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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 2009

The Board of Directors (“the Directors”) of Ngai Lik Industrial Holdings Limited (the “Company”) announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended 30 September | |
|--|-------|----------------------------------|---|
| | Notes | 2009 HK\$'000 (Unaudited) | 2008 HK\$'000 (Unaudited) (Restated) |
| Continuing operations | | | |
| Turnover | 3 | 462,843 | 1,102,109 |
| Cost of sales | | <u>(438,433)</u> | <u>(1,050,788)</u> |
| Gross profit | | 24,410 | 51,321 |
| Other operating expenses, net | | (1,178) | (19,343) |
| Other income | | 2,803 | 781 |
| Selling and distribution expenses | | (8,984) | (11,049) |
| Administrative expenses | | (29,984) | (52,225) |
| Impairment loss on property, plant and equipment | | (8,774) | – |
| Decrease in fair value of investment properties | | (24,010) | (424) |
| Decrease in fair value of assets classified as held for sale | | <u>(15,909)</u> | <u>–</u> |
| Loss from operations | | (61,626) | (30,939) |
| Finance costs | | <u>(12,810)</u> | <u>(19,153)</u> |

| | | Six months ended | |
|---|--------------|-------------------------|-----------------|
| | | 30 September | |
| | | 2009 | 2008 |
| | | (Unaudited) | (Unaudited) |
| | | | (Restated) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Loss before taxation | 4 | (74,436) | (50,092) |
| Taxation (charge) credit | 5 | (2,140) | 3,256 |
| Loss for the period from continuing operations | | (76,576) | (46,836) |
| <i>Discontinued operation</i> | 6 | | |
| Gain (loss) for the period from discontinued operation | | 21,009 | (28,076) |
| Loss for the period | | (55,567) | (74,912) |
| Other comprehensive income | | | |
| Gain on revaluation of properties | | – | 10,783 |
| Income tax relating to components of other comprehensive income | | – | (2,588) |
| Other comprehensive income for the period (net of tax) | | – | 8,195 |
| Total comprehensive loss for the period | | (55,567) | (66,717) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (55,567) | (74,912) |
| Non-controlling interests | | – | – |
| | | (55,567) | (74,912) |
| Total comprehensive loss for the period attributable to: | | | |
| Owners of the Company | | (55,567) | (66,717) |
| Non-controlling interests | | – | – |
| | | (55,567) | (66,717) |
| <i>Loss per share (in HK Cents)</i> | 8 | | |
| From continuing and discontinued operations | | | |
| – Basic | | (7.01) | (9.45) |
| – Diluted | | n/a | n/a |
| From continuing operations | | | |
| – Basic | | (9.66) | (5.91) |
| – Diluted | | n/a | n/a |
| From discontinued operation | | | |
| – Basic | | 2.65 | (3.54) |
| – Diluted | | n/a | n/a |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <i>Notes</i> | As at 30 September 2009 <i>HK\$'000</i> (Unaudited) | As at 31 March 2009 <i>HK\$'000</i> (Audited) |
|--|--------------|---|---|
| Non-current assets | | | |
| Investment properties | | 179,318 | 203,182 |
| Property, plant and equipment | | 268,034 | 287,862 |
| Land use rights – non-current portion | | 64,990 | 66,582 |
| Deposits for acquisition of property, plant and equipment | | 122 | 766 |
| | | 512,464 | 558,392 |
| Current assets | | | |
| Land use rights – current portion | | 1,521 | 601 |
| Inventories | | 157,433 | 130,619 |
| Trade and other receivables and prepayments | 9 | 78,884 | 70,790 |
| Taxation recoverable | | 47,539 | 47,494 |
| Bank balances and cash | | 17,419 | 33,192 |
| | | 302,796 | 282,696 |
| Assets classified as held for sale | 10 | 214,091 | 230,000 |
| | | 516,887 | 512,696 |
| Current liabilities | | | |
| Trade and other payables | 11 | 304,834 | 285,412 |
| Taxation payable | | 86,349 | 84,209 |
| Bank and other borrowings – due within one year | | 508,511 | 526,796 |
| Obligations under finance leases – due within one year | | 1,185 | 2,835 |
| Provision | | 17,844 | 15,175 |
| Bank overdrafts | | 11,951 | 1,844 |
| | | 930,674 | 916,271 |
| Liabilities associated with assets classified as held for sale | 10 | 108,211 | 108,454 |
| | | 1,038,885 | 1,024,725 |
| Net current liabilities | | (521,998) | (512,029) |
| Total assets less current liabilities | | (9,534) | 46,363 |
| Non-current liabilities | | | |
| Obligations under finance leases – due after one year | | 424 | 754 |
| Deferred taxation | | 26,956 | 26,956 |
| | | 27,380 | 27,710 |
| Net (liabilities) assets | | (36,914) | 18,653 |
| Capital and reserves | | | |
| Share capital | | 79,302 | 79,302 |
| Reserves | | (117,236) | (61,669) |
| Equity attributable to owners of the Company | | (37,934) | 17,633 |
| Non-controlling interests | | 1,020 | 1,020 |
| Total (deficit) equity | | (36,914) | 18,653 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Properties revaluation reserve <i>HK\$'000</i> | Share options reserve <i>HK\$'000</i> | Accumulated profits (losses) <i>HK\$'000</i> | Attributable to owners of the Company <i>HK\$'000</i> | Non- controlling interests <i>HK\$'000</i> | Total (deficit) equity <i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|---|--|---|---|---|---|
| At 1 April 2008 (Audited) | 79,302 | 82,844 | 17,460 | 1,583 | 752,772 | 933,961 | 4,020 | 937,981 |
| Total comprehensive loss for the period | <u>-</u> | <u>-</u> | <u>8,195</u> | <u>-</u> | <u>(74,912)</u> | <u>(66,717)</u> | <u>-</u> | <u>(66,717)</u> |
| At 30 September 2008 (Unaudited) | <u>79,302</u> | <u>82,844</u> | <u>25,655</u> | <u>1,583</u> | <u>677,860</u> | <u>867,244</u> | <u>4,020</u> | <u>871,264</u> |
| At 1 April 2009 (Audited) | 79,302 | 82,844 | 17,460 | 1,583 | (163,556) | 17,633 | 1,020 | 18,653 |
| Total comprehensive loss for the period | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(55,567)</u> | <u>(55,567)</u> | <u>-</u> | <u>(55,567)</u> |
| At 30 September 2009 (Unaudited) | <u>79,302</u> | <u>82,844</u> | <u>17,460</u> | <u>1,583</u> | <u>(219,123)</u> | <u>(37,934)</u> | <u>1,020</u> | <u>(36,914)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended | |
|--|---------------------|-----------------------|
| | 30 September | |
| | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Net cash generated from (used in) operating activities | <u>8,610</u> | <u>(48,717)</u> |
| Deposits received from assets classified as held for sales | – | 63,000 |
| Other investing cash flows | <u>(1,172)</u> | <u>(17,792)</u> |
| Net cash (used in) from investing activities | <u>(1,172)</u> | <u>45,208</u> |
| Net cash (used in) from financing activities | <u>(33,318)</u> | <u>559</u> |
| Net decrease in cash and cash equivalents | (25,880) | (2,950) |
| Cash and cash equivalents at 1 April | <u>31,348</u> | <u>159,463</u> |
| Cash and cash equivalents at 30 September | <u><u>5,468</u></u> | <u><u>156,513</u></u> |
| Analysis of the balances of cash and cash equivalents: | | |
| Bank balances and cash | 17,419 | 156,513 |
| Bank overdrafts | <u>(11,951)</u> | <u>–</u> |
| | <u><u>5,468</u></u> | <u><u>156,513</u></u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group reported a consolidated loss attributable to owners of the Company of approximately HK\$56 million for the six months ended 30 September 2009 (For the six months ended 30 September 2008: HK\$75 million) and as at 30 September 2009 the Group had net current liabilities of approximately HK\$522 million (As at 31 March 2009: HK\$512 million).

