

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



NGAI LIK INDUSTRIAL HOLDINGS LIMITED

毅力工業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

PRICE-SENSITIVE INFORMATION AND RESUMPTION OF TRADING

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

Ngai Lik Mobile Electronics Limited (whose name was subsequently changed to Weeteck Limited), a subsidiary of the Company, is in discussions with certain of its creditors to re-negotiate the repayment terms of settling the amounts due to them and a possible restructuring of its mobile division business. The Group has approached its bankers to explore the possibility of seeking a forbearance of amounts due under its banking facilities.

The Company is in preliminary discussion with a potential investor on possible injection of new capital, which if consummated, would result in a change of control of the Company.

At the same time, the Company is exploring other possibilities of fund raising.

The Company has applied to the Stock Exchange for the resumption of trading of its shares with effect from 9.30 a.m. on 7 January 2009.

Shareholders and potential investors should be advised that the possible injection of new capital which, if implemented, will lead to a change in control of the Company. Shareholders and potential investors should be aware that the above mentioned capital injection may or may not proceed and therefore should exercise caution when dealing in the Shares.

* For identification purpose only

This announcement is made by Ngai Lik Industrial Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in design, manufacture and sale of electronic products and property investment. As at the date of this announcement, the Group has operations in both Dongguan and Qingyuan. Excluding the mobile division, the Group employs approximately 400 workers in Dongguan mainly in relation to its computer notebook business and other administrative departments within the EMS division and approximately 4,600 workers in Qingyuan in relation to its audio visual business and component manufacturing within the EMS division. The directors of the Company (the “Directors”) confirm that, as of the date of this announcement, barring unforeseen circumstances, the Company has no existing plans to shut down its major manufacturing operations in Dongguan and Qingyuan in the foreseeable future.

Clarification of the Incident and status of NLMEL

The Directors noted the contents of newspaper articles which appeared in Apple Daily on 20 December 2008, and Ming Pao Daily and South China Morning Post on 23 December 2008 (the “Articles”), referring to, among other things, certain suppliers of Ngai Lik Mobile Electronics Limited (“NLMEL”, whose name was subsequently changed to Weetec Limited), a subsidiary of the Company, seeking settlement of the amounts due to them and the lay-offs of NLMEL workers (the “Incident”). The Directors wish to clarify that as at 30 September 2008, the amount owed by NLMEL to its trade suppliers amounted to approximately HK\$63 million. As stated in the Company’s interim result announcement dated 24 December 2008, the mobile division business which was carried by NLMEL continued to record unsatisfactory performance and had substantial cash flow problems. The Group has decided to significantly scale down and to restructure this division in order to alleviate the financial situation of the Group.

As part of the Group’s business restructuring since 1 October 2008, contrary to reporting in the Articles, the Group has laid off approximately 600 workers, of which approximately 260 workers were from the mobile division. In addition, the Group has accepted voluntary redundancies from approximately 6,000 workers since 1 October 2008. NLMEL has also proposed to certain of its trade suppliers that they might consider 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. NLMEL is still negotiating the terms of settlement with certain of its trade suppliers.

The audit committee of the Company (the “Audit Committee”) has been looking into the above matters. At this moment, the Audit Committee considers that NLMEL would have immense difficulty in resolving its cash flow problem unless NLMEL could obtain sufficient financial support from the Group and/or otherwise debt reduction support from its trade suppliers. Given that neither the Company nor any other members of the Group have given any corporate guarantees to the relevant trade suppliers in favour of NLMEL, seeking debt reduction on the liabilities due by NLMEL to its trade suppliers will cause the least impact on the financial position of the other members of the Group and their operations, provided that the banks will maintain its current financial support to the Group.

Having regard to (i) the continuing losses of NLMEL, (ii) the significant downsizing of the operation and (iii) that NLMEL operates as a separate entity and the Group has not provided any corporate guarantee to the trade suppliers, the Directors (including the Audit Committee members) are of the view that the decision to restructure, and if appropriate, the closure of the business of NLMEL is in the interest of the Company.

Further, despite that NLMEL contributed approximately HK\$249 million, representing approximately 18%, to the Group’s overall turnover of approximately HK\$1,351 million for the six months ended 30 September 2008, NLMEL had net liabilities of approximately HK\$42 million as at 30 September 2008 and recorded a loss of approximately HK\$28 million for the six months ended 30 September 2008. The Group had net assets of approximately HK\$871 million as at 30 September 2008 and recorded a loss of approximately HK\$75 million for the six months ended 30 September 2008. A provision of HK\$16 million, which made up part of the HK\$28 million loss for the six months ended 30 September 2008, has been made in respect of the intangible assets (which mainly consisted of research and development expenditure) in relation to NLMEL as at 30 September 2008. The aforesaid impairment provision of HK\$16 million was made to reflect the written off of the residual book value of the relevant assets.

