NGAI LIK INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 332)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The Board of Directors (the "Board") of Ngai Lik Industrial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**1,862,135**	1,561,823
Cost of sales		**(1,762,872)**	(1,457,232)
Gross profit		**99,263**	104,591
Other income		**8,347**	5,857
Selling and distribution expenses		**(18,598)**	(18,774)
Administrative expenses		**(59,171)**	(57,328)
Other operating income, net		**1,380**	2,292
Increase in fair value of investment properties		**12,864**	3,105
Profit from operations		**44,085**	39,743
Finance costs		**(17,864)**	(11,306)
Share of results of associates		**1,279**	1,119
Profit before taxation	4	**27,500**	29,556
Taxation	5	**(5,645)**	(4,328)
Profit for the period		**21,855**	25,228
Attributable to:			
Equity holders of the Company		**21,855**	25,228
Minority interests		**–**	–
		21,855	25,228
Dividend	6	**7,930**	11,895
Earnings per share (HK cents)	7		
– Basic		**2.76**	3.18
– Diluted		**n/a**	n/a

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 September 2006 (Unaudited) *HK$'000*	As at 31 March 2006 (Audited) *HK$'000*
Non-current assets		
Investment properties	**199,222**	186,358
Property, plant and equipment	**1,061,155**	1,060,487
Land use rights – non-current portion	**64,598**	65,323
Interests in associates	**21,386**	20,107
Intangible assets	**32,258**	27,667
Deposits for acquisition of property, plant and equipment	**3,200**	3,782
Bank deposit – maturing after one year	**–**	22,207
Available-for-sale financial assets	**5,711**	16,922
	1,387,530	1,402,853
Current assets		
Land use rights – current portion	**1,450**	1,450
Inventories	**759,477**	445,467
Trade and other receivables and prepayments	**424,212**	166,436
Taxation recoverable	**49,268**	48,927
Bank deposit – maturing within one year	**22,698**	-
Cash and cash equivalents	**217,881**	198,550
	1,474,986	860,830
Current liabilities		
Trade and other payables	**643,975**	363,647
Taxation payable	**77,482**	75,989
Bills discounted	**199,251**	35,365
Trust receipt and packing loans	**346,788**	42,567
Bank loans – due within one year	**144,626**	306,144
Obligations under finance leases – due within one year	**1,106**	31
	1,413,228	823,743
Net current assets	**61,758**	37,087
Total assets less current liabilities	**1,449,288**	1,439,940
Non-current liabilities		
Bank loans – due after one year	**300,895**	317,866
Obligations under finance leases – due after one year	**2,880**	–
Deferred taxation	**52,262**	48,110
	356,037	365,976
Net assets	**1,093,251**	1,073,964
Capital and reserves		
Share capital	**79,302**	79,302
Reserves	**1,009,929**	990,642
Equity attributable to equity holders of the Company	**1,089,231**	1,069,944
Minority interests	**4,020**	4,020
Total equity	**1,093,251**	1,073,964

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed 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. Principal accounting policies

The condensed 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 financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006, except as described below.

In the current period, the Group has adopted, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKAS and Interpretations ("Int") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results 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 adopted the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 March 2006
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006

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.

Segment information about these businesses is presented below:

Six months ended 30 September 2006

	EMS business	**Property investment**	**Eliminations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	**1,862,135**	**–**	**–**	**1,862,135**
Rental income	**–**	**5,329**	**–**	**5,329**
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**

Six months ended 30 September 2005

	EMS business	Property investment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	1,561,823	–	–	1,561,823
Rental income	–	3,604	–	3,604
Result				
Segment result	38,118	4,215		42,333
Interest income				1,923
Other rental income				330
Finance costs				(11,306)
Share of results of associates				1,119
Unallocated expenses				(4,843)
Profit before taxation				29,556
Taxation				(4,328)
Profit for the period				25,228

(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	
	2006	2005
	HK$'000	*HK$'000*
America	**1,582,588**	1,213,964
Europe	**191,740**	220,291
Asia	**72,579**	67,904
Others	**15,228**	59,664
	1,862,135	1,561,823

