as at the date of the Agreement and currently holds about 35.06% of the issued Ngai Lik Shares as at the Latest Practicable Date. The 277,923,176 shares of Ngai Lik are held by and registered in the name of Goodchamp, which is 100% owned by Sinowin Inc. as trustee of The Sinowin Unit Trust. The Sinowin Unit Trust is a unit trust owned by Banque Paribas International Trustee Limited as trustee of a discretionary trust. The family members of Mr. Lam and Ms. Ting Lai Ling, both Directors, are the discretionary objects of the discretionary trust. Ms. Ting Lai Wah, a Director, is the sole shareholder of Sinowin Inc.;
“Grandlink”	Grandlink Holdings Limited, a company incorporated in the British Virgin Islands, which held 12.06% of the issued Ngai Lik Shares as at the date of the Agreement and currently holds about 5.13% of the issued Ngai Lik Shares as at the Latest Practicable Date. The 40,640,000 shares of Ngai Lik are held by and registered in the name of Grandlink, 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. The family members of Mr. Hui, a Director, are the discretionary objects of the discretionary trust;

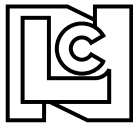
DEFINITIONS

“HK\$”	Hong Kong dollars;
“Hangerton”	Hangerton Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Ngai Lik;
“Hangerton Group”	Hangerton Group Limited and its subsidiaries;
“Hangerton Shares”	50,000 shares of US\$1.00 each in the share capital of Hangerton representing the entire issued share capital of Hangerton;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a committee of independent non-executive Directors, comprising of Lam Ping Cheung, Andrew and Ng Chi Yeung, Simon formed to advise Independent Shareholders in relation to the Disposal;
“Independent Shareholders”	Shareholders other than each of Goodchamp and Grandlink and their respective associates;
“Latest Practicable Date”	12th August, 2003;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30th September, 2003, or such later date as may be agreed by Ngai Lik and City Harvest Limited;
“Motorcycle Business”	the motorcycle business of Hangerton which is the sale of motorcycle parts;
“Mr. Hui”	Mr. Hui King Chun, an executive Director;
“Mr. Lam”	Mr. Lam Man Chan, an executive Director and the chairman of the Board;
“Ngai Lik”	Ngai Lik Industrial Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
“Ngai Lik Group”	Ngai Lik and its subsidiaries;
“Ngai Lik Shares”	ordinary shares of HK\$0.10 each in the ordinary share capital of Ngai Lik;
“Payment Date”	3rd October, 2003;
“Record Date”	30th September, 2003;

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of Ngai Lik to be convened for the purpose of approving, among other matters, the Disposal;
“Shareholder(s)”	holder(s) of the Ngai Lik Shares;
“Shareholder’s Loan”	a shareholder’s loan, unsecured and non-interest bearing, repayable on demand, amounting to about HK\$6,812,000 as at 28th July, 2003 owing by Litonor Limited, a wholly owned subsidiary of Hangerton, to Ngai Lik Capital Limited, a wholly owned subsidiary of Ngai Lik; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

LETTER FROM THE BOARD



NGAI LIK INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors

Lam Man Chan (*Chairman*)
Ting Lai Ling
Ting Lai Wah
Hui King Chun
Yeung Cheuk Kwong

Registered office

Clarendon House,
Church Street,
Hamilton HM11,
Bermuda

Independent Non-executive Directors

Lam Ping Cheung, Andrew
Ng Chi Yeung, Simon

*Head office and 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

15th August, 2003

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

INTRODUCTION

On 28th July, 2003, the Directors announced that on the same date, Ngai Lik had entered into the Agreement pursuant to which it agreed to sell the entire issued share capital of Hangerton and the related shareholder's loan to City Harvest Limited for a consideration of HK\$63,892,000 payable in cash.

The Disposal constitutes a connected transaction for Ngai Lik pursuant to the Listing Rules as City Harvest Limited is ultimately owned as to 50% by Goodchamp and 50% by Grandlink. Goodchamp is a controlling shareholder of Ngai Lik having a shareholding interest in about 40.11% of the Ngai Lik Shares in issue as at the date of the Agreement and 35.06% of the Ngai Lik Shares in issue as at the Latest Practicable Date. Grandlink was a substantial shareholder of Ngai Lik as at the date of the Agreement, having a shareholding interest in about 12.06% of the Ngai Lik Shares in issue as at the date of the Agreement and 5.13% of the Ngai Lik Shares in issue as at the Latest Practicable Date. Accordingly, the Disposal is subject to approval by the Independent Shareholders.

The Independent Board Committee (comprising of Mr. Lam Ping Cheung, Andrew and Mr. Ng Chi Yeung, Simon) has been established to consider and advise the Independent Shareholders in respect of the Disposal. Access Capital has been appointed as independent financial adviser to advise the Independent Board Committee in respect of the Disposal.

LETTER FROM THE BOARD

The purposes of this Circular is to provide you with information in relation to the Disposal, a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Disposal, a letter of advice from Access Capital containing its advice to the Independent Board Committee in respect of the Disposal and the notice of the SGM.

SALE AND PURCHASE AGREEMENT DATED 28TH JULY, 2003

1. Parties

Ngai Lik and City Harvest Limited.

City Harvest Limited is ultimately owned as to 50% by Goodchamp and 50% by Grandlink. Goodchamp is a controlling shareholder of Ngai Lik having a shareholding interest in about 40.11% of the Ngai Lik Shares in issue as at the date of the Agreement and 35.06% of the Ngai Lik Shares in issue as at the Latest Practicable Date. Grandlink was a substantial shareholder of Ngai Lik as at the date of the Agreement, having a shareholding interest in about 12.06% of the Ngai Lik Shares in issue as at the date of the Agreement and 5.13% of the Ngai Lik Shares in issue as at the Latest Practicable Date.

2. The Hangerton Shares and the related shareholder's loan

Under the Agreement, Ngai Lik agreed to sell subject to the fulfilment of the conditions set out under the section headed "Conditions" below, to City Harvest Limited:

- (i) the Hangerton Shares; and
- (ii) the Shareholder's Loan.