Discussion with the Group’s bankers and a possible investor

The Group has been continuing to implement cost rationalisation measures all across the Group’s operations in order to streamline its cost structure, and to strengthen its cash flow position as well as its competitiveness. In the process, the Group is also reviewing the position of its accounts payables, and where appropriate, shall seek extension of settlement terms on such accounts, where they have been overdue.

The Group has, in the course of the banking relationship maintained with one of its bankers, drawn from its banking deposit to repay certain loans of approximately HK\$18.3 million and RMB1 million with the same bank, pursuant to demand notices issued in accordance with the terms of the relevant banking facilities. The demand notices issued were within the terms of the banking facilities, pursuant to which the bank has the right to demand for the repayment of the relevant loans at anytime. The demand notices, issued on 18 December 2008 and 23 December 2008 respectively, did not set out the reasons behind the request for payment.

Since 1 October 2008, other than the aforesaid trade suppliers related to NLMEL being approximately HK\$63 million, the Group has received approximately HK\$20 million of written payment demands from its trade and other creditors requesting amount owed to them as at 30 September 2008 and the Group is currently in negotiation with them. Other than the aforesaid amount, the Group has not received any written payment demands from its trade and other creditors as at the date of this announcement.

The Directors are currently reviewing the terms and balances of the Group's trade and other creditors for the purposes of considering the latest indebtedness position of the Group with respect to its trade and other creditors. Further announcement will be published to update shareholders.

In addition, the Directors confirm that as at the date of this announcement, the Group has breached the repayment terms of certain banking facilities as certain loan repayments in the aggregated sum of approximately HK\$50 million have become overdue mainly since December 2008. Out of these overdue loan repayments, the Group has received approximately HK\$5.7 million of written payment demand/written reminder from its bankers.

In this connection, the Company is currently engaging in discussions with the relevant bankers to explore the possibility of seeking a forbearance of the Group's banking facilities with the view to strengthening the Group's overall cash flow situation. As the aforesaid discussions with the relevant bankers are on-going, the Directors are not in the position to form an opinion on the possible impact on the Group's operation and financial position as at the date of this announcement. However, the Group will make further announcements to keep shareholders informed of the progress of the discussions with its bankers.

The Directors would also like to advise that the Company is in preliminary discussion with an independent third party for the possible injection of new capital which if consummated, would result in a change in control of the Company. The Company confirms that, as at the date of this announcement, there is no formal or informal, binding or non-binding agreement between the Group and any potential investor(s).

As at the date hereof, the Company has a total of 793,016,684 issued shares and outstanding options granted under the option scheme of the Company entitling the holders thereof to subscribe for a total of 15,000,000 shares. Save for the above, the Company does not have any other shares, outstanding warrants, options, derivatives or other securities carrying conversion or subscription rights into shares of the Company.

The Directors take the view that in light of reports of the Incident by certain widely circulated newspapers in Hong Kong, investors may have relied upon or be influenced by the contents of the Articles, which may affect normal trading price of the shares of the Company, thereby rendering the clarification and information disclosed in this announcement as price sensitive information under Rule 13.09(1) of the Listing Rules.

Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was suspended at the request of the Company at 9:30 a.m. on 22 December 2008. The Company has applied to the Stock Exchange for the resumption of trading of its shares with effect from 9.30 a.m. on 7 January 2009.

Save as aforesaid, the Directors confirm that there is no other price sensitive information to be disclosed, and that all relevant issues have been considered and addressed. Subject to a satisfactory conclusion of the above-mentioned discussions with NLMEL's trade suppliers and the continual financial support from the banks, the Directors are satisfied that the Company is able to meet its financial obligations in the foreseeable future.

The Company will make further announcements to update shareholders on the developments of these discussions.

Shareholders and potential investors should be advised that the possible injection of new capital which, if implemented, will lead to a change in control of the Company. Shareholders and potential investors should be aware that the above mentioned capital injection may or may not proceed and therefore should exercise caution when dealing in the Shares.

Dealing Disclosure

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of its delegate (the “Executive”) in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

Any associates of the Company and parties acting in concert with it are reminded to disclose their dealings in any securities of the Company.

By Order of the Board
Ngai Lik Industrial Holdings Limited
Lam Man Chan
Chairman

Hong Kong, 6 January 2009

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.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.