During the year ended 31 March 2009, the Group had breached certain terms and defaulted on the repayment of certain banking facilities. To address these issues, the Group had been in discussion and negotiation with the banks to explore the possibility of seeking a forbearance of the Group’s bank borrowings and with potential investors to explore the possibility of injecting new funds into the Group through a proposed restructuring scheme.

On 24 February 2009, the Directors of the Company and the board of directors of Success Pioneer Limited (the “Subscriber”) jointly announced a restructuring proposal in relation to the financial restructuring of the Group which involves, among other things, a proposed capital reorganisation (the “Capital Reorganisation”), a proposed group reorganisation (the “Group Reorganisation”), proposed creditor scheme (the “Scheme”) and a proposed subscription of new shares (the “Subscription”) (all together referred to as the “Restructuring Proposal”). Details of the Restructuring Proposal have been set out in the Company’s circular dated 30 September 2009 (the “Circular”).

On 13 July 2009, twelve wholly-owned subsidiaries of the Company, as chargor, each executed a debenture (the “Debenture”) in favor of the security trustee for the Group’s lending banks in Hong Kong (“HK Banks”). Each Debenture constitutes a fixed and floating charge over all the assets of the relevant chargor, and is granted as a continuing security for the payment and discharge in full of the secured obligations. The Company and its subsidiaries also executed on the same day the deed of undertaking (the “Deed of Undertaking”) under which each of them have irrevocably given the HK Banks certain undertakings in relation to, among other things, the creation of the scheme security and certain aspects of the conduct of business of the relevant members of the Group.

In addition, the Company received on the same date the standstill letter (the “Standstill Letter”) from the joint coordinating banks of the HK Banks, stating that the HK Banks have agreed not to make demand or take any action to enforce the payment of monies under any of their existing banking facilities in order to facilitate the discussions of the restructuring of the existing facilities. The Standstill Letter is however without prejudice to any HK Banks’ rights to withdraw at any time from discussions with the Group on any restructuring and upon such withdrawal, any HK Bank is entitled to make demand and enforce any of its rights under the existing facilities and any HK Bank can request the security trustee to enforce the Debentures.

On 21 July 2009, another two wholly-owned subsidiaries of the Company each executed a debenture in favor of the security trustee for the HK Banks and a charge over shares in its own subsidiary. In addition, on 16 September 2009, another two wholly-owned subsidiaries of the Company each executed a debenture in favour of the security trustee for the HK Banks. Furthermore, on 17 September 2009, a wholly-owned subsidiary of the Company executed a charge over shares in its fifteen subsidiaries.

Subsequent to 30 September 2009, approval of the Company's shareholders on the Capital Reorganisation, the Group Reorganisation, the Subscription Agreement and the Profit Sharing Arrangement included in the terms of the Restructuring Proposal stipulated in the Circular has been obtained at the special general meeting of the Company held on 27 October 2009. Moreover, approval of the Company's creditors on the Scheme (the "Scheme Creditors") has been obtained at the Scheme Creditors' Meeting held on 3 December 2009.

The Scheme was sanctioned by the Supreme Court of Bermuda and the High Court of Hong Kong on 18 December 2009 and 21 December 2009 respectively.

Up to the date of issue of the interim report, completion of the Restructuring Proposal is subject to the following conditions precedent being fulfilled, including (i) payment of the aggregate subscription price by the Subscriber pursuant to the Subscription Agreement dated 9 February 2009 entered into between the Company and the Subscriber, as amended, varied, supplemented from time to time; and (ii) completion of the Group Reorganisation.