3. Consideration for the Disposal

The sale price is HK\$63,892,000 in total, payable in cash. It was arrived at after arms' length negotiations between the parties to the Agreement, by reference to various factors including the audited consolidated net asset value of the Hangerton Group as at 31st March, 2003, the audited consolidated results of the Hangerton Group for the year ended 31st March, 2003, the unaudited consolidated net assets value of the Hangerton Group as at 30th June, 2003, the unaudited consolidated results of Hangerton Group for the three months ended 30th June, 2003, the amount of the Shareholder's Loan, the prospects of the Motorcycle Business and the merits of the Disposal as described in the section headed "Reasons for and the benefits of the Disposal" below.

The consideration for the Disposal will be payable in cash on the date of Completion.

The sale price under the Disposal is equivalent to the unaudited consolidated net asset value of the Hangerton Group of about HK\$57,080,000 as at 30th June, 2003, plus the amount of Shareholder's Loan to be assigned of about HK\$6,812,000.

LETTER FROM THE BOARD

The Directors are of the view that the Disposal is on normal commercial terms and both fair and reasonable to the Shareholders.

4. Conditions

The Agreement is conditional upon the following:

- (i) the passing at a SGM by Independent Shareholders of the resolution approving the Agreement; and
- (ii) the obtaining of financing on terms satisfactory to City Harvest Limited for the purchase of the Hangerton Shares and the Shareholder's Loan within 7 days from the date of the Agreement.

As at the Latest Practicable Date, condition (ii) had been fulfilled. If condition (i) is not fulfilled on or before 5:00 p.m. on the Long Stop Date, the Agreement will lapse and the Disposal will not proceed. Neither Ngai Lik or City Harvest Limited may have any claim against the other under the Agreement if it lapses for such reason.

5. Expected date of completion

The expected date of Completion is on the date falling the fifth business day after the date the conditions are satisfied. As it is intended that the SGM will take place on 5th September, 2003, it is expected that Completion will take place on 15th September, 2003.

6. Special dividend

The Directors intend to utilise the Disposal proceeds for the payment of a special dividend, payable to Shareholders whose name appear on the register of members of the Company on the Record Date. Based on the sale proceeds of HK\$63,892,000 and the number of total issued Ngai Lik Shares as at the date of the Latest Practicable Date, the special dividend will amount to about HK\$0.08 per share. The Company proposes to make payment of the special dividend on the Payment Date.

REASONS FOR AND THE BENEFITS OF THE DISPOSAL

Ngai Lik is an investment holding company. Through its subsidiaries, it principally engages in the design, manufacture and sales of electronic products, including home audio and digital products, and sales of motorcycle parts. Ngai Lik established its Motorcycle Business by acquiring the then entire issued share capital of Hangerton in October 1996 from independent third parties and Mr. Lam who was one of the then shareholders of Hangerton. Hangerton is an investment holding company incorporated in the British Virgin Islands on 15th February, 1996, through which Ngai Lik holds 100% interest in its Motorcycle Business. While the Motorcycle Business has reported considerable growth in earnings for the three financial years ended 31st March, 1999, intense competition in the People's Republic of China ("PRC") motorcycle market in recent years has resulted in a significant reduction in its sales of motorcycle parts and in its contribution to Ngai Lik's overall profits in the last three financial years.

LETTER FROM THE BOARD

The audited consolidated turnover, net profit/(loss) before and after taxation of the Hangerton Group, for the three years ended 31st March, 2003 and the unaudited consolidated turnover, net loss before and after taxation of the Hangerton Group for the three months ended 30th June, 2003 were as follows:

	(unaudited) three months ended 30.6.2003 <i>HK\$'000</i>	(audited) year ended 31.3.2003 <i>HK\$'000</i> <i>(Note)</i>	(audited) year ended 31.3.2002 <i>HK\$'000</i> <i>(Note)</i>	(audited) year ended 31.3.2001 <i>HK\$'000</i> <i>(Note)</i>
Turnover:	27,604	208,558 (6.8%)	208,836 (7.3%)	300,087 (10.2%)
Net profit/(loss) before taxation:	(8,358)	(265) (N/A)	10,859 (4.7%)	27,508 (13.7%)
Net profit/(loss) after taxation:	(8,358)	(265) (N/A)	12,359 (5.6%)	27,443 (14.4%)

(Note: % in brackets represents turnover or profit contributions of the Hangerton Group to the Ngai Lik Group during the relevant period.)

The audited consolidated net asset value of the Hangerton Group as at 31st March, 2002, 31st March, 2003 and the unaudited consolidated net asset value of the Hangerton Group as at 30th June, 2003 was HK\$99,701,000, HK\$65,438,000 and HK\$57,080,000 respectively.

The difference in amount of about HK\$8.4 million of net asset value of the Hangerton Group as at 31st March, 2003 and 30th June, 2003 was due to loss incurred during the period. This loss was due to a combination of poor business environment and the general condition of the PRC motorcycle market during the period.

Based on the above stated factors and in particular given the growth and performance of Ngai Lik's core business in comparison to the declining performance and prospects for its non-core Motorcycle Business, the Directors concluded that the Motorcycle Business no longer fits with the long-term strategic direction of Ngai Lik.

The Directors believe that the PRC motorcycle market will continue to consolidate in the near future and Ngai Lik's Motorcycle Business will continue to operate under considerable pressure, as competition is expected to remain intense. As such, the Directors (including the independent non-executive Directors) believe that the Motorcycle Business will continue to require financial support from Ngai Lik. As at 28th July, 2003, there was an outstanding on demand, unsecured and non-interest bearing loan of HK\$6,812,000 advanced to Litonor Limited, a wholly owned subsidiary of Hangerton, by Ngai Lik Capital Limited, a wholly owned subsidiary of Ngai Lik, which will be assigned to City Harvest Limited as part of the Disposal.

