NGAI LIK INDUSTRIAL HOLDINGS LIMITED
毅力工業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 332)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2007

RESULTS

The Board of Directors (the "Board") of Ngai Lik Industrial Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2007, together with the comparative figures, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Turnover	2	**3,654,926**	2,843,345
Cost of sales and direct expenses		**(3,491,324)**	(2,690,346)
Gross profit		**163,602**	152,999
Other operating income, net		**3,654**	5,261
Selling and distribution expenses		**(36,967)**	(33,151)
Administrative expenses		**(121,859)**	(107,793)
Other income		**6,370**	5,871
Impairment loss of intangible assets		**–**	(7,359)
Increase in fair value of investment properties		**57,519**	33,142
Finance costs		**(37,190)**	(26,907)
Share of results of associates		**574**	2,179
Profit before taxation	3	**35,703**	24,242
Taxation	4	**(22,621)**	(11,104)
Profit for the year		**13,082**	13,138
Attributable to:			
Equity holders of the Company		**13,082**	13,138
Minority interests		**–**	–
		13,082	13,138
Dividends	5		
– Interim, paid		**7,930**	11,895
– Final, paid for 2005		**–**	7,930
Earnings per share – Basic	6	**HK1.6 cents**	HK1.7 cents

CONSOLIDATED BALANCE SHEET

	As at 31 March 2007 HK$'000	2006 HK$'000 (Restated)
Non-current assets		
Investment properties	**467,000**	186,358
Property, plant and equipment	**886,653**	1,060,487
Land use rights – non-current portion	**68,458**	65,323
Interests in associates	**1,641**	20,107
Intangible assets	**33,742**	27,667
Deposits for acquisition of property, plant and equipment and land use rights	**14,774**	3,782
Long-term bank deposit	**–**	22,207
Available-for-sale financial assets	**–**	16,922
	1,472,268	1,402,853
Current assets		
Land use rights – current portion	**1,578**	1,450
Inventories	**442,642**	445,467
Trade and other receivables and prepayments	**198,117**	166,436
Taxation recoverable	**47,494**	48,927
Bank balances and cash	**166,825**	198,550
	856,656	860,830
Current liabilities		
Trade and other payables	**385,896**	363,647
Taxation payable	**75,395**	75,989
Bank and other borrowings – due within one year	**426,371**	384,076
Obligations under finance leases – due within one year	**2,583**	31
	890,245	823,743
Net current (liabilities) assets	**(33,589)**	37,087
Total assets less current liabilities	**1,438,679**	1,439,940
Non-current liabilities		
Bank and other borrowings – due after one year	**281,146**	317,866
Obligations under finance leases – due after one year	**4,130**	–
Deferred taxation	**72,524**	48,110
	357,800	365,976
Net assets	**1,080,879**	1,073,964

CONSOLIDATED BALANCE SHEET *(Continued)*

	As at 31 March	
	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Capital and reserves		
Share capital	**79,302**	79,302
Reserves	**997,557**	990,642
Equity attributable to equity holders of the Company	**1,076,859**	1,069,944
Minority interests	**4,020**	4,020
Total equity	**1,080,879**	1,073,964

NOTES:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Shares Transactions[6]
HK(IFRIC)-Int 12	Service Concession Arrangements[7]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2008

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions – electronics manufacturing services business ("EMS business") and property investment.

These divisions are the basis on which the Group reports its primary segment information.

The EMS business is engaged in design, manufacture and sale of electronic and electrical products while property investment is engaged in property rental and provision of management services.