4. Profit before taxation

	Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**40,667**	40,627
Amortisation of land use rights	**725**	742
Amortisation of intangible assets	**8,108**	9,404
Loss on disposal of property, plant and equipment	**1,074**	492
Share of tax of associates (included in share of results of associates)	**281**	233
Interest income	**(2,389)**	(1,923)
Gain on disposal of available-for-sale financial assets	**(1,945)**	–

5. Taxation

	Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
The taxation comprises:		
Profits tax		
Hong Kong		
– Provided for the period	**–**	2,534
– Underprovision in prior years	**1,493**	–
Other jurisdictions	**–**	385
	1,493	2,919
Deferred taxation	**4,152**	1,409
Taxation for the period	**5,645**	4,328

Notes

(a) Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the six months ended 30 September 2006.

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

6. Dividend

	Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Interim, proposed, of HK1 cent (2005: HK1.5 cents) per share	**7,930**	11,895

7. Earnings per share

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

	Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Profit for the period attributable to equity holders of the Company and earnings for the purposes of basic earnings per share	**21,855**	25,228
Number of ordinary shares for the purpose of basic earnings per share	**793,016,684**	793,016,684

There were no dilutive effect on the share options as the exercise price of the Company's options was higher than the average market price of the Company's shares. During the period, the share options were cancelled.

DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent (2005: interim dividend of HK1.5 cents) per share for the six months ended 30 September 2006. The dividend will be payable on or about 8 February 2007 to shareholders of the Company whose names are on the Register of Members on 2 February 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 29 January 2007 to 2 February 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26 January 2007.

BUSINESS REVIEW

For the six months ended 30 September 2006, the Group's unaudited consolidated turnover reached HK$1,862 million, a growth of 19.2% as compared to the same period last year. The unaudited consolidated profit attributable to equity holders amounted to HK$22 million, a decrease of HK$3 million from the same period last year.

During the period, crude oil prices, which affect the Group's energy and raw material costs, particularly those of plastics and electricity, continued to be volatile and ranged from US$80 per barrel to about US$58 per barrel, a variation of more than 30%. Confidence in the consumer market continued to be adversely affected by oil price volatility.

During the period under review, the Group worked diligently in various strategic initiatives with vigor and determination.

As its top priority to meet the demands of a rapidly changing marketplace, the Group continued its strong drive to upgrade its product mix. The sales turnover of portable DVD players contributed approximately 26.3% of the Group's total sales for the first half in Financial Year ("FY") 2007. Moreover, the car mobile division also commenced operations in August 2006 with 6 production lines in place as of 30 September 2006. This division contributed about HK$11 million to the Group's overall sales.

The sales of home audio products decreased 28.5% and accounted for about 52.7% of total sales.

During the period, the United States ("U.S.") remained the Group's largest market followed by Europe. Sales to the U.S. and Europe amounted to HK$1,583 million (2005: HK$1,214 million) and HK$192 million (2005: HK$220 million) respectively. The significant increase in sales to the U.S. was mainly attributable to fulfillment of certain event sales order for portable DVD players and personal CD players to Wal-mart.

The Group's gross margin dropped to 5.3% compared to 6.7% the same period of FY2006, but which represented a slight increase compared to that of the second half of FY2006. The decrease was mainly attributable to high oil prices, increase in raw material cost and royalties. Moreover, the conventional CD products and standalone DVD players products provided negligible profit contribution to the Group due to intense price competition.

As part of the Group's stated strategy to divest non-core assets, the Group disposed of certain investments during the period. On 15 September 2006, the Group passed an ordinary resolution in the Special General Meeting to dispose its interests in an associate, Metro Capital Securities Limited ("MCS"), for a cash consideration of HK$20 million.

During the period from 9 June 2006 to 6 October 2006, the Group also disposed of 8,768,000 shares in Hop Fung Group Holdings Limited, representing approximately 2.29% of the issued share capital of Hop Fung Group Holdings Limited, through securities brokerage firms to independent third parties for an aggregate gross consideration of approximately HK$15.95 million.