As at 30 September 2009, bank borrowings of HK\$45 million and HK\$178 million from Dongguan branch and Qingyuan branch of a bank in the Mainland China, of which the Group has obtained an extension and a further extension to repay the outstanding overdue loan balance of HK\$45 million from the Dongguan branch to early September 2009 and January 2010 respectively and the Group is currently negotiating with the Qingyuan branch for extension to repay the outstanding loan balances.

The unaudited condensed consolidated financial statements have been prepared on a going concern basis as the directors of the Company are of the view that it is highly probable that the Restructuring Proposal will be successfully implemented.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2009.

The accounting policies adopted in the preparation of these 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 2009, except for the adoption for the first time of the following new and revised Hong Kong Financial Reporting Standards ("HKFRS") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) and amendments to HKFRSs issued by the HKICPA, which are effective for the Group's accounting periods beginning on 1 April 2009:

| | |
|--|---|
| HKFRSs (Amendments) | Improvements to HKFRSs, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 in relation to the amendment to paragraph 80 of HKAS 39 |
| HKAS 1 (Revised) | Presentation of financial statements |
| HKAS 23 (Revised) | Borrowing costs |
| HKAS 32 and 1 (Amendments) | Puttable financial instruments and obligations arising on liquidation |
| HKFRS 1 And HKAS 27 (Amendments) | Cost of an investment in a subsidiary, jointly controlled entity or associate |
| HKFRS 2 (Amendment) | Vesting conditions and cancellations |
| HKFRS 7 (Amendment) | Improving disclosures about financial instruments |
| HKFRS 8 | Operating segments |
| HK(IFRIC) – INT 9 and HKAS 39 (Amendments) | Embedded derivatives |
| HK(IFRIC) – INT 13 | Customer loyalty programmes |
| HK(IFRIC) – INT 15 | Agreements for the construction of real estate |
| HK(IFRIC) – INT 16 | Hedges of a net investment in a foreign operation |
| HK(IFRIC) – INT 18 | Transfers of assets from customers |

The adoption of the new HKFRSs, except for HKFRS 8 and HKAS 1 (Revised) as described below, had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segment. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

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

| | |
|--------------------------------|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹ |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 ² |
| HKAS 24 (Revised) | Related party disclosures ³ |
| HKAS 27 (Revised) | Consolidated and separate financial statements ¹ |
| HKAS 32 (Amendment) | Classification of rights issues ⁴ |
| HKAS 39 (Amendment) | Eligible hedged items ¹ |
| HKFRS 1 (Amendment) | Additional exemptions for first-time adopters ⁵ |
| HKFRS 2 (Amendment) | Group cash-settled share-based payment transactions ⁵ |
| HKFRS 3 (Revised) | Business combinations ¹ |
| HKFRS 9 | Financial instruments ⁶ |
| HK(IFRIC) – INT 14 (Amendment) | The limit on a defined benefit asset, minimum funding requirements and their interaction ³ |
| HK(IFRIC) – INT 17 | Distribution of non-cash assets to owners ¹ |
| HK(IFRIC) – INT 19 | Extinguishing financial liabilities with equity instruments ⁷ |

¹ Effective for accounting periods beginning on or after 1 July 2009

² Amendments that are effective for accounting periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for accounting periods beginning on or after 1 January 2011

⁴ Effective for accounting periods beginning on or after 1 February 2010

⁵ Effective for accounting periods beginning on or after 1 January 2010

⁶ Effective for accounting periods beginning on or after 1 January 2013

⁷ Effective for accounting periods beginning on or after 1 July 2010

The directors of the Company are in the process of assessing the potential impact and anticipate that the application of these new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

HKFRS 8 “Operating segments” requires the disclosure of information about the Group’s operating segments. The adoption of this standard did not have any effect on the Group’s results of operations or financial position. The Group determines that its operating segments are the same as the business segments previously identified and disclosed in accordance with HKAS 14 “Segment reporting”.

The following is an analysis of the Group's revenue and results by operating segment: –

For the six months ended 30 September 2009 (Unaudited)

| | Continuing Operations | | | Total HK\$'000 | Discontinued Operation | Consolidated HK\$'000 |
|--------------------------------|-----------------------------|------------------------------------|-------------------------|-------------------|--------------------------------|--------------------------|
| | EMS business HK\$'000 | Property investment HK\$'000 | Elimination HK\$'000 | | Mobile division HK\$'000 | |
| Reportable segment revenue | | | | | | |
| – External | 458,370 | 4,473 | – | 462,843 | – | 462,843 |
| – Internal | – | 140 | (140) | – | – | – |
| | <u>458,370</u> | <u>4,613</u> | <u>(140)</u> | <u>462,843</u> | <u>–</u> | <u>462,843</u> |
| Reportable segment (loss) gain | <u>(6,465)</u> | <u>(43,865)</u> | | (50,330) | 21,009 | (29,321) |
| Interest income | | | | 2,527 | – | 2,527 |
| Other rental income | | | | 276 | – | 276 |
| Finance costs | | | | (12,810) | – | (12,810) |
| Unallocated costs | | | | (14,099) | – | (14,099) |
| Loss before taxation | | | | (74,436) | 21,009 | (53,427) |
| Taxation charge | | | | (2,140) | – | (2,140) |
| Loss for the period | | | | <u>(76,576)</u> | <u>21,009</u> | <u>(55,567)</u> |