LETTER FROM THE BOARD

The Directors expect the Ngai Lik Group's financial position will be enhanced following the Disposal which upon Completion would act to:

- (i) immediately insulate the Ngai Lik Group from and prevent future losses attributable to the Motorcycle Business;
- (ii) discontinue any cash outflow support necessary to maintain the non-profit generating Motorcycle Business; and
- (iii) allow Ngai Lik to retain or re-deploy its existing financial resources for the development of its core Electronics Manufacturing Services business.

There will not be significant effect on the net asset value and the consolidated income statement of the Ngai Lik Group as a result of the Disposal.

REQUIREMENTS OF THE LISTING RULES

7. Shareholders' approval

The Disposal constitutes a connected transaction for Ngai Lik pursuant to the Listing Rules as City Harvest Limited is ultimately owned as to 50% by Goodchamp and 50% by Grandlink. Goodchamp is a controlling shareholder of Ngai Lik having a shareholding interest in about 40.11% of the Ngai Lik Shares in issue as at the date of the Agreement and 35.06% of the Ngai Lik Shares in issue as at the Latest Practicable Date. Grandlink was a substantial shareholder of Ngai Lik as at the date of the Agreement, having a shareholding interest in about 12.06% of the Ngai Lik Shares in issue as at the date of the Agreement and 5.13% of the Ngai Lik Shares in issue as at the Latest Practicable Date. Accordingly, the Disposal is subject to approval by the Independent Shareholders.

SPECIAL GENERAL MEETING

The SGM will be held at 11:00 a.m. on 5th September, 2003 at Flat 29-32, 8th Floor, Block B, Focal Industrial Centre, 21 Man Lok Street, Hunghom, Kowloon, Hong Kong for the purpose of considering and if thought fit, approving the Disposal. Only Independent Shareholders will be entitled to vote on the resolution relating to the Disposal at the SGM.

Notice of the SGM is set out on pages 26 to 27 of this Circular.

The form of proxy for use at the SGM is enclosed with this Circular. Whether or not you intend to attend the meeting, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company's branch Share Registrar in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of a form of proxy will not preclude Shareholders from attending and Independent Shareholders from voting in person at the SGM or any adjournment should the Shareholders so wish.

LETTER FROM THE BOARD

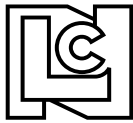
RECOMMENDATION

The Board believes that the resolution to be proposed at the SGM is in the best interests of Ngai Lik and its Shareholders as a whole and recommends all Independent Shareholders to vote in favour of the resolution set out in the notice of the SGM.

Your attention is drawn to the text of a letter from the Independent Board Committee set out on page 10 of this Circular and the text of a letter from Access Capital containing its advice and the principal factors it has taken into account in arriving at its advice as regards the Disposal set out on pages 11 to 20 of this Circular.

Yours faithfully,
For and on behalf of the Board
Lam Man Chan
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



NGAI LIK INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

15th August, 2003

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as the Independent Board Committee to advise you in connection with the Disposal, details of which are set out in the Letter from the Board contained in the Circular to Shareholders dated 15th August, 2003 (the "Circular"), of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

Access Capital has been appointed as the independent financial adviser to the Independent Board Committee in relation to the Disposal.

Having considered the advice of Access Capital in relation thereto as set out on pages 11 to 20 of the Circular, we consider the terms of the Disposal to be fair and reasonable so far as the interests of Ngai Lik and its Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Disposal.

Yours faithfully,

Independent Board Committee

Lam Ping Cheung, Andrew Ng Chi Yeung, Simon

Independent non-executive Director

LETTER FROM ACCESS CAPITAL

The following is the full text of the letter from Access Capital setting out their advice to the Independent Board Committee in relation to the connected transaction.



3rd Floor
No. 8 Queen's Road Central
Hong Kong

15th August, 2003

*To: The Independent Board Committee of
Ngai Lik Industrial Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF HANGERTON GROUP LIMITED

I. INTRODUCTION

We refer to our appointment to advise the independent board committee of Ngai Lik regarding the disposal to City Harvest Limited (“City Harvest”) of the entire issued share capital of Hangerton Group Limited (“Hangerton”), which holds Ngai Lik’s motorcycle parts trading business (“Motorcycle Division”), and the assignment of the related shareholder’s loan owed by Litonor Limited, a wholly-owned subsidiary of Hangerton, for a total consideration of HK\$63,892,000 (the “Disposal”). Details of the Disposal are contained in the “Letter from the Board” set out on pages 4 to 9 of the circular to the Shareholders dated 15th August, 2003 (the “Circular”), of which this letter also forms a part. Terms and meanings used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise states.

City Harvest is ultimately owned as to 50% by Goodchamp and 50% by Grandlink. Goodchamp is a controlling shareholder of Ngai Lik having a shareholding interest in about 40.11% of the Ngai Lik Shares in issue as at the date of the Agreement and 35.06% of the Ngai Lik Shares in issue as at the Latest Practicable Date. Grandlink was a substantial shareholder of Ngai Lik as at the date of the Agreement, having a shareholding interest in about 12.06% of the Ngai Lik Shares in issue as at the date of the Agreement and 5.13% of the Ngai Lik Shares in issue as at the Latest Practicable Date. Accordingly, the Disposal constitutes a connected transaction for Ngai Lik under Rule 14.26(1) of the Listing Rules. Pursuant to the requirements as prescribed under Chapter 14 of the Listing Rules, the Disposal is subject to approval by the Independent Shareholders at the Special General Meeting.

LETTER FROM ACCESS CAPITAL

Messrs. Lam Ping Cheung, Andrew and Ng Chi Yeung, Simon, the independent non-executive Directors, have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders on the Disposal. We have been appointed by Ngai Lik to advise the Independent Board Committee as to whether the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and to give our opinion in relation to the Disposal for their consideration in making their recommendation to the Independent Shareholders.

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by Ngai Lik and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by Ngai Lik and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from Ngai Lik and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by Ngai Lik and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of Ngai Lik or any of its subsidiaries.

II. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Financial performance of the Motorcycle Division

In October 1996, Ngai Lik entered into the motorcycle parts trading business by acquiring the 100% interests in Hangerton for a consideration of approximately NT\$418 million (a sum at the time equivalent to approximately HK\$117.7 million) with a profit guarantee for each of the two calendar years 1996 and 1997, and sought to capitalise on the growing demand for motorcycles and concurrently motorcycle parts in the People's Republic of China (the "PRC"). The Motorcycle Division met the profit guarantee targets for both calendar years 1996 and 1997. However, the dynamics of the motorcycle business in the PRC, since its accession to the World Trade Organisation ("WTO") in 2001 and the subsequent increase in foreign and domestic competition, as well as the changes that have taken place in government policy on the future development of the automotive industry, have negatively affected the Motorcycle Division in terms of performance and future prospects.

In 1997, within the first year following the completion of the acquisition of Hangerton by Ngai Lik, the Motorcycle Division recorded a turnover of approximately HK\$495 million and

LETTER FROM ACCESS CAPITAL

succeeded in achieving a net profit of approximately HK\$30.8 million, of which approximately HK\$291 million and HK\$10 million were accounted for as the Ngai Lik Group's post acquisition turnover and net profit respectively. From 1998 to 2000, turnover of the Motorcycle Division remained stable at around HK\$450 million per annum, until 2001 when turnover fell by around 33% to approximately HK\$300 million. In 2002, turnover of the Motorcycle Division fell again by some 30% on a year-on-year basis to around HK\$208 million, and in 2003 turnover remained at around HK\$208 million.

The following table summarizes the performance of the Motorcycle Division and its contribution to the Ngai Lik Group's turnover and net profit since it was acquired by Ngai Lik:

<i>31-Mar</i>	2003	2002	2001	2000	1999	1998	1997
<i>(HK\$'000)</i>							<i>(Note 1)</i>
Turnover							
Motorcycle Division	208,558	208,836	300,087	452,453	459,975	459,084	290,944
% of Ngai Lik Group's turnover	6.8%	7.3%	10.2%	16.6%	19.9%	22.2%	17.6%
Ngai Lik Group's turnover	3,074,197	2,847,547	2,947,967	2,724,880	2,316,412	2,067,624	1,657,798
Net profit/(loss)							
Motorcycle Division	(265)	12,359	27,443	46,828	54,236	46,023	10,130
	<i>(Note 2)</i>						
% of Ngai Lik Group's net profit	N.A.	5.6%	14.4%	30.5%	37.4%	42.6%	13.8%
	<i>(Note 2)</i>						
Ngai Lik Group's net profit	230,018	220,188	190,289	153,380	145,131	108,111	73,402

Notes: 1. The amounts of turnover and net profit of the Motorcycle Division in 1997 represented post acquisition turnover and net profit respectively attributable to the Ngai Lik Group following the acquisition of the entire share capital of Hangerton in October 1996 by Ngai Lik.

2. Excluding a non-operating loss on disposal of subsidiaries amounting to approximately HK\$5.3 million, there was a net profit of approximately HK\$5 million in 2003 which accounted for 2.2% of the Ngai Lik Group's net profit.

Ngai Lik attributed the continued decrease in turnover to the rapidly changing market dynamics, of which the key drivers are namely, (i) a shrinking domestic market for motorcycles overall due to the shift in consumer preference in favor of automobiles, (ii) the preference for imported foreign brand-name motorcycles over local brands, (iii) new urban government restrictions including those on issuing new motorcycle licenses (including a 10% consumption tax), and (iv) an overall increased competition and consolidation in the motorcycle sector of the automotive industry in the PRC by large-scale domestic manufacturers in order to combat foreign competition associated with the PRC's accession to WTO. According to the policy announced by the then State Planning Commission in 1994, one of the stated objectives is to promote the formation of a few large and powerful automotive manufacturers by 2010. In view of the abovementioned factors, the Directors are of the view that small to medium scale domestic motorcycle manufacturers (which are target customers of the Motorcycle Division) are facing a very challenging future in order to maintain a foothold in the automotive industry in the PRC and we concur with the view of the Directors.

LETTER FROM ACCESS CAPITAL

Despite the Motorcycle Division's attempts to adapt to changing market conditions by expanding from engine parts trading to trading of complete motorcycle assembly sets and implementing just-in-time inventory and tighten credit control measures since 2000, as of 2002 the anticipated growth in turnover failed to materialize. As a result of the rapid market changes since 2000 and the continued decline in turnover of the Motorcycle Division, the Directors announced in the Ngai Lik Group's financial results for the year ended 31st March, 2003 that the Motorcycle Division would continue to be scaled down going forward.

2. Other factors considered for the Disposal

The Directors believe that the continued decline in the Motorcycle Division's turnover and the investment required to effectively compete in its principal market, the PRC, has led investors to question the validity for Ngai Lik maintaining this declining non-core business. As shown in the Electronics Manufacturing Services ("EMS") peer group comparison below, despite Ngai Lik's strong earnings overall and robust return on equity ("ROE") and return on invested capital ("ROIC") performance, the Ngai Lik Shares are trading at a discount to its peers on a price/earnings ("P/E") basis:

Name	Market capitalisation		Earnings			Price/Book value		Dividend yield			
	as at the Latest Practicable Date	Revenue	per share	Cash	Net debt	P/E	Book value	Book value	ROE	ROIC	yield
	(HK\$'M)	(HK\$'M)	(HK\$)	(HK\$'M)	(HK\$'M)	(Note 2)	(Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 2)
Ngai Lik	2,081	3,074	0.29	293.4	(76.0)	9.1	2.0	1.3	21.6	25.8	7.2
TCL Intl. Hldg. Ltd.	5,114	11,394	0.25	1,093.2	690.7	7.7	1.4	1.4	17.6	14.4	3.0
The Grande Hldg. Ltd.	3,602	6,646	0.94	305.0	1,014.0	9.6	1.7	5.2	18.3	20.7	2.8
Skyworth Digital Hldg. Ltd.	2,246	8,002	0.10	713.8	(747.1)	10.3	1.0	1.1	9.6	15.0	6.4
Gold Peak Incl. Ltd.	1,077	1,809	0.13	163.5	1,662.1	15.1	1.1	1.9	7.3	5.9	4.3
Alco Hldg. Ltd.	1,496	4,315	0.28	407.5	(283.8)	10.5	1.5	2.0	14.8	29.3	7.7
Starlight Intl. Hldg. Ltd.	611	1,379	0.02	55.9	23.4	9.9	1.1	0.2	12.0	19.2	7.0
Fujikon Ind. Hldg. Ltd.	533	486	0.09	102.0	(27.8)	15.8	1.7	0.8	10.9	19.8	4.3
Mean	11.3	1.4	1.8	12.9	17.8	5.1					
Median	10.3	1.4	1.4	12.0	19.2	4.3					

Notes: 1. These figures are based on the latest published audited financial statements of each of the abovementioned companies.

2. These figures are based on the price per share of the respective companies mentioned above on the Latest Practicable Date.

LETTER FROM ACCESS CAPITAL

The Directors noted that certain independent stock market research reports have indicated that Ngai Lik enjoys a consistent track record overall and solid business dynamics in the EMS space, and with a dividend yield of around 7.2%, the P/E multiple of the Ngai Lik Shares still falls behind its peers. The Directors also noted from certain of these reports that the main reason for Ngai Lik to fall behind its peers was due to a negative market perception that the management of the Ngai Lik Group are perceived to be unfocused by allocating time and resources to the unrewarding Motorcycle Division. These reports also hinted that Ngai Lik could mitigate the negative perception through the disposal of the Motorcycle Division and that such disposal may act as a possible catalyst for a re-rating of the Ngai Lik Shares as a pure EMS sector play.

During the year ended 31st March, 2002, the Hangerton Group invested in a new facility in Dongguan, the PRC, to accommodate production capacity for the PRC's motorcycle assembly customer designated for the motorcycle parts sold by the Motorcycle Division. This also allowed the Motorcycle Division to enhance its inventory control, and to provide sufficient space for quality control and inspection. As mentioned in the annual report of the Ngai Lik Group for the year ended 31st March, 2003, the Directors have reviewed the usage of the facility occupied by the Motorcycle Division. Due to the unsatisfactory performance of the Motorcycle Division, the Directors have decided that about two third of the total usable floor area of the facility would either be reclassified or reallocated as investment properties or production facilities for the core EMS Division.

Set out in the table below are the return on assets employed ("ROA") figures from each of the Motorcycle Division and the EMS Division, which have been calculated with regard to their respective segment results and segment assets employed. These figures are based on the annual reports and the audited figures of the Ngai Lik Group for the last three financial years ended 31st March, 2003.

<i>(HK\$'000)</i>	For the year ended 31st March		
	2003	2002	2001
<i>Motorcycle Division</i>			
Segment results	(46)	11,269	29,040
Segment assets employed	96,039	227,437	103,312
ROA	N/A	5.0%	28.1%
<i>EMS Division</i>			
Segment results	244,798	238,032	201,108
Segment assets employed	1,382,863	1,245,178	1,083,691
ROA	17.7%	19.1%	18.6%

LETTER FROM ACCESS CAPITAL

We note from the above table that the ROA for the EMS Division over the past three financial years are relatively stable. Although certain assets have been reallocated to the EMS Division during the financial year ended 31st March, 2003, the ROA for that year has not changed much. On the other hand, we note that the ROA for the Motorcycle Division has decreased substantially in the financial year ended 31st March, 2002 despite a significant increase in assets employed by this division (due to the completion and commencement of operation of the new facility in Dongguan, the PRC). Given the background to and reasons for the reduction in profitability of the Motorcycle Division as mentioned above, the Directors are of the view that even if the Ngai Lik Group decided to re-deploy a significant amount of assets into the Motorcycle Division, the ROA of the Motorcycle Division might not return to a level as high as in the past or exceed the ROA of the core EMS Division. This is due to the changing marketing environment and consumer behaviour, and the unfavourable government policy towards small-medium automotive manufacturers.

Over the past two financial years ended 31st March, 2003, the Directors have taken a disciplined approach to strengthening the Ngai Lik Group's overall capital structure. Such measures include (i) reducing and maintaining outstanding debts to around HK\$200 million, (ii) implementing just-in-time inventory management, (iii) maintaining a strong cash-flow position, and (iv) maintaining a record high shareholders funds at approximately HK\$936 million in 2002 and approximately HK\$1.1 billion in 2003.

During the first quarter of the financial year ended 31st March, 2003, the EMS Division enjoyed significant sales growth with home audio products, the key driver for Ngai Lik's EMS revenue. Ngai Lik focused on meeting the increasing global demand for digital products including DVD players. Ngai Lik has implemented its plan to build a new industrial estate in Qingyuan, the PRC with a site area of around 600,000 square meters. Ngai Lik has consistently aimed to achieve a high degree of vertical integration over the years (including in-house power generation and component production) for its key EMS manufacturing processes, resulting in cost control and savings, greater production efficiencies and solid earnings.

Based on the above stated factors and, in particular, given the growth and performance of Ngai Lik's core business in comparison to the declining performance and prospects for its non-core Motorcycle Division, the Directors concluded that the Motorcycle Division no longer fits with the long-term strategic direction of Ngai Lik. As mentioned in Ngai Lik's 2003 annual report, the Ngai Lik Group will continue to strictly control further capital expenditure for the Motorcycle Division and will actively review available strategic options relating to this division.