PROSPECTS

Sales for the month of October and November in 2006 (excluding the sales for the car mobile division) reached the level of approximately HK$800 million, mainly due to the shipment of Christmas event sales orders for portable DVD players. However, sales for the remainder of the year are expected to exhibit its normal low seasonal pattern while market conditions should remain challenging. The Group is committed to continue to adapt to a rapidly changing consumer electronics industry. Specifically, the Group will continue to change its product mix and reduce production of the low margin products, and in particular, personal CD players, the demand for which has declined drastically in the past two years as MP3 players and the i-Pods become increasingly popular. With the strategic reduction in low margin business of personal CD players, the sales percentage of conventional home audio products will further decrease from about 52.7% this period to approximately 30% to 35% in FY 2008.

The Group is in the process of shifting to produce more digital products with better margins. Having successfully launched our portable DVD players, the Group will focus on sales of panel display products. For example, digital photo frames in 7”, 8” and 9” display screen sizes have been launched to the marketplace with good responses from the customers. We aim to enter into the market quickly to gain a reasonable market share.

Sales for the start-up car mobile division continue to increase, adding about HK$50 million to the Group’s turnover for the months of October and November. Portable navigators in 4” display screen size have received good responses from customers and the Group has accordingly increased production lines for the car mobile business. The Group considers the car mobile business a key opportunity to diversify the product range and improve production capacity utilization during the conventionally low season (normally December to March) for the consumer electronics business.

Furthermore, oil prices started dropping rapidly in August and plastic resin prices are expected to decline as well. However, as lower plastic resin prices are likely to come after the Group’s peak season has been over, the benefit to the Group’s future profitability, at least in the short term, should not be substantial.

With the appreciation of Renminbi (“RMB”) and increasing labour costs, the business environment for manufacturers in China continues to be difficult. The Group will further consolidate operations of Dongguan plants to Qingyuan Industrial Estate. In particular, the plastic injection and printing operations will be consolidated to Qingyuan by the first quarter of 2007 in order to enjoy lower energy costs there. The Group will also explore OEM business opportunities with new clients to expand its sales revenue base.

Looking ahead, the Group is committed to upgrading its product mix and continually improving cost effectiveness and will strive to overcome the challenges.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

During the period, the sales turnover increased to HK$1,862 million, an increase of 19.2% as compared to the same period last year. The increase was mainly attributable to the better sales of digital products.

Profit attributable to equity shareholders was HK$22 million, a drop of 13.4% over the same period of last year.

During the period, sales of home audio products, which remained its core business, accounted for approximately 52.7% of the Group’s turnover, a decrease of 28.5% in sales over last period. Sales from digital and DVD players contributed to approximately 47.3% of the Group’s turnover, an increase of 361.1% over last period.

Gross Margin

The Group continued to change its product mix and reduce the low margin business of certain CD audio products. Gross profit margin was about HK$99 million.

Expenses

The Group’s administrative expenses were similar to the period for last year and recorded at HK$59 million. The percentage of administrative expenses to total sales slightly decreased to 3.2% (2005: 3.7%). The Group’s selling and distribution expenses remained at approximately HK$19 million. The Group’s finance costs increased to HK$18 million, as a result of the higher average interest rate and the increase in trust receipt and packing loans.

Property Investment

The Group has changed the use of certain plants in Dongguan to rental purposes following the continuing consolidation of its operations into Qingyuan. The increase in fair value of investment properties amounted to HK$13 million. The Group is now in the process of obtaining land use right certificates for the investment properties.

Working Capital Management

As at 30 September 2006, the Group maintained bank deposit and cash and cash equivalents at approximately HK$241 million (31 March 2006: HK$221 million).

The Group’s average inventory turnover was about 59 days (31 March 2006: 56 days). The increase in inventory was mainly due to the certain raw materials and finished goods built up awaiting for shipments in October and November 2006. The Group’s average trade receivables turnover was increased to 28 days (31 March 2006: 16 days).

Trade and other receivables increased from approximately HK$166 million to approximately HK$424 million. It was mainly due to the record shipments in September of this period and accordingly, bills receivable for discounting, included therein, increased from HK$36 million to HK$199 million which were offsetting in nature against the corresponding liability item (bills discounted). The bills receivable for discounting and bills discounted dropped significantly after September 2006 to the normal level of about HK$52 million in October 2006. The stock and creditors levels increased in line with the underlying sales growth for the period.