For the six months ended 30 September 2008 (Unaudited and restated)

| | Continuing Operations | | | Total HK\$'000 | Discontinued Operation | Consolidated HK\$'000 |
|----------------------------|-----------------------------|------------------------------------|-------------------------|-------------------|--------------------------------|--------------------------|
| | EMS business HK\$'000 | Property investment HK\$'000 | Elimination HK\$'000 | | Mobile division HK\$'000 | |
| Reportable segment revenue | <u>1,094,618</u> | <u>7,491</u> | <u>–</u> | <u>1,102,109</u> | <u>249,290</u> | <u>1,351,399</u> |
| Reportable segment loss | <u>(22,220)</u> | <u>5,118</u> | | (17,102) | (26,873) | (43,975) |
| Interest income | | | | 463 | 51 | 514 |
| Other rental income | | | | 318 | 10 | 328 |
| Finance costs | | | | (19,153) | (1,264) | (20,417) |
| Unallocated costs | | | | (14,618) | – | (14,618) |
| Loss before taxation | | | | (50,092) | (28,076) | (78,168) |
| Taxation credit | | | | 3,256 | – | 3,256 |
| Loss for the period | | | | <u>(46,836)</u> | <u>(28,076)</u> | <u>(74,912)</u> |

4. LOSS BEFORE TAXATION

| | Continuing operations | | Discontinued operation | | Consolidated | |
|--|----------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------|
| | Six months ended 30 September | | Six months ended 30 September | | Six months ended 30 September | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited and restated) | (Unaudited) | (Unaudited and restated) | (Unaudited) | (Unaudited) |
| Loss before taxation has been arrived at after charging (crediting): | | | | | | |
| Depreciation of property, plant and equipment | 9,287 | 31,925 | - | 1,117 | 9,287 | 33,042 |
| Amortisation of land use rights | 672 | 757 | - | - | 672 | 757 |
| Amortisation of intangible assets | - | 7,762 | - | 3,720 | - | 11,482 |
| Loss on disposal of property, plant and equipment | 3,438 | 11,202 | - | - | 3,438 | 11,202 |
| Impairment loss on property, plant and equipment | 8,774 | - | - | - | 8,774 | - |
| Impairment loss on trade and other receivables | 3,112 | 9,300 | - | 148 | 3,112 | 9,448 |
| Interest income | (2,527) | (463) | - | (51) | (2,527) | (514) |
| Exchange (gains) losses, net | (615) | 9,921 | - | 484 | (615) | 10,405 |

5. TAXATION (CHARGE) CREDIT

| | Six months ended | |
|--|-----------------------|---------------------|
| | 30 September | |
| | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| The taxation (charge) credit in continuing operations comprises: | | |
| Current taxation | | |
| Hong Kong | | |
| – overprovision in prior years | 3,860 | – |
| People’s Republic of China (“PRC”) Enterprise Income Tax | | |
| – underprovision in prior years | <u>(6,000)</u> | <u>–</u> |
| | (2,140) | – |
| Deferred taxation credit | | |
| Current period | – | 396 |
| Attributable to change in tax rate | <u>–</u> | <u>2,860</u> |
| Taxation (charge) credit for the period | <u><u>(2,140)</u></u> | <u><u>3,256</u></u> |

Notes

- (a) No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 September 2009 and 2008 as the companies operating in Hong Kong has no estimated assessable profits for both periods.
- (b) Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.
- (c) The Group appealed to the Board of Review against determination made by the Inland Revenue Department (the “IRD”) that some profits of certain subsidiaries (“Subsidiaries”) for the years of assessment 1991/92 to 1995/96 should be Hong Kong sourced and subject to 50% of Hong Kong Profits Tax (the “Tax Appeal”). The Board of Review delivered its decision (the “Board’s Decision”) of the Tax Appeal whereby it dismissed the appeal of one of the subsidiaries (the “Said Subsidiary”) but allowed the appeals of all other subsidiaries. The Said Subsidiary has appealed to the Court of First Instance of High Court and the Court of Appeal of High Court, against the Board’s Decision and both of the appeals were dismissed in December 2007 and October 2008, respectively. The Said Subsidiary has further lodged an appeal (the “Final Appeal”) to the Court of Final Appeal (the “CFA”) and the Final Appeal hearing was held on 8 July 2009 but the CFA has reserved its judgment of the appeal at that date.
- (d) In addition, for the years of assessment of 1996/97 to 2004/05, the IRD issued notices of assessment to the Group regarding the taxability of profits of the Subsidiaries. The Group had already lodged objections against these assessments (“Objections”).
- (e) Currently, amounts of HK\$8,991,000 (31 March 2009: HK\$8,991,000) and HK\$38,503,000 (31 March 2009: HK\$38,503,000) have been paid to the IRD in relation to the Tax Appeal and the Objections as noted in (c) and (d) respectively and these amounts have been included in the taxation recoverable.

- (f) The Commissioner of Inland Revenue has issued a writ in the District Court (the “Said Proceedings”) against the Said Subsidiary to recover a sum of around HK\$33,222,000 allegedly being the tax due and payable by the Said Subsidiary for the years of assessment 2000/2001 to 2003/2004. A hearing took place at the District Court and a judgment was delivered against the Said Subsidiary (the “Said Judgment”). The Said Subsidiary has lodged an application for, inter alia, setting aside and stay of execution of the Said Judgment in District Court. The application was declined in December 2008. The Said Subsidiary is in the course of seeking leave to appeal to the Court of Appeal of High Court. The hearing is fixed in February 2010.
- (g) In respect of the Tax Appeal and the Objections as described in (c) and (d) respectively, the Group has made provisions of HK\$8,921,000 (31 March 2009: HK\$12,781,000) for the Tax Appeal and HK\$68,030,000 (31 March 2009: HK\$68,030,000) for the Objections in respect of the potential tax liabilities in its consolidated statement of financial position as at 30 September 2009 in accordance with the IRD’s assessments. The directors of the Company considered that there was no material underprovision of tax liabilities as at 30 September 2009.
- (h) On 24 July 2009, the CFA concluded that the additional assessments raised by the IRD for the years of assessment 1991/92 to 1995/96 were not validly made by the IRD. However, the CFA held that the IRD can raise additional assessments for the years of assessment 1993/94 to 1995/96 on a different basis. Up to the date of this report, the IRD had not yet issued any new additional assessments. Prior to the new additional assessments being raised by the IRD for the years of assessment 1993/94 to 1995/96, the directors of the Company believe that a reliable estimate of the amount of new additional assessment cannot be made and hence it is not possible to determine presently the amount of the provision recognised as at 30 September 2009 of HK\$8,921,000 that should be reversed or the amount of additional provision that may be required.
- (i) Pursuant to the judgment of the CFA issued on 24 July 2009, the IRD have revised the additional assessments for the years of assessment 1991/92 and 1992/93 of the Said Subsidiary concluding that there are no additional amount of tax payable for the said two years of assessment. Accordingly, the IRD have refunded the Tax Reserve Certificates purchased for the said two years of assessment (being the tax previously held over conditionally) to the Said Subsidiary. The total amount of Tax Reserve Certificates of HK\$3,860,000 together with interests of HK\$2,516,000 were redeemed by the Said Subsidiary in October 2009.