Ngai Lik announced on 27th July, 1999 its intention to seek a separate listing of the Motorcycle Division on the Stock Exchange. However, due to the heavy reliance on certain customers of the business of the then Motorcycle Division, Ngai Lik resolved to abort this listing plan in the same year (as announced on 3rd December, 1999). Since then, as mentioned in section "1. Financial performance of the Motorcycle Division" above, the turnover and profits of the Motorcycle Division have continued to decline on a year-on-year basis due to a difficult market environment. In addition, the changing market environment and consumer behaviour, and the unfavourable government policy towards small-medium automotive manufacturers in the PRC have caused additional uncertainties to the future prospects of the Motorcycle Division. In view of the aforesaid factors, the Directors believe that seeking a separate listing of the Motorcycle Division would not be feasible in the foreseeable future.

LETTER FROM ACCESS CAPITAL

3. Consideration of the Disposal

(a) *Basis of consideration*

Pursuant to the Agreement, the consideration payable by City Harvest to Ngai Lik for the purchase of the entire issued share capital of Hangerton and the assignment of the related shareholders loan amounts to HK\$63,892,000.

As stated in the “Letter from the Board” of the Circular, the consideration payable for the Disposal has been arrived at after arm’s length negotiations between the parties to the Agreement with reference to, amongst other things, the operating results and financial position and the future prospect of the Hangerton Group. The consideration is equivalent to the unaudited consolidated net asset value of the Hangerton Group of about HK\$57,080,000 as at 30th June, 2003, plus the amount of shareholder’s loan to be assigned of approximately HK\$6,812,000.

The financial performance of the Motorcycle Division has continued to deteriorate recently. For the year ended 31st March, 2003, the Hangerton Group has incurred an audited consolidated net loss of approximately HK\$265,000. According to the unaudited management account of the Hangerton Group for the three months ended 30th June, 2003, its net loss has been further extended to approximately HK\$8.4 million as a result of the poor business environment and general PRC motorcycle industry conditions prevailing during the period. Given the continued poor financial performance of the Hangerton Group and the uncertain future prospect of the Motorcycle Division as described in the section headed “1. Financial performance of the Motorcycle Division” above, the Directors believe that it may be difficult to attract any potential buyers for the Motorcycle Division if the price is not sufficiently attractive. In addition, the Directors are of the view that it would be reasonable to expect any serious buyers for the motorcycle division to impose the discount factor into the purchase price due to the possibility of a further loss after acquisition.

(b) *Recent transaction relating to the motorcycle business*

We have identified Cheung Tai Hong Holdings Limited (“CTH”) and CP Pokphand Company Limited (“CP Pokphand”) as two Hong Kong listed companies that are engaged in the motorcycle business. However, as the motorcycle business only constitutes a small proportion of the respective consolidated turnover of CTH and CP Pokphand, we are of the view that these companies do not represent meaningful market comparables to Hangerton.

However, we note that on 16th April, 2003 CP Pokphand announced a proposal relating to the privatization of EK Chor China Motorcycle Co. Ltd (“EK Chor”), a company principally engaged in the motorcycle business in the PRC, which is listed on the New York Stock Exchange. According to the circular issued by CP Pokphand dated 27th May, 2003 (“CP Pokphand Circular”), the proposed offer price for each EK Chor share represents a discount of approximately 35.6% to the audited net tangible asset value of EK Chor as at 31st December, 2002 (“NAV Discount”). CP Pokphand currently owns approximately 68.2% of the issued share capital of EK Chor, and the privatization offer is a buy out offer for the minority shareholders of EK Chor.

LETTER FROM ACCESS CAPITAL

Shareholders should also note the following major difference between EK Chor and Hangerton:

- (i) EK Chor is engaged in a wider spectrum of activities comprised of the manufacture and sale of motorcycles and motorcycle parts in the PRC, while the Hangerton Group is principally engaged in the trading of motorcycle parts;
- (ii) EK Chor reported a net profit of US\$6.4 million for the year ended 31st December, 2002 as stated in the CK Pokphand Circular, while the Hangerton Group has made a net loss of HK\$8.4 million for the three months ended 30th June, 2003; and
- (iii) the scale of EK Chor's business (in terms of unit sales, turnover and net asset value) is significantly larger than the business of Hangerton.

Based on this transaction precedent and the overall business outlook for the Hangerton Group, we consider that it is unlikely any serious buyer for the Motorcycle Division would purchase the motorcycle business at a premium over the net asset value of the Hangerton Group.

(c) *Possible financial impact to the Ngai Lik Group as a result of retention of the Motorcycle Division*

As mentioned in section "1. Financial performance of the Motorcycle Division" above, the Directors believe that the future prospects of the Motorcycle Division will continue to be negatively affected by the increasing foreign and domestic competition, as well as the changes that have taken place in government policy towards the automotive industry of the PRC. Hence, the Directors are of the view that the Motorcycle Division will face a very challenging future and any chance to turn around the Hangerton Group in the near future will largely depend on government policy. In this regard, if the Ngai Lik Group does not carry out any strategic action relating to the Motorcycle Division, losses incurred going forward will continue to be consolidated into the financial results of the Ngai Lik Group and would possibly reduce the overall profitability of the Ngai Lik Group. Alternatively, the Directors consider that the Disposal will provide the Ngai Lik Group with an opportunity to further strengthen its financial position and, as mentioned above, provide a possible catalyst for a re-rating of Ngai Lik by the market. The Directors expect the Ngai Lik Group's financial position to be enhanced following the Disposal which upon completion would act to:

- (i) immediately insulate the Ngai Lik Group from possible future losses attributable to the Motorcycle Division;
- (ii) discontinue any cash outflow support necessary to maintain the non-profit generating Motorcycle Division; and
- (iii) allow Ngai Lik to retain or re-deploy its existing financial resources for the development of the core EMS business.

LETTER FROM ACCESS CAPITAL

After taking into consideration (i) the poor financial performance and the losses sustained by the Hangerton Group in the recent periods, (ii) the uncertain business outlook for the Hangerton Group and for the motorcycle industry in the PRC overall, and (iii) the net asset value discount applied to in the EK Chor privatisation offer, we concur with the view of the Directors that any serious buyer for Hangerton would not purchase the motorcycle business at a premium over the underlying net asset value of the Hangerton Group.

