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

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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 2008, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 September	
		2008	2007
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**1,351,399**	1,571,217
Cost of sales		**(1,299,327)**	(1,477,651)
Gross profit		**52,072**	93,566
Other income		**842**	2,464
Selling and distribution expenses		**(12,894)**	(13,478)
Administrative expenses		**(61,272)**	(53,185)
Other operating (expenses) income, net		**(19,662)**	3,678
Impairment loss of intangible assets		**(16,413)**	–
(Decrease) increase in fair value of investment properties		**(424)**	13,754
(Loss) profit from operations		**(57,751)**	46,799
Finance costs		**(20,417)**	(21,910)
(Loss) profit before taxation	4	**(78,168)**	24,889
Taxation	5	**3,256**	(2,883)
(Loss) profit for the period		**(74,912)**	22,006
Attributable to :			
Equity holders of the Company		**(74,912)**	22,006
Minority interests		**–**	–
		(74,912)	22,006
Dividend	6	**–**	7,930
(Loss) earnings per share (HK cents)	7		
– Basic		**(9.45)**	2.78
– Diluted		**n/a**	2.77

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2008 (Unaudited) HK$'000	As at 31 March 2008 (Audited) HK$'000
Non-current assets			
Investment properties		**342,841**	391,181
Property, plant and equipment		**684,360**	846,393
Land use rights – non-current portion		**26,874**	70,132
Intangible assets		**21,645**	38,089
Deposits for acquisition of property, plant and equipment and land use rights		**10,054**	13,800
		1,085,774	1,359,595
Current assets			
Land use rights – current portion		**758**	1,653
Inventories		**420,323**	453,065
Trade and other receivables and prepayments	8	**429,905**	198,467
Taxation recoverable		**47,494**	47,494
Bank balances and cash		**156,513**	159,463
		1,054,993	860,142
Assets classified as held for sale	9	**230,000**	–
		1,284,993	860,142
Current liabilities			
Trade and other payables	10	**442,308**	307,869
Taxation payable		**76,997**	76,997
Bank and other borrowings – due within one year		**604,925**	534,710
Obligations under finance leases – due within one year		**4,033**	4,083
		1,128,263	923,659
Liabilities associated with assets classified as held for sale	9	**108,454**	–
		1,236,717	923,659
Net current assets (liabilities)		**48,276**	(63,517)
Total assets less current liabilities		**1,134,050**	1,296,078
Non-current liabilities			
Bank and other borrowings – due after one year		**211,882**	304,370
Obligations under finance leases – due after one year		**1,513**	3,668
Deferred taxation		**49,391**	50,059
		262,786	358,097
Net assets		**871,264**	937,981
Capital and reserves			
Share capital		**79,302**	79,302
Reserves		**787,942**	854,659
Equity attributable to equity holders of the Company		**867,244**	933,961
Minority interests		**4,020**	4,020
Total equity		**871,264**	937,981

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 to 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 (the "HKICPA").

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 fair values or revalued amounts, 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 2008, except as described below.

Assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condtion. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2008:-

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets

The adoption of the new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accountings periods. Accordingly, no prior period adjustment has been recognised.

Potential impact arising on the new accounting standards not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendments)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owner[3]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 and electrical 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 2008

	EMS business *HK$'000*	**Property investment** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
Turnover	**1,343,908**	**7,491**	**–**	**1,351,399**
Result				
Segment result	**(49,093)**	**5,118**		**(43,975)**
Interest income				**514**
Other rental income				**328**
Unallocated cost				**(14,618)**
Finance costs				**(20,417)**
Loss before taxation				**(78,168)**
Taxation				**3,256**
Loss for the period				**(74,912)**

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
Unallocated income				2,577
Finance costs				(21,910)
Profit before taxation				24,889
Taxation				(2,883)
Profit for the period				22,006

(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:

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
America	**731,100**	1,154,328
Europe	**360,863**	268,465
Asia	**102,715**	68,774
Others	**156,721**	79,650
	1,351,399	1,571,217

4. (Loss) profit before taxation

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**33,042**	39,284
Amortisation of land use rights	**757**	790
Amortisation of intangible assets	**11,482**	10,232
Loss on disposal of property, plant and equipment	**11,202**	565
Loss on disposal of an associate	**–**	359
Interest income	**(514)**	(1,884)
Gain on disposal of available-for-sale financial assets	**–**	(363)
Impairment on trade and other receivables	**9,448**	–
Exchange loss (gain)	**10,405**	(2,933)

5. Taxation

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
The credit (charge) comprises:		
Deferred taxation credit (charge)		
Current year	**396**	(2,883)
Attributable to change in tax rate	**2,860**	–
Taxation credit (charge) for the period	**3,256**	(2,883)

Notes:

(a) Hong Kong Profits Tax has not been provided as there is no estimated assessable profit for the six months ended 30 September 2008 (2007: Nil).

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

6. Dividend

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Interim, proposed, Nil (2007: HK1 cent per share)	**–**	7,930

7. (Loss) earnings per share

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

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Net (loss) profit for the period attributable to equity holders of the Company and (loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(74,912)**	22,006
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**793,016,684**	793,016,684
Effect of dilutive potential ordinary share – Share option	**n/a**	1,311,797
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**n/a**	794,328,481

The computation of diluted loss per share for 2008 does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share. No diluted loss per share has been presented for 2008 as the exercise price of Company's options was higher than the average market price of the Company's share.

8. Trade and other receivables and prepayments

	As at 30 September 2008	As at 31 March 2008
	HK$'000	*HK$'000*
Trade receivables	**395,025**	173,037
Other receivables and prepayments	**34,880**	25,430
	429,905	198,467

Customers are generally granted credit terms of letter of credit at sight or open accounts from 7 days to 30 days. Longer credit periods are granted to several customers which have long business relationship with the Group and strong financial position.

The following is an aged analysis of trade receivables at the balance sheet date:

	As at 30 September 2008 *HK$'000*	As at 31 March 2008 *HK$'000*
Current – 30 days	**377,691**	162,366
31 - 60 days	**6,895**	8,909
61 - 90 days	**8,002**	679
Over 90 days	**2,437**	1,083
	395,025	173,037

The fair value of the Group's trade and other receivables at 30 September 2008 approximates their carrying amounts.

9. Assets classified as held for sale

On 4 July 2008, a subsidiary of the Company entered into a sale and purchase agreement (the "Agreement") to dispose of one of the Group's factory premises located in Dongguan, the PRC (the "Disposal"). During the period, the premises are used for investment purposes and for the Group's manufacturing facilities. Pursuant to the Agreement, upon fulfillment of certain terms and conditions, the Disposal will be completed in June 2009. Details of the transactions are set out in the Circular dated 13 August 2008.

The major classes of assets and liabilities classified as held for sale are as follows :

	As at 30 September 2008 *HK$'000*	As at 31 March 2008 *HK$'000*
Assets		
Investment properties	**172,500**	–
Property, plant and equipment	**57,500**	–
Assets classified as held for sale	**230,000**	–
Liabilities		
Trade and other payables	**63,000**	–
Bank and other borrowings	**45,454**	–
Liabilities associated with assets classified as held for sale	**108,454**	–

10. Trade and other payables

	As at 30 September 2008 HK$'000	As at 31 March 2008 HK$'000
Trade payables	**281,503**	148,677
Bills payable	**31,095**	29,276
	312,598	177,953
Other payables	**129,710**	129,916
	442,308	307,869

The following is an aged analysis of trade and bills payables at the balance sheet date :

	As at 30 September 2008 HK$'000	As at 31 March 2008 HK$'000
Current – 30 days	**277,394**	152,924
31 – 60 days	**17,600**	18,096
61 – 90 days	**3,716**	2,202
Over 90 days	**13,888**	4,731
	312,598	177,953

The fair value of the Group's trade and other payables at 30 September 2008 approximates their carrying amounts.

DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 September 2008 (2007: HK1 cent per share).

BUSINESS REVIEW

The year 2008 was a difficult year for the Group. The turnover of the Group for the six months ended 30 September 2008 declined 14.0% to approximately HK$1,351 million, as compared to HK$1,571 million in the corresponding period of last year. Gross profit margin decreased to approximately 3.9% for the period ended 30 September 2008 from approximately 6.0% of the same period of last year. Loss for the period ended 30 September 2008 was approximately HK$75 million and was mainly attributed to the following adverse factors:–

– Loss incurred in the operations of the Dongguan Industrial City amounted to about HK$30 million. As mentioned in the 2008 annual report, the Dongguan Industrial City had been in operation for about two decades. The existing facilities and infrastructure, including electric generators were relatively aged. The Group has significantly downsized the production capacity of Dongguan Industrial City since 2007 and rented out only a small percentage of the Industrial City due to the weak domestic demand in Dongguan. During the period, it incurred significant overheads and was not operated efficiently with insignificant manufacturing activities. As disclosed in the Circular dated 13 August 2008, the Group has entered into the sale and purchase agreement for the disposal of Dongguan Industrial City on 4 July 2008 at a consideration of HK$230 million (the "Disposal"). The Disposal was approved by shareholders at the Special General Meeting on 8 September 2008 and the completion of Disposal is expected to be due in June 2009.

– Loss from mobile division. The mobile division commenced business in 2006 with operations under a separate subsidiary of the Company. The mobile division has suffered from loss since the inception of business. During the period, the mobile division was operated in a very competitive environment, in particular the average price of GPS devices had also dropped drastically and, including impairment loss of intangible assets of HK$16 million, the division suffered from a loss of about HK$28 million during the period.

– Exchange loss of HK$10 million, mainly arising from the translation of loans in RMB.

– Impairment loss on trade and other receivable of about HK$9 million, mainly attributable to a quality dispute with a customer in UK for the sales of notebooks.

If adjusting the above factors, the Qingyuan operations has achieved a break even position.

EMS Division

Turnover of the EMS Division for the period amounted to approximately HK$1,344 million, representing a reduction of approximately 14.1% against the corresponding amount of the preceding financial period. The decrease was mainly as a result of the Group's strategy to change its products mix and focus on panel display products during the period. Sales of digital products with panel display such as digital photo frames, notebooks, plasma televisions and GPS products contributed approximately HK$910 million which accounted for approximately 67.7% of the Group's total turnover for the period ended 30 September 2008, of which the sales of plasma televisions amounted to HK$96 million. The turnover of mobile division were amounted to HK$249 million which accounted for approximately 18.5% of the Group's total turnover for the period.

During the period, the United States remained the EMS Division's largest market, despite the percentage of sales to the United States to total sales of the Group decreased from approximately 73.5% for the preceding financial period to approximately 54.1% for the period ended 30 September 2008. European sales increased from approximately HK$268 million for the preceding financial period to approximately HK$361 million for the period ended 30 September 2008, which accounted for approximately 26.7% of total sales. The gross margin decreased from approximately 5.8% for the preceding financial period to approximately 3.5% for the period ended 30 September 2008. The drop was mainly attributable to the relatively high operating costs in the Dongguan Industrial City and the operating loss incurred by the mobile division, coupling with the appreciation of RMB, increase in labour cost and oil price during the period under review.

Properties Division

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

For the period ended 30 September 2008, in line with the strategy of consolidating and downsizing the operations of the Group, certain parcels of bare land, factory and office buildings located in the Qingyuan Industrial Estate have been or will be left vacant and was expected to be rented out or sold. As such, these premises in Qingyuan have been re-classified from "Property, Plant and Equipment" to "Investment Properties" accordingly.

As disclosed in the Circular dated 13 August 2008, the Group has entered into the sale and purchase agreement for the disposal of Dongguan Industrial City on 4 July 2008 at a consideration of HK$230 million (the "Disposal"). The Disposal was approved by shareholders at the Special General Meeting on 8 September 2008. As at 30 September 2008, the outstanding receivable under the above sale and purchase agreement amounted to about HK$167 million.

PROSPECTS

EMS Division

The recent financial turmoil has hit all shores and greatly affected the confidence of the overseas buyers. The Group is cautious towards the global financial turmoil and has deliberated certain measures and policies to improve the readiness and to deal with this unprecedented challenge and economic downturn. Most importantly, the Group has the strong desire to operate in an efficient manner and ensure it can return to a profitable position in near future. The measures and policies include:–

1. Conducting regular operational and financial review for each of the business units. In November 2008, the Group has ceased all the loss-making operations of Dongguan Industrial City with an objective to maintain Qingyuan Industrial Estate as the Group's major manufacturing arm in the PRC.

2. Downsizing the operational scale to a right-size to the Group. Human resources requirements are reviewed regularly. In early December 2008, the headcount of the Group has reduced to about 6,000 workers.

3. A fundamental review of all operational plans and expenses budgets. A zero-based budgeting is employed to review all costs cautiously in terms of their value to the business.

4. Focus on disposal of non-core assets, in particular, the investment properties and inventory reduction in order to maximize cash flow.

The international financial crisis also tightens money supply, resulting in credit crunch. The negative impact of the financial turmoil is unprecedented in magnitude and speed and to all business entities, this is a challenging time, if not critical. Influenced by the financial turmoil, the continuing appreciation of the RMB as well as the rising costs of raw materials and labour, China has witnessed a decline in its export market as compared with last year. The Chinese Government has implemented certain relief policies, including higher export VAT refund rates, loosening credits from banks and postponing the adjustment of minimum wages standard. The recent drastic drop of oil price and the stability of RMB is expected to alleviate the difficulties faced by the manufacturers.

In order to increase its competitiveness to meet future challenges, the Group has laid out a business plan to consolidate its operations. The Group will also cease the loss-making operations that cannot generate satisfactory cash flow.

Looking forward, the Group will focus on audio and visual products which include audio products, panel display products, digital photo frames and portable televisions. New infotainment products of mobile internet devices and UMPCs will also be launched to the market.

The Group is currently operating under a challenging environment as the overseas buyers are holding up the purchase orders in view of the current dropping oil and other commodity prices, as well as the negative sentiments arising from the economic recession in their home countries. With the above plans in place, the Group endeavours to overcome the challenge ahead.

Mobile Division

In view of a rapid and continuing deterioration of the mobile division business, the Group accordingly undertook a critical review of this operation and considered the way forward, in addition to the impairment loss of intangible assets as described in the preceding section. The Group also decided to significantly scale down the operations of the mobile division which currently employs about 500 workers, and to re-structure the division. As at 30 September 2008, the amount owed by the mobile division to trade suppliers was about HK$63 million. As at the date of this announcement, negotiation with certain creditors of the mobile division have taken place in order to obtain extension for repayment and/or for restructuring of this division. The Group has also proposed to certain of the mobile division's trade suppliers that they might reconsider restructuring the settlement terms including extension of the repayment period or accepting a discounted settlement of up to 70% of the value of the relevant outstanding amount due. As at the date of this announcement and as part of this restructuring, the Group has laid off approximately 260 workers from this division since October 2008. For further details, please refer to the clarification announcement to be published.

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. In July 2008, the Group has entered into a sale and purchase agreement with an Independent Third Party for the sales of the industrial city in Dongguan for a cash consideration of approximately HK$230 million. The remaining investment properties are or will be rented out to earn recurring income.

The Group has changed the use of the production plants in Dongguan and Qingyuan. The gross floor area ("GFA") of the investment properties totalled to approximately 270,000 sq.m. of which approximately 140,000 sq.m. and approximately 130,000 sq.m. are attributable to the properties in Dongguan and Qingyuan Industrial Estate respectively.

It has been our corporate strategy to realize the value of the non-core assets to strengthen the financial position of the Group. The Group expects considerable cost saving to be achieved through the disposal of the Dongguan Industrial City and consolidation of operations in Qingyuan.

The Group will closely monitor the amount of funding available and future financing requirements for the coming year. The disposal of the Dongguan Industrial City has strengthened working capital of the Group. Given the difficult business environment, the Group will adopt a prudent funding strategy and intends to close any funding gap by reducing the capital expenditure, overheads and loss on operations or obtaining additional funds, by disposal of non-core assets or other appropriate means.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

FINANCIAL REVIEW

Turnover

The Group's turnover decreased to approximately HK$1,351 million for the period ended 30 September 2008, a reduction of approximately 14.0% as compared to the preceding financial period. The decrease was mainly attributable to the weakened demand of the consumer electronic products.

Gross Margin

The gross profit margin decreased from 6.0% for the period ended 30 September 2007 to approximately 3.9% for the period ended 30 September 2008.

Expenses

The Group's administrative expenses for the period ended 30 September 2008 totalled to approximately HK$61 million, representing an increase of approximately 15.2% as compared to the preceding financial period. It was mainly attributable to the impairment on trade and other receivable of about HK$9.4 million and was mainly related to a quality dispute with a customer in UK for the sales of notebooks and the outstanding amount was about GBP1.2 million. The percentage of administrative expenses to total sales for the period ended 30 September 2008 was approximately 4.5%, representing a modest increase from approximately 3.4% for period ended 30 September 2007. The Group's selling and distribution expenses and the Group's finance costs amounted to approximately HK$13 million and approximately HK$20 million respectively which were comparable to the corresponding figures last period. The other operating expenses of HK$20 million mainly attributable to exchange loss in translation of loans in RMB and loss on disposal of property, plant and equipment.

Working Capital Management and Dividend Policy

As at 30 September 2008, the Group maintained bank balances and cash of approximately HK$157 million (31 March 2008: approximately HK$159 million). The Group's average inventory turnover days was approximately 59 days (31 March 2008: approximately 53 days).

The Group has been adopting a dividend policy with payout ratio of not more than 50% on net profits. Under careful consideration, the Group considers that it would be more appropriate to reserve more cash for future operations and decides not to declare interim dividend for the period.

Financing and Capital Structure

For the period ended 30 September 2008, the Group's total debts stood at approximately HK$868 million (31 March 2008: approximately HK$847 million), of which approximately HK$213 million (31 March 2008: approximately HK$308 million) were not repayable within one year. The borrowings included export bills discounted of HK$184 million and outstanding balances of certain term loan facilities from several banks, totalled to approximately HK$356 million. The increase in net debt was mainly due to increase in trust receipt loans of approximately HK$28 million and export bills discounted of approximately HK$82 million. The new borrowings were used to finance working capital and capital expenditure during the financial period ended 30 September 2008. 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. The Group entered into sale and purchase agreement for the disposal of the Donnguan Industrial City in July 2008. The net proceeds will mainly used to repay bank borrowings and mortgage loans attached thereto.

Capital Expenditure on Property, Plant and Equipment

Total capital expenditure for the period was approximately HK$17 million (31 March 2008: HK$52 million), out of which approximately HK$3 million was spent on the construction of production plants, approximately HK$2 million for the acquisition of plant and machinery and approximately HK$5 million for moulds investment.

Liquidity and Financial Resources

The net current assets of the Group as at 30 September 2008 was approximately HK$48 million (31 March 2008: net current liabilities at HK$64 million) and the current ratio was approximately 1.04 (31 March 2008: approximately 0.93). Shareholders' funds were decreased to approximately HK$867 million (31 March 2008: approximately HK$934 million).

Pledge of Assets

As at 30 September 2008, certain of the Group's assets (including investment properties, property, plant and equipment, assets held for sale and land use rights) with the carrying value of totalling approximately HK$527 million were pledged to secure certain banking facilities granted to the Group.

Capital Commitments

As at 30 September 2008, the Group had capital commitments contracted but not provided for of approximately HK$4 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 the PRC 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 approximately HK$251 million as at 30 September 2008. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

Employee Information

As at 30 September 2008, the Group had approximately 11,600 employees (31 March 2008: 12,200). 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 2008, 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 2008 Annual Report issued in July 2008.

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 2008. 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.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company, comprising of three independent non-executive directors and one executive director, was established with the terms of reference in compliance with the CG Code. The Remuneration Committee is responsible for formulation and review of the remuneration policy of the Company and performance of the executive directors, recommendation as to the remuneration of the executive directors and dealing with matters of appointment, retirement and re-election of the directors.

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 2008.

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, 24 December 2008

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*