6. DISCONTINUED OPERATION

Weeteck Limited (“Weeteck” and formerly known as Ngai Lik Mobile Electronics Limited) was engaged in the manufacture and trading of mobile electronics products.

On 27 March 2009, it was resolved by the sole director of Weeteck that Weeteck cannot by reason of its liabilities continue its business. Accordingly, Weeteck ceased its business trading and production. Special resolutions were passed by the shareholder of Weeteck at the extraordinary general meeting held on 24 April 2009 to wind up Weeteck voluntarily and appoint Mr. Kong Chi How, Johnson of BDO Financial Services Limited as liquidator for the purpose of the winding-up affairs. On the same day, a meeting of the creditors of Weeteck was also held subsequently whereby the appointed liquidator was confirmed by the creditors of Weeteck.

An analysis of the results of the discontinued operation included in the consolidated statement of comprehensive income is as follows:-

The gain (loss) for the period from the discontinued operation is analysed as follow:

| | Six months ended | |
|--------------------------------|-------------------------|------------------------|
| | 30 September | |
| | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Loss of Weeteck for the period | - | (28,076) |
| Gain on disposal of Weeteck | <u>21,009</u> | <u>-</u> |
| | <u>21,009</u> | <u>(28,076)</u> |

Loss of Weeteck for the period

| | Six months ended | |
|--------------------------------------|-------------------------|------------------------|
| | 30 September | |
| | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Turnover | - | 249,290 |
| Cost of sales | <u>-</u> | <u>(248,539)</u> |
| Gross profit | - | 751 |
| Other operating expenses | - | (319) |
| Other income | - | 61 |
| Selling and distribution expenses | - | (1,845) |
| Administrative expenses | - | (9,047) |
| Impairment loss on intangible assets | - | (16,413) |
| Finance costs | <u>-</u> | <u>(1,264)</u> |
| Loss before taxation | - | (28,076) |
| Taxation | <u>-</u> | <u>-</u> |
| Loss for the period | <u>-</u> | <u>(28,076)</u> |

The net liabilities of the Weeteck at the date of commencement of liquidation were as follows:

| | <i>HK\$'000</i> (Unaudited) |
|-----------------------------|--------------------------------|
| Net liabilities disposed of | (21,009) |
| Gain on disposal | <u>21,009</u> |
| | <u><u>—</u></u> |

7. DIVIDEND

No dividend was proposed for the six months ended 30 September 2009 and 2008.

8. LOSS PER SHARE

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

From continuing and discontinued operations

| | Six months ended 30 September | |
|---|--|-----------------------------------|
| | 2009 | 2008 |
| | <i>HK\$'000</i> (Unaudited) | <i>HK\$'000</i> (Unaudited) |
| Net loss for the period attributable to owners of the Company and loss for the purposes of basic loss per share | <u>(55,567)</u> | <u>(74,912)</u> |
| From continuing operations | | |
| Net loss for the period attributable to owners of the Company | (55,567) | (74,912) |
| Less: gain (loss) for the period from discontinued operation | <u>21,009</u> | <u>(28,076)</u> |
| Loss for the purpose of basic loss per share | <u>(76,576)</u> | <u>(46,836)</u> |
| From discontinued operation | | |
| Gain (loss) for the period from discontinued operation and gain (loss) for the purpose of earnings (loss) per share | <u>21,009</u> | <u>(28,076)</u> |
| | <i>Number of</i> <i>Shares</i> | <i>Number of</i> <i>Shares</i> |
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u>793,016,684</u> | <u>793,016,684</u> |

The computation of diluted loss per share for 2009 and 2008 does not assume the exercise of the Company's outstanding share options since the exercise price was higher than the average market price of the Company's share and their exercise would result in a decrease in loss per share.

The share options were lapsed on 30 June 2009.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at 30 September 2009 <i>HK\$'000</i> (Unaudited) | As at 31 March 2009 <i>HK\$'000</i> (Audited) |
|--|--|--|
| Trade receivable (net of allowance for doubtful debts) | 71,097 | 53,943 |
| Other receivables and prepayments | 7,787 | 16,847 |
| | <u>78,884</u> | <u>70,790</u> |

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 (net of allowance for doubtful debts) at the reporting date:—

| | As at 30 September 2009 <i>HK\$'000</i> (Unaudited) | As at 31 March 2009 <i>HK\$'000</i> (Audited) |
|-------------------|--|--|
| Current – 30 days | 70,139 | 50,736 |
| 31 – 60 days | 949 | 218 |
| 61 – 90 days | 5 | 741 |
| Over 90 days | 4 | 2,248 |
| | <u>71,097</u> | <u>53,943</u> |

10. ASSETS CLASSIFIED AS HELD FOR SALE

On 4 July 2008, a subsidiary of the Company entered into a sale and purchase agreement (the “Agreement”) with an independent party (the “Buyer”) to dispose of one of the Group’s factory premises located in Dongguan, the PRC (the “Disposal”) at a consideration of HK\$230,000,000. The Buyer has paid deposits amounting to HK\$63,000,000 up to 30 September 2009. The directors of the Company are of the view that the completion of the disposal has been delayed by events beyond the Group’s control and the Group is currently negotiating with the Buyer for further payments and completion of the Disposal.