Dividend Policy
The Board has declared an interim dividend of HK1 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, rather than maintaining the absolute amount of dividend of prior years.

Financing and Capital Structure
As at 30 September 2006, the Group had bank loans of approximately HK$446 million (31 March 2006: approximately HK$624 million, which included the outstanding balance of syndicated loan in the amount of HK$163 million (31 March 2006: HK$255 million). The Group also issued letters of credit to procure the supplies of critical components and certain raw materials. The trust receipt and packing loans amounted to approximately HK$347 million (31 March 2006: HK$43 million).

The Group's loans were primarily denominated in Hong Kong dollars, US dollars and RMB and the Group had no significant exposure to foreign exchange fluctuations.

The increase in consolidated funded debt (excluding bills discounted which were offsetting in nature) from HK$667 million to HK$796 million was mainly due to the drawdown of new loans and finance leases as well as additional short-term trade facilities (as explained in the 2006 annual report) to fund normal working capital and the capital expenditure for the period. The trust receipt and packing loans decrease significantly after September 2006 to the level of about HK$200 million in October 2006. Following the shipments in October and November 2006, the net gearing ratio is expected to be about 50%.

Capital Expenditure
Total capital expenditure for the period was approximately HK$43 million (31 March 2006: approximately HK$125 million), out of which, HK$8 million was mainly spent on the construction of Qingyuan Ngai Lik Industrial Estate, HK$15 million for the acquisition of plant and machinery and HK$9 million for moulds investment.

Liquidity and Financial Resources
The net current assets of the Group as at 30 September 2006 stood at approximately HK$62 million (31 March 2006: HK$37 million) and the current ratio was 1.04 (31 March 2006: 1.05). Shareholders' funds were maintained at approximately HK$1,089 million (31 March 2006: HK$1,070 million).

Treasury Policy
The majority of the Group's sales and purchases were denominated in US Dollars and HK Dollars. As HK Dollars and US Dollars are pegged, the Group had minimum exposure to foreign exchange fluctuation. The labour costs and other overheads incurred in China were denominated in RMB and during the period, 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. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

Employee Information
As at 30 September 2006, the Group had approximately 31,800 employees (31 March 2006: approximately 32,000). The remuneration packages are generally structured with reference to market conditions and the qualifications of the employees. The salaries and wages of the Group's employees are normally reviewed annually based on performance appraisals and other relevant factors. Bonuses are normally paid to the management, based on individual merits as well as results of their respective companies in which they work. Benefit plans for its Hong Kong staff include a provident fund scheme and medical and life insurance. The Company 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.

Compliance with the Code on Corporate Governance Practices
The Company is committed to high standards of corporate governance. Subsequent to the publication of the Corporate Governance Report in the 2006 Annual Report, a special resolution was passed at the Annual General Meeting of the Company held on 15 September 2006 to amend the Company's Bye-laws to the effect that all directors (including Chairman of the Board and Managing Director of the Company) will be subject to retirement by rotation.

The Board consider that the Company has complied with all code provisions set out in the Code on the Corporate Governance Practices throughout the six months ended 30 September 2006, with deviations from CG Code provision A2.1 in respect of the separation of roles of the chairman and 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 provisions of the CG Code togethers with the reasons for the above deviations are set out in the CG Report contained in the Company's 2006 Annual Report issued in July 2006.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising of three independent non-executive directors, has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Company's unaudited interim results for the six months ended 30 September 2006.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company, comprising of three independent non-executive directors and one executive director, was established with 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 "Code"). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard as set out in the Code throughout the six months ended 30 September 2006.

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 FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on Stock Exchange's website in due course.

By Order of the Board
Lam Man Chan
Chairman

Hong Kong, 19 December 2006

As at the date of this announcement, the Board comprises four executive directors, namely Dr. Lam Man Chan, Ms. Ting Lai Ling, Ms. Ting Lai Wah and Mr. Yeung Cheuk Kwong, and three independent non-executive directors, namely Mr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Mr. Ho Lok Cheong.

Please also refer to the published version of this announcement in The Standard.