In addition, we would like to highlight that the Disposal would allow the Ngai Lik Group to exit its motorcycle related business quickly and insulate the Ngai Lik Group from any possible future losses incurred by the motorcycle business. Base on these factors, we consider that the consideration to be received under the Disposal is fair and reasonable.

4. Use of proceeds

The consideration for the Disposal will be satisfied in cash. The Directors intend to utilize the proceeds from the Disposal to fund the payment of a special dividend to the Shareholders who appear to register on the register of members of Ngai Lik on 30th September, 2003. Based on the sale proceeds of HK\$63,892,000 and the number of total issued shares as at the Latest Practicable Date, the special dividend will amount to approximately HK\$0.08 per Share.

Given the Ngai Lik Group has no imminent funding requirement to utilize the sale proceeds and the amount of interest income to be generated (if such amount of proceeds is placed as a deposit at an interest rate of around 1% per annum) is relatively insignificant, the Directors consider that it is appropriate and in the interests of Ngai Lik and its Shareholders as a whole to distribute the entire sale proceeds in the form of a special dividend to the Shareholders appear on the register of members on 30th September, 2003. In view of the aforesaid reasons, we concur with the view of the Directors.

5. Possible financial effect as a result of the Disposal

As mentioned in this letter, the turnover and profitability of the Motorcycle Division has been decreasing in recent years. Given that the contribution of the Motorcycle Division to the Ngai Lik Group's turnover and results has diminished, together with the uncertainties and the prospect of the business of the Motorcycle Division, deconsolidation of the turnover and results of this division resulting from the Disposal will not have a material impact on the overall results of the Ngai Lik Group. Shareholders should also note that though the consideration of the Disposal is based on the net asset value of the division as at 30th June, 2003 and the balance of the Shareholder's Loan as at 28th July, 2003, the Ngai Lik Group will continue to bear any losses incurred by the Motorcycle Division from 1st July, 2003 to the date of completion of the Disposal ("Completion Date"), which is expected to take place on 15th September, 2003. However, based on the unaudited losses incurred by the Motorcycle Division for the three months ended 30th June, 2003 of approximately HK\$8.4 million, the Directors do not anticipate that the financial impact of the Motorcycle Division on the overall result of the Ngai Lik Group between 1st July, 2003 and the Completion Date to be material. Accordingly, there will not be significant impact on the net asset value and the consolidated income statement of the Ngai Lik Group subsequent to the Disposal.

LETTER FROM ACCESS CAPITAL

III. RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, have taken into account the following points when arriving at our opinion:

- (i) the poor financial performance and the losses sustained by the Hangerton Group in the recent periods;
- (ii) the uncertain business outlook for the Hangerton Group and for the motorcycle industry in the PRC overall;
- (iii) the reasons for and benefits of the Disposal and, in particular, the possible re-rating of the Ngai Lik Shares as a pure EMS sector play, the unlikely event that the Motorcycle Division would be listed on the Stock Exchange in the foreseeable future, and the Disposal provides an immediate solution to insulate the Ngai Lik Group from possible future losses and funding requirements attributable to the Motorcycle Division;
- (iv) the basis of the consideration for the Disposal;
- (v) the intended use of proceeds; and
- (vi) that there will be no significant financial impact to the Ngai Lik Group following the completion of the Disposal.

Having considered the above, we believe the terms of the Disposal to be fair and reasonable so far as the Independent Shareholders are concerned and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,
For and on behalf of
Access Capital Limited
Ambrose W. H. Lam
Chairman

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Ngai Lik 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.

2. DISCLOSURE OF INTERESTS

Directors

(i) *Interests in securities*

As the Latest Practicable Date, the Directors and the chief executives of the Company have the following 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:

Name of Director	Capacity/ Nature of interest	Number of Ngai Lik Shares held		
		Long position	Short position	Percentage of holding
Lam Man Chan (<i>Note 1</i>)	family interest	277,923,176	–	35.06%
Ting Lai Ling (<i>Note 1</i>)	family interest	277,923,176	–	35.06%
Ting Lai Wah (<i>Note 1</i>)	corporate interest	277,923,176	–	35.06%
Hui King Chun (<i>Note 2</i>)	family interest	40,640,000	–	5.13%
Yeung Cheuk Kwong (<i>Note 3</i>)	personal interest	5,000,000	–	–

Note 1: Goodchamp Holdings Limited, a company incorporated in the British Virgin Islands, which held 40.11% of the issued Ngai Lik Shares as at the date of the Agreement and currently holds about 35.06% of the issued Ngai Lik Shares as at the Latest Practicable Date. The 277,923,176 shares of Ngai Lik are held by and registered in the name of Goodchamp, which is 100% owned by Sinowin Inc. as trustee of The Sinowin Unit Trust. The Sinowin Unit Trust is a unit trust owned by Banque Paribas International Trustee Limited as trustee of a discretionary trust. The family members of Mr. Lam and Ms. Ting Lai Ling, both Directors, are the discretionary objects of the discretionary trust. Ms. Ting Lai Wah, a Director, is the sole shareholder of Sinowin Inc.

Note 2: Grandlink Holdings Limited, a company incorporated in the British Virgin Islands, which held 12.06% of the issued Ngai Lik Shares as at the date of the Agreement and currently holds about 5.13% of the issued Ngai Lik Shares as at the Latest Practicable Date. The 40,640,000 shares of Ngai Lik are held by and registered in the name of Grandlink, 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. The family members of Mr. Hui, are the discretionary objects of the discretionary trust;

Note 3: This interest relates to options granted on 10th July, 2003 by the Company to Mr. Yeung Cheuk Kwong. The options are exercisable at a subscription price of HK\$2.475 for each Ngai Lik Share during the period from 2nd August, 2003 to 28th February, 2008.

Save as disclosed in this Circular, 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.

(ii) Interests in services contracts

None of the Directors (including the non-executive Directors) has entered into any service agreements with any member of the Ngai Lik Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(iii) Interests in contracts

During the year ended 31st March, 2003, the Ngai Lik Group paid rental expense paid to (i) Man Fat Enterprise Company Limited and (ii) Geming Company Limited. This represents rental expense arising from the leasing of warehouse, car park and office space from Man Fat Enterprise Company Limited and Geming Company Limited, companies in which Mr. Lam and Ms. Ting Lai Ling, both are Directors, have beneficial interests.

Save as disclosed in this Circular, none of the Directors was materially interested in any contracts or arrangements which were subsisting at the Latest Practicable Date and were significant in relation to the business of the Ngai Lik Group.

(iv) Interests in assets

As at the Latest Practicable Date and save as disclosed in the Circular, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, any member of the Ngai Lik Group or which were proposed to be acquired or disposed of by or leased to any member of the Ngai Lik Group since 31st March, 2003, the date to which the latest published audited financial statements were made up.

Substantial Shareholders

As far as is known to the Directors, as at the Latest Practicable Date, the following persons, not being a Director or chief executives of the Company, have 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 Divisions 2 and 3 of Part XV of the SFO or are 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 member of the Ngai Lik Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital:

Name of Shareholder	Name of Company	Capacity/ Nature of interest	Number of Ngai Lik Shares held		Percentage of holding
			Long position	Short position	
Goodchamp Holdings Limited (<i>Note 1</i>)	Company	Beneficial interest	277,923,176	–	35.06%
Banque Paribas International Trustee Limited (<i>Note 1</i>)	Company	Beneficial interest	277,923,176	–	35.06%
Sinowin Inc. (<i>Note 1</i>)	Company	Beneficial interest	277,923,176	–	35.06%

Note 1: Goodchamp Holdings Limited, a company incorporated in the British Virgin Islands, which held 40.11% of the issued Ngai Lik Shares as at the date of the Agreement and currently holds about 35.06% of the issued Ngai Lik Shares as at the Latest Practicable Date. The 277,923,176 shares of Ngai Lik are held by and registered in the name of Goodchamp, which is 100% owned by Sinowin Inc. as trustee of The Sinowin Unit Trust. The Sinowin Unit Trust is a unit trust owned by Banque Paribas International Trustee Limited as trustee of a discretionary trust. The family members of Mr. Lam and Ms. Ting Lai Ling, both Directors, are the discretionary objects of the discretionary trust. Ms. Ting Lai Wah, a Director, is the sole shareholder of Sinowin Inc.

Save as disclosed in this Circular, the Directors are not aware of any person as at the Latest Practicable Date was interested, directly or indirectly, 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 member of the Ngai Lik Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital.

3. MATERIAL CHANGE

The Directors confirm that there has been no material adverse change in the financial and trading position of the Ngai Lik Group since 31st March, 2003 (being the date to which the latest audited combined financial statements of the Ngai Lik Group were made up).

4. LITIGATION

Neither the Ngai Lik Group nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Ngai Lik Group or any of its subsidiaries.

5. CONSENT

Access Capital, a deemed licence corporation under the SFO and engaged in Types 1, 4, 6 and 9 Regulated Activities, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter dated 15th August, 2003 and of references to its names in the form and context included.

6. MISCELLANEOUS

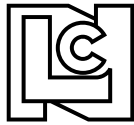
- (a) As at the Latest Practicable Date, Access Capital did not have any shareholding in any member of the Ngai Lik Group or the rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Ngai Lik Group.
- (b) As at the Latest Practicable Date, Access Capital did not have any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, any member of the Ngai Lik Group or which were proposed to be acquired or disposed of by or leased to any member of the Ngai Lik Group since 31st March, 2003, the date to which the latest published audited financial statements of the Ngai Lik Group were made up.
- (c) The registered office of Ngai Lik is at Clarendon House, Church Street, Hamilton HM11, Bermuda.
- (d) The principal place of business of Ngai Lik is at Flat 29-32, 8th Floor, Block B, Focal Industrial Centre, 21 Man Lok Street, Hunghom, Kowloon, Hong Kong.
- (e) Ngai Lik's branch share registrar in Hong Kong is Tengis Limited situated at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, Hong Kong.
- (f) The Company Secretary of Ngai Lik is Mr. Yeung Cheuk Kwong, who is a fellow member of the Chartered Association of Certified Accountants.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of Ngai Lik in Hong Kong at Flat 29-32, 8th Floor, Block B, Focal Industrial Centre, 21 Man Lok Street, Hunghom, Kowloon, Hong Kong during normal business hours up to and including the date of the SGM:

- (a) the Agreement;
- (b) the letter from the Independent Board Committee; and
- (c) the letter from Access Capital, the text of which is set out on pages 11 to 20 of this Circular.

NOTICE OF SPECIAL GENERAL MEETING



NGAI LIK INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a Special General Meeting of Ngai Lik Industrial Holdings Limited (the “Company”) will be held at Flat 29-32, 8th Floor, Block B, Focal Industrial Centre, 21 Man Lok Street, Hunghom, Kowloon, Hong Kong on 5th September, 2003 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION

“**THAT** the sale and purchase agreement (the “Agreement”) dated 28th July, 2003 between the Company as vendor and City Harvest Limited as purchaser relating to the sale and purchase of the entire issued share capital of Hangerton Group Limited (“Hangerton”) and related shareholder’s loan owing by Litonor Limited, a wholly owned subsidiary of Hangerton to Ngai Lik Capital Limited, a wholly-owned subsidiary of the Company (a copy of which has been produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification), be and is hereby approved and the directors of the Company be and are hereby authorised to execute such documents and take such actions on behalf of the Company as they may consider necessary and desirable to complete and give effect to the transactions contemplated by the Agreement.”

By order of the Board
Lam Man Chan
Chairman

Hong Kong, 15th August, 2003

*Head office and 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

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) A form of proxy for use at the SGM is enclosed herewith.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
- (3) In the case of joint holders of a share if more than one of such joint holder be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (4) The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch Share Registrar in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member.