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

| | As at 30 September 2009 <i>HK\$’000</i> (Unaudited) | As at 31 March 2009 <i>HK\$’000</i> (Audited) |
|--|---|---|
| Assets | | |
| Land use right | 2,926 | 2,926 |
| Property, plant and equipment | 54,574 | 54,574 |
| Investment properties | <u>156,591</u> | <u>172,500</u> |
| Total assets classified as held for sale | <u>214,091</u> | <u>230,000</u> |
| Liabilities | | |
| Deposits received | 63,000 | 63,000 |
| Bank and other borrowings | <u>45,211</u> | <u>45,454</u> |
| Liabilities associated with assets classified as held for sale | <u>108,211</u> | <u>108,454</u> |

11. TRADE AND OTHER PAYABLES

| | As at 30 September 2009 <i>HK\$’000</i> (Unaudited) | As at 31 March 2009 <i>HK\$’000</i> (Audited) |
|----------------|---|---|
| Trade payables | 89,423 | 86,288 |
| Bills payable | <u>–</u> | <u>4,168</u> |
| Other payables | <u>89,423</u> | 90,456 |
| | <u>215,411</u> | <u>194,956</u> |
| | <u>304,834</u> | <u>285,412</u> |

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

| | As at 30 September 2009 <i>HK\$'000</i> (Unaudited) | As at 31 March 2009 <i>HK\$'000</i> (Audited) |
|-------------------|--|---|
| Current – 30 days | 85,223 | 53,615 |
| 31 – 60 days | 2,406 | 5,269 |
| 61 – 90 days | 913 | 3,133 |
| Over 90 days | <u>881</u> | <u>28,439</u> |
| | <u>89,423</u> | <u>90,456</u> |

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$4 million on the property, plant and machinery in order to upgrade its manufacturing capabilities.

13. CAPITAL COMMITMENTS

| | As at 30 September 2009 <i>HK\$'000</i> (Unaudited) | As at 31 March 2009 <i>HK\$'000</i> (Audited) |
|---|--|---|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | 269 | 521 |
| Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for | <u>4</u> | <u>48</u> |
| | <u>273</u> | <u>569</u> |

14. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties in the ordinary course of business:

| | | Six months ended | |
|--|--------------|------------------|-----------------|
| | | 30 September | |
| | | 2009 | 2008 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Unaudited) |
| Sub-contracting income from | | | |
| Wah Mei (Lui's) Industrial Limited ("Wah Mei") | a | 99 | 69 |
| Sales to Wah Mei | a | 74 | 397 |
| Hotel expenses and other expenses paid to | | | |
| Qingyuan Regent International Hotel | b | 127 | 148 |
| Remuneration paid to directors and other members of key management | – | <u>4,428</u> | <u>4,695</u> |

Notes

- a. Wah Mei is a company controlled by the father-in-law and mother-in-law of Mr. Lam Shing Ngai, a director of the Company.
- b. Qingyuan Regent International Hotel is indirectly controlled by a discretionary trust for Dr. Lam Man Chan (the Chairman and director of the Company). Ms. Ting Lai Ling and Mr. Lam Shing Ngai and other family members of Dr. Lam and Ms. Ting are beneficiary objects of the discretionary trust. Four directors of the Company, namely, Dr. Lam Man Chan, Ms. Ting Lai Ling, Mr. Lam Shing Ngai and Mr. Yeung Cheuk Kwong are directors of the hotel.

In the opinion of the directors, the above transactions were carried out on normal commercial terms and in the ordinary course of business. The independent non-executive directors have reviewed the above connected transactions and are of the opinion that the transactions are in the ordinary and usual course of business of the Group and in accordance with the terms of the arrangements governing such transactions that are fair and reasonable and in the interest of the owners of the Company as a whole.

15. LITIGATION SETTLEMENTS

A subsidiary of the Company is the defendant in a lawsuit brought by a customer ("the Claimant") against defective products and related compensation losses. On 28 October 2008, an application was made to the Supreme Court of England and Wales claiming damages for defective goods and compensating for losses amounting to GBP1,089,000 (equivalent to HK\$12,088,000) and GBP13,126,000 (equivalent to HK\$145,699,000) respectively.

During the period, the Claimant entered into a settlement agreement with the subsidiary of the Company. Based on the agreement, the Claimant has agreed to pay GBP200,000 (equivalent to HK\$2,284,000) to the subsidiary of the Company. Accordingly, the litigation has been settled upon entering into the agreement with the Claimant.

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

Pursuant to the Circular dated 30 September 2009 issued by the Company with regards to, among other things, the Restructuring Proposal involving the Capital Reorganisation, the Group Reorganisation, the Scheme, the Subscription and the Whitewash Waiver, a special general meeting was held on 27 October 2009 and all resolutions, except the Whitewash Waiver, were duly passed by the shareholders.

Pursuant to the scheme of arrangement (the “Scheme”) dated 29 October 2009 issued by the Company to the creditors, a meeting of the Company’s creditors was held on 3 December 2009 and the Scheme was duly approved by the Scheme Creditors. The Scheme was then sanctioned by the Supreme Court of Bermuda and the High Court of Hong Kong on 18 December 2009 and 21 December 2009 respectively.