Segment information about these businesses is presented below:

Year 2007

(i) Consolidated income statement

	EMS business	Property investment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**3,643,161**	**11,765**	**–**	**3,654,926**
Result				
Segment result	**3,213**	**61,193**		**64,406**
Interest income				**5,071**
Other rental income				**1,299**
Finance costs				**(37,190)**
Share of results of associates				**574**
Unallocated income				**1,543**
Profit before taxation				**35,703**
Taxation				**(22,621)**
Profit for the year				**13,082**

(ii) Consolidated balance sheet

	EMS business	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Segment assets	**1,633,939**	**479,038**	**2,112,977**
Interests in associates			**1,641**
Unallocated assets			**214,306**
			2,328,924
Liabilities			
Segment liabilities	**367,872**	**24,737**	**392,609**
Unallocated liabilities			**855,436**
			1,248,045

(iii) Other information

	EMS business	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure	**124,855**	**6,677**	**131,532**
Depreciation and amortisation	**99,678**	**–**	**99,678**
Loss on disposal of property, plant and equipment	**686**	**–**	**686**
Increase in fair value of investment properties	**–**	**57,519**	**57,519**

Year 2006

(i) Consolidated income statement

	EMS business	Property investment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Restated)*
Turnover	2,836,171	8,598	(1,424)	2,843,345
Result				
Segment result	3,609	36,699		40,308
Interest income				4,729
Other rental income				1,142
Finance costs				(26,907)
Share of results of associates				2,179
Unallocated income				2,791
Profit before taxation				24,242
Taxation				(11,104)
Profit for the year				13,138

(ii) Consolidated balance sheet

	EMS business	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Segment assets	1,785,288	188,604	1,973,892
Interests in associates			20,107
Unallocated assets			269,684
			2,263,683
Liabilities			
Segment liabilities	361,948	1,730	363,678
Unallocated liabilities			826,041
			1,189,719

(iii) Other information

	EMS business	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure	147,849	34	147,883
Depreciation and amortisation	103,568	–	103,568
Impairment loss of intangible assets	7,359	–	7,359
Increase in fair value of investment properties	–	33,142	33,142

(b) Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods manufactured or services rendered:

	Turnover	
	2007	2006
	HK$'000	*HK$'000*
		(Restated)
America	**2,869,928**	2,012,109
Europe	**461,226**	529,586
Asia	**185,076**	173,537
Others	**138,696**	128,113
	3,654,926	2,843,345

All the Group's assets and capital expenditure incurred during the year are located in the Greater China, which is considered as one geographical location in an economic environment with similar risks and return. Consequently, no geographical segment asset analysis is presented.

3. PROFIT BEFORE TAXATION

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	**18,678**	19,639
Impairment loss of intangible assets	**–**	7,359
Amortisation of land use rights	**1,452**	1,467
Depreciation of property, plant and equipment	**79,548**	82,462
Loss (gain) on disposal of property, plant and equipment	**686**	(57)
Gain on disposal of land use rights	**–**	(2,044)
Interest income	**(5,071)**	(4,729)
(Gain) loss on disposal of available-for-sale financial assets	**(2,741)**	166

4. TAXATION

	2007	2006
	HK$'000	*HK$'000*
The charge comprises:		
Current taxation		
Hong Kong		
– Provided for the year	**–**	–
– (Under) overprovision in prior years	**(932)**	394
	(932)	394
Deferred taxation charge	**(21,689)**	(11,498)
Taxation charge for the year	**(22,621)**	(11,104)

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. DIVIDENDS

Dividends recognised as distribution during the year.

	2007	2006
	HK$'000	*HK$'000*
Interim dividend paid: HK1.0 cent (2006: HK1.5 cents) per share	**7,930**	11,895
Final dividend paid for 2005: HK1.0 cents per share	**–**	7,930
	7,930	19,825

No final dividend for the year ended 31 March 2007 has been proposed by the Directors of the Company.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company and earnings for the purposes of basic earnings per share	**13,082**	13,138

	Number of ordinary shares	
	2007	2006
Number of ordinary shares for the purposes of basic earnings per share	**793,016,684**	793,016,684

No diluted earnings per share has been presented as the exercise price of the Company's options was higher than the average market price of the Company's shares for 2007 and 2006.

DIVIDENDS

The Board does not recommend the payment of a final dividend for year ended 31 March 2007 (2006: nil).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Register of Members will be closed from 17 September 2007 to 21 September 2007, both days inclusive, to ascertain the shareholders' rights for the purpose of attending and voting at the forthcoming Annual General Meeting which will be held on 21 September 2007 at 3:00 p.m., during which period, no transfer of shares will be effected.

