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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The Board of Directors ("the Directors") of Ngai Lik Industrial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 September	
		2007	2006 (Restated)
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**1,571,217**	1,867,464
Cost of sales		**(1,477,651)**	(1,765,630)
Gross profit		**93,566**	101,834
Other income		**2,464**	3,018
Selling and distribution expenses		**(13,478)**	(18,476)
Administrative expenses		**(53,185)**	(56,535)
Other operating income, net		**3,678**	1,380
Increase in fair value of investment properties		**13,754**	12,864
Profit from operations		**46,799**	44,085
Finance costs		**(21,910)**	(17,864)
Share of results of associates		**–**	1,279
Profit before taxation	4	**24,889**	27,500
Taxation	5	**(2,883)**	(5,645)
Profit for the period		**22,006**	21,855
Attributable to:			
Equity holders of the Company		**22,006**	21,855
Minority interests		**–**	–
		22,006	21,855
Dividend	6	**7,930**	7,930
Earnings per share *(HK cents)*	7		
– Basic		**2.78**	2.76
– Diluted		**2.77**	n/a

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 September 2007 (Unaudited) *HK$'000*	As at 31 March 2007 (Audited) *HK$'000*
Non-current assets		
Investment properties	**489,000**	467,000
Property, plant and equipment	**883,296**	886,653
Land use rights – non-current portion	**70,583**	68,458
Interests in an associate	**–**	1,641
Intangible assets	**36,923**	33,742
Deposits for acquisition of property, plant and equipment and land use rights	**16,316**	14,774
	1,496,118	1,472,268
Current assets		
Land use rights – current portion	**1,581**	1,578
Inventories	**524,335**	442,642
Trade and other receivables and prepayments	**382,164**	198,117
Taxation recoverable	**47,494**	47,494
Bank balances and cash	**148,418**	166,825
	1,103,992	856,656
Current liabilities		
Trade and other payables	**559,951**	385,896
Taxation payable	**75,395**	75,395
Bank and other borrowings – due within one year	**469,230**	426,371
Obligations under finance leases – due within one year	**3,923**	2,583
	1,108,499	890,245
Net current liabilities	**(4,507)**	(33,589)
Total assets less current liabilities	**1,491,611**	1,438,679
Non-current liabilities		
Bank and other borrowings – due after one year	**305,767**	281,146
Obligations under finance leases – due after one year	**5,969**	4,130
Deferred taxation	**75,407**	72,524
	387,143	357,800
Net assets	**1,104,468**	1,080,879
Capital and reserves		
Share capital	**79,302**	79,302
Reserves	**1,021,146**	997,557
Equity attributable to equity holders of the Company	**1,100,448**	1,076,859
Minority interests	**4,020**	4,020
Total equity	**1,104,468**	1,080,879

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair value, as appropriate. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2007.

The following new standards, amendments and interpretations which are relevant to the Group's operations are mandatory for the year ending 31 March 2008.

–	Amendment to HKAS 1	Capital Disclosures
–	HKFRS 7	Financial Instruments: Disclosures
–	HK(IFRIC)-Int 8	Scope of HKFRS 2
–	HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
–	HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
–	HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above standards, amendments and interpretations has no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

The Group has not applied the following new standards, amendments or interpretations that have been issued but are not yet effective for the current accounting period. 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 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 January 2008
[3] Effective for annual periods beginning on or after 1 July 2008

3. **Turnover and Segment information**

Turnover represents the amounts received and receivable for goods sold and services rendered.

(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 sales of electronic products while property investment is engaged in property rental and provision of management services.