Pursuant to the Scheme, 54 subsidiaries of the Company will be transferred to the Scheme Administrators Vehicle controlled by the Administrators for realisation for the benefits of the Scheme Creditors. If the Scheme is effective upon the completion of the Restructuring Proposal, the 54 subsidiaries will be deconsolidated subsequently. Details of the Scheme have been set out in the Company’s circular dated 30 September 2009. The above transfer is probably to be made in January 2010.

The 54 subsidiaries mainly comprise the property investment segment, segment details of which have been set out in Note 3 and the manufacturing facilities (including a majority of the plant and machinery) together with certain non-core assets under the EMS business segment which represent a part of its operations and assets and it is not practical to stand it alone as a complete segment for the purpose of disclosure.

17. RE-PRESENTATION OF PRIOR PERIOD FIGURES

The Group has re-presented the comparative condensed consolidated statement of comprehensive income for the six months ended 30 September 2008 and the relevant explanatory notes in relation to the discontinued operation of Weeteck.

DIVIDEND

The Board of Directors have resolved not to declare an interim dividend (2008: nil) per share for six months ended 30 September 2009.

BUSINESS REVIEW

For the six months ended 30 September 2009, the Group continued to be adversely affected by the restructuring exercise. In July 2009, the company received the formal standstill from The Hong Kong and Shanghai Banking Corporation and Hang Sang Bank, Limited acting as joint coordinating banks of the HK Banks. Sales turnover for the period ended 30 September 2009 decreased by approximately 58% to approximately HK\$462.8 million. The sales revenues dropped drastically, mainly because of the negative impact arising from the group restructuring and the lack of normal credit facilities available to finance its business and operations. Moreover, certain unprofitable product and business line were identified during the process of restructuring and their operations were ceased to ensure the remaining business can provide a better contribution to the cash flow of the Group. Loss for the period was approximately HK\$56 million and was mainly attributed to the following adverse factors:

1. Decrease in fair value of investment properties and assets held for sales. It reflected decline in general prices in the PRC industrial properties in the amount of about HK\$40 million.
2. Impairment loss on property, plant and equipment of about HK\$9 million. It mainly arose from the drop in values of certain properties in Qingyuan Industrial Estate.

Owing to the global economic downturn as triggered by the financial crisis in the United States in 2008, the financial position of the Group has significantly deteriorated since then. The Group has encountered unprecedented challenges and difficulties during the financial period, and has spent tremendous effort in dealing with each of the issues vigorously. Fortunately, the Group has found all of our stakeholders, including customers, suppliers, bankers and employees, are supportive of us. Our management work diligently and effectively within our businesses. Our aim is clear: we strive to move beyond the issues of recent months and return Ngai Lik to a healthy position.

As at 30 September 2009, the bank balances and cash of the Group dropped to approximately HK\$17 million, its bank and other borrowings that are due within one year amounted to approximately HK\$567 million (including bank borrowings related to assets held for sale of approximately HK\$45 million and bank overdraft of HK\$12 million). Thanks to the continuing support as provided by the investor, Success Pioneer Limited and the bank group in Hong Kong, the Restructuring Proposal as detailed in the circular dated 30 September 2009 enables the Group to deal with its indebtedness in a formal and orderly manner so that, so far as the Company is concerned, the claims will be released and discharged upon the completion of the restructuring exercise.

Development of the Restructuring Exercise

1. On 27 October 2009, it was announced that at the Special General Meeting held on 27 October 2009 (“SGM”), the following resolutions as set out in the Notice which comprise (i) the special resolution to approve the Capital Reorganisation (the “Special Resolution No.1”), (ii) the ordinary resolution to approve the Group Reorganisation (the “Ordinary Resolution No.2”), (iii) the ordinary resolution to approve the Subscription Agreement (the “Ordinary Resolution No.3”), and (iv) the ordinary resolution to approve the Profit Sharing Arrangement (the “Ordinary Resolution No.5”) were duly passed by the Shareholders whilst the ordinary resolution to approve the Whitewash Waiver (the “Ordinary Resolution No.4”) was not passed by Independent Shareholders at the SGM by way of poll.
2. On 3 November 2009, the Board jointly announced that Completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent of the Subscription Agreement as described in the section headed “Conditions precedent of the Subscription Agreement” of the Circular, including but not limited to, the approval of the Whitewash Waiver by the Independent Shareholders.

The Subscriber has given the Company a notice in writing to waive condition precedent (1) to the extent that it relates to the Whitewash Waiver Resolution “passing of the Resolutions at the SGM by way of poll by the Shareholders, other than Shareholders abstaining from voting as may be so required by law, the Listing Rules or the Takeovers Code or by the Stock Exchange and/or the SFC (as the case may be)” as set out in the section headed “Conditions precedent of the Subscription Agreement” of the Circular with immediate effect, such that Completion shall no longer be conditional on the passing of the Whitewash Waiver Resolution by the Independent Shareholders.

Upon Completion, the Subscriber and parties acting in concert with it will be interested in 7,137,150,000 Shares, representing approximately 90.0% of the enlarged issued share capital of the Company. Subject to Completion having taken place and pursuant to Rule 26.1 of the Takeovers Code, the Subscriber is required to make an unconditional mandatory cash offer for all the issued Shares, other than those already owned by or agreed to be acquired by the Subscriber or parties acting in concert with it. The Possible Offer will be made on the basis of HK\$0.012 for each Share in cash.

3. On 3 December 2009, a meeting of the Scheme Creditors was held and the Scheme was duly approved by a majority in number (i.e. over 50% in number) of the Scheme Creditors together representing no less than 75% in value of the Scheme Creditors present and voting in person or by proxy at the meeting of the Scheme Creditors held on 3 December 2009.

The Company have recently received sanction from the Hong Kong Court and the Bermuda Court in respect of the Company’s petition.

For details of the restructuring proposal, the profit sharing arrangement, inter-company debts, the Scheme and the future business model of the Retained Group, please refer to the Circular dated 30 September 2009.

