



NGAI LIK INDUSTRIAL HOLDINGS LIMITED

毅力工業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

BUSINESS PERFORMANCE UPDATE

Ngai Lik Industrial Holdings Limited announces details of information to be covered in possible discussions with securities analysts and investors prior to its results announcement for the financial year ended 31 March 2006.

Ngai Lik Industrial Holdings Limited (“the Company”) and its subsidiaries (the “Group”) is scheduled to report its annual results for the financial year ended 31 March 2006 (“FY 2006”) on or about 17 July 2006. Prior to its annual results announcement and the finalisation of the accounts for the FY 2006, the Company expects to hold discussions with securities analysts and investors in a normal course of its business that may cover some aspects of the Group’s performance for the FY 2006.

In order to provide adequate disclosure to securities analysts and investors and to ensure that they all will receive equal access to the same information, this business performance update statement provides details of the information that may be covered in these possible discussions.

Sales review

For the FY 2006, the Group expects to report that total sales decreased over the previous financial year. In particular, the sales for the second half of the financial year had suffered from a further decline as compared to the first half of the financial year. This decrease is primarily due to the planned change of product mix, slow season during the Chinese New Year Holiday and strategic reduction of the low margin products and exit from loss-making products of electronics and electrical goods with high plastic contents. However, new products (including portable DVD players) were yet to provide significant sales contribution during the financial year.

Impact of increase in raw material price and labour cost

The profitability of the Group has been adversely affected by the drastic increases in the cost of raw materials used in CD audio products, since the FY 2005. Moreover, the Group has also faced the issues of labour shortage and labour cost increase in the PRC which further raised the production cost to the Group.

The Group seeks to reduce the material price volatility through negotiated terms with suppliers and continues to consolidate its operations from Dongguan plants to Qingyuan industrial estate in order to reduce overhead costs.

However, the negative impact of the high material costs and the labour costs have outweighed the positive effect of the above measures.

Overall impact on profitability

With the planned reduction in low margin conventional CD audio products, whereas the new products were yet to provide significant contribution as compensation for this, the sales for the financial year 2006 continued to decrease.

With the decrease in utilisation of the production facilities, high raw material costs and labour costs, the gross profit in the second half would be lower than that achieved in the first half. Moreover, the finance costs also stayed at a high level as a result of the general increase in average market interest rate during the financial year.

The combined impact of the above had resulted in negative effect on the financial results for the FY 2006.

Prospects

As mentioned in the interim report, the Group has actively promoted its new higher value digital products including a series of LCD televisions and portable DVD players. The sales orders for new products are expected to have a satisfactory growth in the financial year 2007.

Shareholders of the Company are advised to exercise caution when dealing in this securities.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

As at the date of this announcement, the executive directors of the Company are Dr. Lam Man Chan, Mr. Hui King Chun, Ms. Ting Lai Ling, Ms. Ting Lai Wah and Mr. Yeung Cheuk Kwong, the non-executive director is Mr. Lam Ping Cheung, Andrew 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.

By Order of the Board
Lam Man Chan
Chairman

Hong Kong, 16 June 2006

* *For identification only*

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