BUSINESS REVIEW

For the financial year ("FY") ended 31 March 2007, the Group's turnover was HK$3,655 million, an increase of 29% as compared to last year. Net profit amounted to HK$13 million, representing no change of HK$13 million last year.

EMS Division

During the year under review, the Group's EMS Division recorded sales of HK$3,643 million. A number of factors affected the revenue amount and its composition:

– The Group's efforts in changing the product mix in the past few years has begun to pay off.

– Strong market demand for digital products, which included mainly portable DVD players and digital photo frames, contributed about 25% of the Group's total sales for the year.

– Contribution from the mobile division, which was set up in Dongguan during the year, amounted to sales of HK$158 million.

– Replacement of home audio products with higher value-added digital products helped decrease sales of this category to 50% of total sales, as compared to 80% last year.

During the year, the United States remained the EMS Division's largest market and the percentage of American sales to total sales increased from 71% to 79% as compared to last year. This increase was mainly due to fulfillment of certain event sales order for Wal-mart.

The gross margin decreased from 5.4% of prior year to 4.5% because of the following adverse factors: –

– negligible profit contribution to the Group from sales of conventional portable CD players and standalone DVD players because of intense price competition; and

– Significant increase in raw material and labour costs as well as in royalties and license fees.

The operating profit of the EMS division for the year was about HK$11 million (2006: HK$12 million). The decrease in operating profit was mainly attributable to the initial operating loss incurred by the mobile division.

As at 31 March 2007, the Group had in operation 24 production lines in Dongguan and 25 production lines in Qingyuan. However, the Group has continued to consolidate its manufacturing facilities to gain operating efficiency. The aim is to establish Qingyuan Industrial Estate as the Group's major manufacturing arm in China. During the year, most of the component manufacturing facilities were relocated to Qingyuan and the Dongguan assembly operations are expected to migrate to Qingyuan in an orderly fashion. The capital expenditure on property, plant and equipment for the year totaled about HK$100 million, mainly HK$25 million invested in moulds and HK$28 million in plant and machinery.

Properties Division

The Group's Properties Division comprises investment properties in land and factory buildings in Fenggang, Dongguan, which help to earn recurring income and/or realise potential capital appreciation.

The fair value gain on investment properties was HK$58 million (FY2006: HK$33 million) and the relevant deferred tax for these fair value gains charged under "Tax" on the consolidated income statement was HK$19 million (FY2006: HK$11 million). During the year, the Group has paid about HK$22 million to obtain the proper land use rights for investment properties.

The investment properties were created from a change of use of certain plants in Dongguan to rental purpose, a result of the Group's effort to consolidate its operation to Qingyuan. As of 31 March, 2007, the total gross floor area (GFA) of the investment properties was about 350,000 square meters.

The Group believes these investment properties in Fenggang can provide stable income and possess re-development potential. Fenggang, known as "the Backyard of Shenzhen", is located at the southern tip of Dongguan. It is adjacent to Longgang, a fast developing district of Shenzhen. Hence, Fenggang has become a key traffic hub connecting Shenzhen and Dongguan.

Fenggang is primarily a base for processing industries, currently with more than 1,000 different enterprises and manufacturers engaging in more than 20 industries. Local residents' purchasing power are expected to continue to increase in line with Fenggang's rapid economic growth. Shenzhen's, and in particular, Longgang's strong growth in real estate development since 2005 are having a knock-on effect on Fenggang's real estate market, and which could have a beneficial impact on the development value of the Group's investment properties.

PROSPECTS

EMS Division

The sales mix should continue to change significantly in FY2008, reflecting the company's drive to upgrade its product mix. The conventional home audio business is expected to significant decrease to about 30% of the total sales because of the strategic decision to reduce the portable CD players business. The sales of panel display products, while as a key driver for sales growth, will be subjected to supply availability of TFT panels to meet its sales targets. The market supply for TFT panels has tightened considerably since April 2007 because of the strong market demand for related panel display products. The Group will endeavor to secure sufficient allocations from its suppliers to meet sales demand. The Group expects the total sales of EMS Division for the coming year will decrease by about 20% to 25%, as compared to last year.