EMS Division

Turnover of the EMS division for the financial period amounted to approximately HK\$458 million. The significant drop was mainly due to the negative impact of the group restructuring exercise and the cash flow problems arising from the lack of credit facilities.

During the period, the United States remained the EMS division's largest market. The gross margin decreased to HK\$28 million for the six months ended 30 September 2009. However, the gross margin percentage slightly improved to about 6%, thanks to the rationalization of the manufacturing operations to a reasonable production level.

Discontinued Business

The mobile division ceased operations in the last quarter of the financial year 2009. There was a gain of about HK\$21 million, arising from the de-consolidation of the relevant subsidiary, which was under liquidation during this financial period.

Properties Division

The Group's properties division comprises investment properties in land use rights and factory buildings in Fenggang, Dongguan.

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 2009, the outstanding receivable under the above sale and purchase agreement amounted to about HK\$167 million. The purchaser was unable to pay scheduled payment and formal demand has been made. Up to present moment, negotiations are still under way and different payment terms and various means of settlement have been discussed but no conclusion has been made. The assets held for sale was stated at the fair value as at 30 September 2009 with a fair value decrease of about HK\$15.9 million.

PROSPECTS

EMS Division

Currently, the Group only has 17 production lines in operation. Although the Group is still operating under a difficult environment, the management of the Group is committed to maintaining the business and operations with the continuing support of various stakeholders. Focus of the Group is placed on managing cash flow and working capital and implementing short-term operations improvements, including identifying cheaper sourcing, reducing property costs and overheads reduction.

The Group will use its best endeavours to maintain its presence and deal with the challenges ahead.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

FINANCIAL REVIEW

Turnover

The Group's turnover decreased to approximately HK\$463 million for the period ended 30 September 2009, a reduction of approximately 58% as compared to the preceding financial period. The decline was mainly attributable to the financial difficulties of the Group and weak demand of the consumer electronic products as a direct result of financial tsunami.

Gross Profit

The gross profit was about HK\$24 million for the period ended 30 September 2009 whereas the gross profit was about HK\$51 million in the same period of the last year.

Impairment loss of property, plant and equipment

It amounted to about HK\$9 million for the period ended 30 September 2009.

Expenses

The Group's administrative expenses for the period ended 30 September 2009 totalled to approximately HK\$30 million, representing a decrease of approximately 43% as compared to the preceding financial period.

Working Capital Management

As at 30 September 2009, the Group maintained bank balances and cash of approximately HK\$17 million (31 March 2009: approximately HK\$33 million). The Group's average inventory turnover days was approximately 57 days (31 March 2009: approximately 58 days).

Financing and Capital Structure

As at 30 September 2009, the Group's bank borrowings stood at approximately HK\$567 million (31 March 2009: approximately HK\$578 million), all of which were repayable within one year. The Group's borrowings are primarily denominated in Hong Kong Dollars, US Dollars and RMB. The over gearing situation caused the corporate difficulties of the Group.

Capital Expenditure on Property, Plant and Equipment

Total capital expenditure for the period was approximately HK\$4 million (31 March 2009: HK\$26 million).

Liquidity and Financial Resources

The net current liabilities of the Group as at 30 September 2009 was approximately HK\$522 million (31 March 2009: HK\$512 million). As most of the bank borrowings could not be repaid when fell due and under the terms of relevant bank facilities, the remaining portions of outstanding borrowings became due immediately. The Group faced serious financial problems, mainly arising from the liquidity issue. The current ratio for the period was approximately 0.5 (31 March 2009: approximately 0.5).

As at 30 September 2009, owners' deficit were about HK\$37 million (31 March 2009: Owners' fund of approximately HK\$19 million) because of the significant loss of HK\$56 million for the period.

Pledge of Assets

As at 30 September 2009, 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 about HK\$528 million were pledged to secure certain banking facilities granted to the Group.

During the period, sixteen wholly-owned subsidiaries of the Company have executed a debenture and three wholly-owned subsidiaries have executed the share charges as chargor over their seventeen subsidiaries in favor of the security trustee for the Group's lending banks in Hong Kong. Each debenture constitutes a fixed and floating charge over all the assets of the relevant chargor, and is granted as a continuing security for the payment and discharge in full of the secured obligations.

Capital Commitments

As at 30 September 2009, the Group had capital commitments contracted but not provided for of approximately HK\$273,000.

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 still monitor the overall currency and interest rate exposures particularly for the bank borrowings in RMB which was approximately HK\$255 million as at 30 September 2009. However, since the occurrence of Group's financial problems since December 2008, the Group has no effective facilities in entering into hedging contracts for currency as well as interest rate exposure.

Employee Information

As at 30 September 2009, the Group had approximately 5,460 employees (31 March 2009: approximately 6,000). The remuneration packages are generally structured with reference to market conditions and the individual qualifications. Salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to the management, based on individual merits as well as the results from the respective companies for which the staff works. Benefit plans for its Hong Kong staff include a provident fund scheme and medical and life insurance. The Group also maintains a Share Option Scheme, under which options may be granted to employees to subscribe for shares in the Company. This Share Option Scheme is designed to give employees an incentive to perform.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2009 have not been audited, but have been reviewed by the Audit Committee of the Company and one of the Group's joint auditors, Messrs. Graham H.Y. Chan & Co..

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 2009, except for the deviations from CG Code provision A2.1 in respect of the separation 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 CG Code together with reasons for the deviations are set out in the corporate governance report contained in the Company's 2009 Annual Report issued in July 2009.

AUDIT COMMITTEE

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. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 September 2009.

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 2009.

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 interim 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.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank each and every of the management, staffs and employees for their dedication, loyalty and commitment in the past.

By order of the Board
Lam Man Chan
Chairman

Hong Kong, 28 December 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.

* *For identification purpose only*