Segment information about these businesses is presented below:

Six months ended 30 September 2007

	EMS business *HK$'000*	**Property investment** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
Turnover	**1,564,128**	**7,089**	**–**	**1,571,217**
Result				
Segment result	**24,444**	**17,314**		**41,758**
Interest income				**1,884**
Other rental income				**580**
Finance costs				**(21,910)**
Unallocated income				**2,577**
Profit before taxation				**24,889**
Taxation				**(2,883)**
Profit for the period				**22,006**

Six months ended 30 September 2006

	EMS business *HK$'000*	Property investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover	1,862,135	5,329	–	1,867,464
Result				
Segment result	27,854	15,795		43,649
Interest income				2,389
Other rental income				629
Finance costs				(17,864)
Share of results of associates				1,279
Unallocated expenses				(2,582)
Profit before taxation				27,500
Taxation				(5,645)
Profit for the period				21,855

(b) Geographical segments

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

	Turnover Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
		(Restated)
America	**1,154,328**	1,582,588
Europe	**268,465**	191,740
Asia	**68,774**	77,908
Others	**79,650**	15,228
	1,571,217	1,867,464

4. Profit before taxation

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**39,284**	40,667
Amortisation of land use rights	**790**	725
Amortisation of intangible assets	**10,232**	8,108
Loss on disposal of property, plant and equipment	**565**	1,074
Share of tax of associates (included in share of results of associates)	**–**	281
Loss on disposal of an associate	**359**	–
Interest income	**(1,884)**	(2,389)
Gain on disposal of available-for-sale financial assets	**(363)**	(1,945)

5. Taxation

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
The charge comprises:		
Current taxation		
Hong Kong		
– Underprovision in prior years	**–**	1,493
	–	1,493
Deferred taxation	**2,883**	4,152
Taxation charge for the period	**2,883**	5,645

Notes:

(a) Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the six months ended 30 September 2007.

(b) Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. Dividend

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
Interim, proposed, of HK1 cent (2006: HK1 cent) per share	**7,930**	7,930

7. **Earnings per share**

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

	Six months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
Net profit for the period attributable to equity holders of the Company and earnings for the purpose of basic and diluted earnings per share	**22,006**	21,855
Weighted average number of ordinary shares for the purpose of basic earnings per share	**793,016,684**	793,016,684
Effect of dilutive potential ordinary shares – Share option	**1,311,797**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**794,328,481**	793,016,684

DIVIDEND

The Directors have resolved to declare an interim dividend of HK1 cent (2006: interim dividend of HK1 cent) per share for the six months ended 30 September 2007. The dividend will be payable on or about 18 January 2008 to shareholders whose name are on the register of members on 16 January 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 January 2008 to 16 January 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 11 January 2008.

BUSINESS REVIEW

For the six months period ended 30 September 2007, the Group’s unaudited consolidated turnover was HK$1,571 million, representing a reduction of 16% as compared to the same period of last year. The unaudited consolidated profit attributable to equity holders amounted to HK$22 million, an increase of 0.7% as compared to the same period of last year.

EMS Division

Turnover of the EMS Division for the period under review amounted to HK$1,564 million, representing a drop of 16% against the corresponding period of the previous financial year. In line with the strategy to reduce low-profitability products, the conventional audio and visual products decreased from HK$1,355 million to HK$720 million, representing a decrease of 47% as compared with the previous corresponding period. It is also attributable to the decline in market demand for CD players and market saturation for stand-alone DVD players.

The Group's strategy is to upgrade its products mix and focus on high margin business. Sales of digital products, mainly including panel display products, digital photo frames and Global position systems ("GPS") products contributed about HK$844 million and accounted for about 54% of the group's total sales for the period. Despite of the strong market demand of panel display products, the sales of them have been subjected to tight supply of small size TFT-LCD panels (particularly 7 to 10 inches) in the electronics industry during the period under review. Prices of certain panels have surged since the peak season period.

During the period, the United States remained the EMS Division's largest market but the percentage of American sales to total sales decreased from 85% to 74% as compared to the same period of last year. European sales increased from HK$191 million to HK$268 million and accounted for 17% of total sales. The gross margin improved from 5.3% of prior period to 5.8% after the change in products mix notwithstanding the increase in raw material and labour costs and certain redundancy payments made to lay-off labourers in the PRC.

As at 30 September 2007, the Group had in operation 32 production lines in Dongguan and 41 production lines in Qingyuan. The Group has continued to consolidate its manufacturing facilities to gain operating efficiency, with an objective to maintain Qingyuan Industrial Estate as the Group's major manufacturing arm in China.

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.

For the period ended 30 September 2007, the fair value gain on investment properties was HK$14 million (2006: HK$13 million) and the relevant deferred taxation for these fair value gains charged under "Taxation" on the condensed consolidated income statement was HK$3 million (2006: HK$4 million). 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 September 30, 2007, the total gross floor area of the investment properties was about 350,000 square meters.

PROSPECTS

EMS Division

The continuing trend of product digitalization and convergence is reshaping the markets and multi-functionality is the key to development of consumer electronics products in 2008. The demand and supply of digital photo frames is expected to increase and the mainstream sizes are 7 and 9 inches. Car A/V systems have also followed the convergence trend, combining entertainment and information technologies. GPS devices enjoy significant growth as their prices have become more affordable. DVD players are also upgraded to blu-ray or HD DVD ready. The market players have to constantly re-position themselves in such fast-moving markets.

With the drastic reduction in home audio business, the Group will aggressively launch new products for replacement and carry out cost reduction measures to reduce overheads. The Group has developed a new range of digital products which include digital photo frames, portable televisions, LCD TVs and GPS devices (both in-car and portable). New models of GPS with three-dimensional maps with TFT of 5 and 7 inches will be launched to the market in the first quarter of 2008. The Group's strategy for product differentiation is to add more features including wider format support and broader interacting ability (including USB port and iPOD docking). The Group plans to commence commercial production of its LCD TV business in 2008 and will concentrate on 17 and 19 inches first. Panel supplies will be one of the critical success factors for the Group's product transition. The Group will endeavor to secure sufficient allocations from its suppliers to meet sales demand by contracting with certain panel suppliers on an annual basis for the year 2008. The Group is committed to its on-going policy of treating its key suppliers as strategic partners and will cautiously review the supply situation.

On the front to cost containment, the situation is challenging. Raw material prices stay 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. In particular, the new PRC Labour Contract law introduces numerous changes to the rights and obligations of employers and employees leading to tremendous impact on human resources management and workforce cost control in the PRC. This new law will come into effect on 1 January 2008.

The Group has vigorously restructured its operations in Dongguan and Qingyuan and has ceased certain component manufacturing operations which did not provide contribution to the Group. The Group will continue to streamline and downsize its manufacturing operations with an aim to maintain a lean and competitive production platform in China. The Group will further automate the manufacturing processes and increase the capacities for SMT and IC auto-insertions. It is expected that the prices of digital products (including digital photo frames and portable DVD players) will either stabilize or experience a moderate increase in the coming year, in view of the general increase in the raw materials and labour costs in China.

On the sales and marketing front, the Group has successfully expanded new revenue sources, thanks to the setting up of new mobile division which commenced operations in the second quarter of FY 2007. The division now produces a great variety of car audio and GPS products with a decent clientele base for after-sales market. However, the Group has experienced a significant drop in the performance of Wal-Mart's procurement agent and in turn has been significantly reducing its business with this procurement agent. The Group has accordingly taken steps to approach Wal-Mart directly with a view to reduce reliance on the intermediary and enhance the profit margin in the long run. The Group will also strive to diversify further its customer base.

For the period under review, the Group has improved the balance sheet moderately and has strengthened its liquidity by the drawdown of certain term loans from The Agricultural Bank of China in the PRC. The Group will closely monitor its overall financial situation and will consider different means of financing to further strengthen the financial position.

Properties Division

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 sub-prime mortgage financial crisis of 2007 affects the US economy and the risk of recession is apparently increasing. The operating environment for the consumer electronic industry will continue to be difficult and the Group will encounter challenges including the appreciation of RMB, possible increase in minimum wages and the tight supply of TFT-LCD panels. The Group has implemented measures, including the upgrade of product mix and consolidation of production operations, to maintain its long term competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

During the period, the Group's turnover decreased to HK$1,571 million, down by 16% as compared to the same period of last year. The decrease was mainly attributable to the reduction of low-profitability products (mainly including personal CD players and stand-alone DVD players).

During the period, sales of digital products accounted for approximately 54% of the Group's turnover, an increase of 66% over last year, and became the Group's core business. Sales from home audio and conventional DVD players contributed to approximately 46% of the Group's turnover, a decrease 47% over last year.

Gross Margin

The Group continued to upgrade its product mix and reduced the sales of CD audio products and stand-alone DVD players. The Group's gross margin improved to 6%.

Expenses

The Group's administrative expenses reduced by 6% as compared to the previous period and totaled to HK$53 million. The percentage of administrative expenses to total sales increased moderately to 3.4% (2006: 3%). The Group's selling and distribution expenses decreased to approximately HK$13 million. The Group's finance costs increased to HK$22 million as a result of significantly higher average interest rates and the increase in bank borrowings, particularly in RMB.

Property Investment

The increase in fair value of investment properties, which was credited to current period's income statement, amounted to HK$14 million.

Working Capital Management

As at 30 September 2007, the Group maintained bank balances and cash of approximately HK$148 million (31 March 2007: HK$167 million). The Group's average inventory turnover was about 56 days (31 March 2007: 44 days). The Group's average trade receivables turnover was about 31 days (31 March 2007: 16 days).

Dividend Policy

The Board has declared an interim dividend of HK1.0 cent per share. After careful consideration, the Group adhered to the existing dividend policy with a payout ratio of not more than 50% on net profits.

Financing and Capital Structure

For the period ended 30 September 2007, the Group's total debts stood at approximately HK$785 million (31 March 2007: HK$714 million), of which HK$312 million (31 March 2007: HK$285 million) were not repayable within one year. The borrowings included outstanding balances of certain term loan facilities from several banks, totaled HK$427 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 increase in bills discounted of about HK$30 million and in increase in bank loans of HK$77 million. The new borrowings were used to finance working capital, particularly for peak season shipments, and capital expenditure for the period. 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 period was HK$31 million (31 March 2007: HK$100 million), out of which HK$8 million was spent on the construction of production plants, HK$11 million for the acquisition of plant and machinery and HK$6 million for moulds investment.

Liquidity and Financial Resources

The net current liabilities of the Group as at 30 September 2007 was approximately HK$5 million (31 March 2007: HK$34 million) and the current ratio was about 1.00 (31 March 2007: 0.96). Shareholders' funds were maintained at approximately HK$1,100 million (31 March 2007: HK$1,077 million).

Pledge of Assets

As at 30 September 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$574 million were pledged to secure certain banking facilities granted to the Group.

Capital Commitments

As at 30 September 2007, the Group had capital commitments contracted but not provided for of HK$6 million.

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. The Group will closely monitor the overall currency and interest rate exposures particularly for the bank borrowings in RMB which was about HK$290 million as at 30 September 2007. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

Employee Information

As at 30 September 2007, the Group had approximately 20,400 employees (31 March 2007: approximately 24,300). 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 GOVERNANCE

The Company has complied with the all the applicable code provisions set out in the Code on Corporate Governance Practices ("the CG Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2007, together with the deviations from CG Code provision A2.1 in respect of the separate of roles of the Chairman and the chief executive officer and A4.2 in respect of the re-election of directors who are appointed to fill causal vacancy. The Group's compliance with the provision of the Code together with reasons for the deviations are set in the corporate governance report contained in the Company's 2007 Annual Report issued in 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 period ended 30 September 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 "Model 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 Model Code throughout the period ended 30 September 2007.

DEALING IN COMPANY'S LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim 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, 21 December 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.

* *For identification purpose only*