With the drastic reduction in home audio business, the Group plans to aggressively launch new products for replacement and carry out cost reduction measures to reduce overhead. The Group has developed a new range of digital products which include digital boomboxes, global position system (GPS) devices (both in-car and portable), high definition (HD) radios. New models of panel display products including digital photo frames and portable televisions will also be launched to the market.

On the effort to reduce cost, the situation remains challenging. Raw material prices remain at high levels and operating costs in China continue to rise as a consequence of the appreciation of the Renminbi ("RMB") currency and upward pressure on wages and employee benefits.

The Group is in the process of restructuring of its operational activities in Dongguan and Qingyuan. The Group aims to become leaner and more efficient, thus allowing the Group to establish an efficient and competitive manufacturing platform in China. The measures taken for change in product mix, cost control and the restructuring of manufacturing operations. Upon completion this year, will definitly benefit the Group.

The Group has managed the balance sheet in a prudent but proactively way. We have early repaid the syndicated loan in March 2007 and during the year the Group has obtained term loans from Hang Seng Bank Limited and Agricultural Bank of China. The Group is also reviewing the overall debt and equity structure and will consider different means of financing to rectify the net current liabilities as recorded at 31 March 2007. Subsequent to the balance sheet date, the Group has additionally obtained a standby term loan facility of about RMB180 million from Agricultural Bank of China, secured by the properties in Qingyuan Industrial Esate, to further strengthen its liquidity.

Properties Division

With the ratification of land titles for the various properties in Dongguan, the Group will pursue initiatives to enhance the value of these properties and will consider different ways to provide best returns to the Group and maximise their potential value. At present, the investment properties are or will be rented out to earn recurring income.

The difficult operating environment in recent years for the consumer electronic industry continues to persist and the Group is working vigorously to overcome the challenges ahead. The Group will also actively and consistently seek new investment opportunities, with an aim to enhance the value of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

During the year , the Group's turnover increased to HK$3,655 million, up by 29% as compared to last year. The increase was mainly attributable to the fulfillment of certain event sales order with Wal-mart.

During the year, sales of home audio products accounted for approximately 49% of the Group's turnover, a decrease of 38% over last year, and remained as its core business. Sales from digital and DVD players contributed to approximately 45% of the Group's turnover, an increase of 181% over last year.

Gross Margin

The Group continued to change its product mix and reduced the sales of CD audio products which used plastics, laminates and metals as the key raw materials. However, the electronics consumer products market remained intensely competitive and during the year, the gross profit margin decreased to 4.5% .

Expenses

The Group's administrative expenses increased by 13% as compared to the previous year and totaled to HK$122 million. The percentage of administrative expenses to total sales dropped to 3.3% (2006: 3.8%). The Group's selling and distribution expenses increased to approximately HK$37 million. The Group's finance costs increased substantially to HK$37 million as a result of significantly higher average interest rates and the increase in bank borrowings in RMB.

Property Investment

The Group has changed the use of certain plants in Dongguan to third party rentals following the consolidation of operations into Qingyuan Industrial Estate. Accordingly, the carrying value of investment properties increased from HK$186 million to HK$467 million. The increase in fair value of investment properties, which was credited to current year's income statement, amounted to HK$58 million. During the year, the transfers from property, plant and equipment and land use rights were HK$199 million and HK$23 million respectively.

Working Capital Management and Dividend Policy

As at 31 March 2007, the Group maintained bank balances and cash of approximately HK$167 million (2006: HK$199 million). The Group's average inventory turnover was about 44 days (2006: 56 days). The Group's average trade receivables turnover was maintained at 16 days (2006: 16 days).

Financing and Capital Structure

For the year ended 31 March 2007, the Group's total debts stood at approximately HK$714 million (2006: HK$702 million), of which HK$285 million (2006: HK$318 million) were not repayable within one year. The borrowings included outstanding balances of several term loan facilities from several banks, totaled HK$342 million. The Group also issued letters of credit to procure the supplies of critical components and certain raw materials. The increase in net debt was mainly due to new borrowings for the purposes of CAPEX and daily operation.

The Group's borrowings are primarily denominated in Hong Kong Dollars, US Dollars and RMB and the Group will hedge against currency exposure as well as interest rate expense, particularly for the borrowings in RMB, as appropriate.

Capital Expenditure on Property, Plant and Equipment

Total capital expenditure for the year was HK$100 million (2006: HK$125 million), out of which HK$19 million was spent on the construction of production plants, HK$28 million for the acquisition of plant and machinery and HK$25 million for moulds investment.

Disposal of an Associate and Available-for-sales Financial Assets

During the year, the Group disposed of 50% interest in Metro Capital Securities Limited to Dr. Lam at a consideration of HK$20 million, which was approximate to the carrying value of the Group. In addition, the investment in listed securities had been disposed during the year with a cash inflow of HK$16 million.

Liquidity and Financial Resources

The net current liabilities of the Group as at 31 March 2007 was approximately HK$34 million (2006: net current assets at HK$37 million) and the current ratio was 0.96 (2006: 1.05). The net current liabilities arose mainly resulting from the early repayment of syndicated loan of HK$152 million in March 2007. Shareholders' funds were maintained at approximately HK$1,077 million (2006: HK$1,070 million).

Pledge of Assets

As at 31 March 2007, certain of the Group's assets (including investment properties, property, plant and equipment and land use rights) with the carrying value of totalling HK$334 million were pledged to secure certain banking facilities granted to the Group.

Capital Commitments

As at 31 March 2007, the Group had capital commitments contracted but not provided for and authorised but not contracted for of HK$10 million and HK$1 million respectively

Treasury Policy

The majority of the Group's sales and purchases are denominated in Hong Kong Dollars or US Dollars. As Hong Kong Dollars and US Dollars are pegged, the Group had minimum exposure to foreign exchange fluctuation in this respect. The labour costs and other overheads incurred in China were denominated in RMB and during the year, the Group had entered into an one year structured forward contract for RMB in the amount of US$1 million with the Hongkong and Shanghai Banking Corporation Limited for hedging purposes. The Group will closely monitor the overall currency and interest rate exposures particularly for the bank borrowings in RMB which was about HK$169 million as at 31 March 2007. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

Employee Information

As at 31 March 2007, the Group had approximately 24,300 employees (2006: approximately 32,000). The remuneration packages are generally structured with reference to market conditions and the individual qualifications. Salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to the management, based on individual merits as well as the results from the respective companies for which the staff works. Benefit plans for its Hong Kong staff include a provident fund scheme and medical and life insurance. The Group also maintains a Share Option Scheme, under which options may be granted to employees to subscribe for shares in the Company. This Share Option Scheme is designed to give employees an incentive to perform.

CORPORATE GOVERNANECE

The Company has complied with the all the applicable code provisions set out in the Code on Corporate Governance Practices ("the Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Group's compliance with the provision of the Code together with reasons for any deviations will be set out in the corporate governance report to be contained in the Company's 2007 Annual Report, which will be dispatched to the Shareholders in late July 2007.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed with internal control and financial reporting matters including the review of the consolidated financial statements of the Group for the year ended 31 March 2007.

The Audit Committee comprises three independent non-executive directors, namely Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the "Code"). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Code throughout the year ended 31 March 2007.

DEALING IN COMPANY'S LISTED SECURITIES

During the year, there were no purchases, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement of results is available for viewing on the website of Hong Kong Exchange and clearings Limited at www.hkex.com.hk under "Latest Listed Company Information" and on the website of IR Asia Limited at www.irasia.com/listco/hk/ngailik/. The annual report of the Company contained all the information required by the Listing Rules will be published on the above websites in due course.

By order of the Board
Lam Man Chan
Chairman

Hong Kong, 16 July 2007

As at the date of this announcement, the executive directors of the Company 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 of the Company are Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong.