

Chairman's Statement

主 席 報 告



On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results for the year ended 31 March 2005 to our shareholders.

RESULTS AND DIVIDENDS

For the year ended 31 March 2005, the Group's turnover totalled HK\$3,418 million and net profit for the year was HK\$60 million.

The Board has recommended a final dividend of HK1.0 cent (2004: HK8.5 cents) per share for year ended 31 March 2005. Together with the interim dividend paid during the year, total dividends per share for this year amounted to HK4.5 cents, representing a decrease of 71% as compared to HK15.5 cents per share last year (excluding special dividend paid of HK8.0 cents). The dividend will be payable on or about 8 September 2005 to shareholders of the Company whose names are on the Register of Members on 26 August 2005.

BUSINESS REVIEW

The financial year ended 31 March 2005 ("FY 2005") was definitely a challenging year for the Group. Increases in oil and raw material prices led to drastic decrease in the Group's gross profit margin. For the FY 2005, the Group recorded a turnover of HK\$3,418 million, compared with HK\$3,299 million last year, representing an increase of 3.6%. The Group's net profit declined from HK\$245 million last year to HK\$60 million for FY 2005, representing a decrease of 75.4%. However, the EBITDA for the year still satisfactorily stood at HK\$159 million, down 52.5% as compared with that of previous year.



本人謹代表董事會(「董事會」)欣然向股東提呈截至二零零五年三月三十一日止年度之業績。

業績及股息

截至二零零五年三月三十一日止年度，本集團之營業額合共為3,418,000,000港元，而本年度純利為60,000,000港元。

董事會建議派發截至二零零五年三月三十一日止年度末期股息每股1.0港仙(二零零四年：8.5港仙)。連同年內已派付之中期股息，本年度之股息合共為每股4.5港仙，較去年之每股15.5港仙減少71%(扣除每股8港仙之已付特別股息)。股息將於二零零五年九月八日或相近日子向於二零零五年八月二十六日名列股東登記冊內之本公司股東派發。

業務回顧

截至二零零五年三月三十一日止財政年度(「二零零五年財政年度」)對本集團而言顯然乃甚為艱鉅的一年。油價及原材料價格上升，導致本集團之毛利率大幅減少。於二零零五年財政年度，本集團錄得營業額3,418,000,000港元，較去年3,299,000,000港元增加3.6%。本集團之純利由去年之245,000,000港元下跌至二零零五年財政年度之60,000,000港元，減少75.4%。然而，本年度之扣除利息、稅項、折舊及攤銷前盈利仍處於滿意水平，達159,000,000港元，較去年減少52.5%。



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Despite the challenging business environment, the Group, after due consideration, decided to complete the development of Phase one of the Qingyuan Industrial Estate, as planned. The Group invested in lithium bromide absorption chillers which produce cold water by using heat and provide air-conditioning for the Qingyuan Industrial Estate. This operation is expected to reduce power costs. Moreover, 17 SMT production lines have been installed in Qingyuan with advanced SMT machines (mainly Fuji and Panasonic brands).

The Qingyuan Industrial Estate is planned to produce more digital consumer electronic products. However, with the initial launch of new digital products, the production facilities in Qingyuan are yet to operate at optimum levels. During the year, sales of these new products did not provide significant contribution to the Group's turnover.

During the year, the Group has also determined to enhance its automation in the production process. The Group acquired additional sets of plastic injection and surface mounted machines, stamp presses and dies and CNC machinery for moulding operation. The Group also installed swing robots and autospraying equipment with C10,000 cleaning room standards. All these measures will contribute to our overall production efficiency and quality. On top of its existing four power generators in Dongguan Ngai Lik Electronics Industrial City, the Group acquired an additional 4,000 kw power generator to further reduce its power costs. As a result, the Group's capital expenditure for FY2005 reached a peak level of HK\$328 million (2004: HK\$218 million).



儘管經營環境艱鉅，惟本集團經周詳考慮後，決定按原定計劃完成發展清遠工業村第一期。本集團已投資於溴化鋰吸收式冷卻器，使用熱力產生冷水，為清遠工業村提供空氣調節。此運作方式預期可減低能源成本。此外，清遠已裝設17條表面裝貼技術生產線，生產線配備先進的表面裝貼技術機器（主要品牌為富士及Panasonic）。

清遠工業村計劃生產更多數碼消費者電子產品。然而，在推出新數碼產品初期，設於清遠的生產設施仍有待達致最佳的生產營運效率。於本年度內，此等新產品的銷售額並未為本集團之營業額帶來重大貢獻。

於本年度內，本集團亦已決定加強其生產工序自動化。本集團額外購入注塑機及表面裝貼機、衝壓機、注塑模具及CNC機。本集團亦已安裝機械臂及採用設有C10,000清潔室標準之自動噴射設備。所有有關措施將有助提升本集團之整體生產效益及質素。除設於東莞毅力電子工業城現有之四台發電機外，本集團已增購一台4,000千瓦發電機以進一步減低其發電成本。因此，本集團於二零零五年財政年度之資本開支達到328,000,000港元之最高水平（二零零四年：218,000,000港元）。



As the capex was on the nature of fixed assets, it will benefit the Group in the long run. It is considered that the Qingyuan Industrial Estate will provide competitive advantages for the Group in the development of digital product business. In particular, the Group is equipped with new production facilities, together with a high extent of automation.

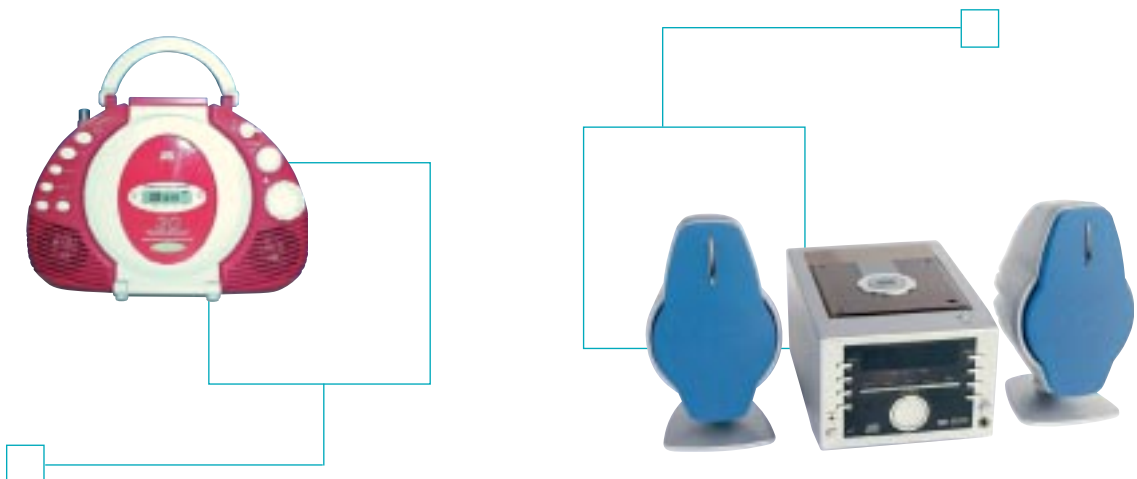
During the year, America remained its largest market followed by Europe. HK\$2,361 million and HK\$621 million of the Group's products were sold to America and Europe, accounting for 69.1% and 18.2% of the Group's total turnover respectively. In prior year, approximately HK\$2,038 million and HK\$813 million of the Group's products were sold to America and Europe respectively. The Group maintained good relationship with the major reputable retailers, in particular the Group committed to fulfill the customers' orders despite of the rising raw materials prices during the year. The Group also successfully acquired certain reputable distributors during the year which further helped expanding the distribution of its products to America.

To improve the quality and performance of its products, the Group remains committed to developing new products and new models of existing products with additional features. We have a research and design team of over 300 engineers in Dongguan, launching over 40 newly designed products each year.

由於資本開支屬固定資產性質，故長遠而言會對本集團有利。本集團認為，清遠工業村為本集團發展數碼產品業務會提供競爭優勢。尤其是，本集團配備新型及高度自動化生產設施。

年內，美洲仍為本集團之最大銷售市場，歐洲則緊隨其後。本集團價值2,361,000,000港元及621,000,000港元之產品已出售予美洲及歐洲，分別佔本集團總營業額之69.1%及18.2%。於去年，本集團售予美洲及歐洲之產品分別約為2,038,000,000港元及813,000,000港元。本集團與主要之著名分銷商維持良好關係，尤其是，年內儘管原材料價格上漲，惟本集團仍致力滿足客戶之訂單。本集團於年內亦成功取得若干著名分銷商之訂單，有助本集團進一步擴大於美洲之產品分銷業務。

為了提升本集團產品之質素及表現，本集團承諾繼續開發新產品及具備更多功能之新型號現有產品。本集團於東莞之研究及設計隊伍聘用超過300名工程師，每年推出超過40種全新設計產品。



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PROSPECTS

Every company from time to time encounters different kinds of challenges. When we do, we face them and endeavour to deal with them. Challenges and difficulties will continue to arise in the coming financial year 2006 ("FY 2006"). The current business condition becomes even more difficult. The general trend in interest rate is uprising and it is generally anticipated that RMB will appreciate in near future. Moreover, the prices of oils and plastic have climbed to new heights which may slow down global economic growth. Together with shortage in labour and electricity supplies, the business environment in China is getting less favorable to the manufacturers.

Thanks to the well-developed production platforms and strong financial standing of Ngai Lik, Ngai Lik still continue to implement its business strategy, which is low-cost production of a wide variety of quality consumer electronic products targeting at the mass market.

Phase One development of the Qingyuan Industrial Estate was completed, providing production areas of about 300,000 square meters. Currently, it has a production capacity of around 25 assembly lines and is fully vertically integrated. The Group will carefully install new assembly lines at an appropriate pace to cater for the demand of additional production capacity. The automation in Qingyuan Industrial Estate will help in saving the costs in long term and it will bring synergies to the Group's existing production plants with benefits from its uprising economies of scale of production.



前景

每家公司總會在不同時間遇上不同種類之挑戰。當本集團遇上挑戰時，會勇於面對，並盡力處理。於未來之二零零六年財政年度（「二零零六年財政年度」），挑戰與困難將繼續出現。現時之經營狀況更形困難。利率普遍趨升，而人民幣預期將於不久將來升值。此外，油價及塑膠價格亦攀至新高，此情況可能減慢全球經濟增長之步伐。連同勞動力及電力供應短缺，對製造商而言，中國之經營環境越趨困難。

由於毅力發展良好之生產平台及強健之財政狀況，毅力仍會繼續實行其經營策略，即以低成本生產種類繁多之優質消費者電子產品，並以大眾化市場為目標。

清遠工業村第一期發展已經完成，提供之生產面積約為300,000平方米。目前，其生產能力約為25條裝配線，並已全面垂直整合。本集團將以適當步伐審慎裝置新裝配線，以應付額外生產力之需求。長遠而言，清遠工業村之自動化將有助節省成本，並將可為本集團之現有生產基地帶來協同效益，受惠於其生產方面日益提高之規模經濟效益。



Ngai Lik's management works vigorously to pursue different measures to mitigate the negative impact arising from the increases in raw material prices. We will first streamline our corporate structure and operations in Hong Kong, Macau, Dongguan and Qingyuan to ensure business efficacy and operational efficiency. Certain operations will be consolidated and, in particular, the component manufacturing operations will be consolidated in the Qingyuan Industrial Estate. Secondly, we will strengthen our product development team to review our product mix in a positive way. We have also increased our headcount in Hong Kong of about 8 engineers in the second half of FY 2005. Ngai Lik intends to reduce its reliance on the CD audio products which require higher plastic contents. Thirdly, after the rapid expansion in the capex in FY 2005, the Group is able to reduce the fixed assets additions in FY2006 and plans to control the expenditure below the level of HK\$100 million. The Group is aiming to enhance its free cash flow for the coming year to further strengthen its financial position.

Last but not least, the Group will actively promote its new MP3 and portable DVD players to its existing and potential customers. The launch of portable DVD players and higher value DVD related products is anticipated to provide better margin contributions for the Group in view of higher average selling prices to cover the relevant royalties. Moreover, the Group's subsidiaries have already obtained relevant patents from Philips for the manufacturing of DVD recorders. Maintaining good relations with customers will also ensure sizeable orders to maximize the usage of the Qingyuan Industrial Estate.



毅力管理層致力採取不同措施，以減輕原材料價格上升所產生之負面影響。本集團將首先精簡其於香港、澳門、東莞及清遠之企業架構及營運，以確保業務效能及經營效率良好。若干運作將予以整合，尤其是，零配件製造業務將於清遠工業村進行整合。第二，本集團將加強其產品開發隊伍，從正面角度檢討其產品組合。本集團亦已增加在香港之僱員人數，於二零零五年財政年度下半年已聘用約8名工程師。毅力有意減少依賴需要較多塑膠之鐳射音響產品。第三，資本開支於二零零五年財政年度急速增加後，本集團將減少於二零零六年添置固定資產，並計劃將有關開支控制於100,000,000港元之水平以內。本集團力求於來年增加其自由現金流量，進一步加強其財政狀況。

最後，本集團將大力推廣其新推出之MP3機及可攜式DVD機予其現有及具潛質客戶。本集團推出可攜式DVD機及較高價值之DVD相關產品，乃鑑於其平均售價較高，能彌補有關專利權費，故預計可為本集團提供較佳之溢利貢獻。此外，本集團之附屬公司已從飛利浦取得有關製造DVD錄影機之專利。本集團與客戶維持良好關係，亦將確保取得大型訂單，盡量使用清遠工業村。



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With the global trend of digitalization of consumer electronic products, the Group expects the sales of traditional audio products to decline in the future. Top line will be affected moderately and a drop of about 10% to 15% in sales of traditional audio products is anticipated for the coming year. In anticipation of this market trend, the Group will actively promote its new higher value digital products including a series of MP3 and portable DVD players to customers. The initial response from customers for these new products is positive. The Group aims to change the product mix and increase the sales of such digital products to not less than 10% of sales revenue in the immediate future. As such, the Group expects the FY2006 will be a year for product transition.

Looking ahead, the Group will try its utmost best to improve the position with its long-term mission to become a leading player in consumer electronic products market. The Group will expedite the pace of product launch to enhance its gross margin with an aim to improve profitability. We are committed to the Group's long-term business development and strike for satisfactory return to shareholders.

CORPORATE GOVERNANCE

Ngai Lik aims to maintain high level of corporate transparency. The Group has constant interaction and communication with shareholders, investors and media through different channels. The Group has gone beyond compliances and has volunteered to issue a business performance update in June 2005 in order to provide adequate disclosure to investors and to ensure that all of them will receive equal access to the same information.



隨著消費者電子產品步向數碼化的全球趨勢，本集團預期日後傳統音響產品的銷售額將會減少。營業額將受到若干程度之影響，預計來年傳統音響產品之銷售額將下跌約10%至15%。洞悉此市場趨勢，本集團將積極向顧客推廣其具有較高價值的新數碼產品，包括一系列MP3機及可攜式DVD機。迄今，我們已知悉顧客初步對此等新產品有正面的回應。本集團致力改變產品組合，務求於不久將來將該等數碼產品之銷售額增加至不少於銷售收益之10%。因此，本集團預計，二零零六年財政年度將為產品過渡的一年。

展望未來，本集團將竭盡所能提升經營狀況，以達致成為消費者電子產品市場業內翹楚的長遠使命。本集團將加快推出產品之步伐，藉以提高其毛利率，增加利潤。本集團致力於其長遠業務發展，並為股東爭取滿意之回報。

企業管治

毅力致力維持高水平之企業透明度。本集團定期透過不同渠道與股東、投資者及傳播媒介進行互動與溝通。本集團已超越所需遵守之標準，並自發於二零零五年六月發出業務表現聲明，以提供充足之披露資料予投資者，並確保彼等均有同等機會取得相同資料。



The Group is pleased to see that its efforts in investor relations received high recognition from the financial community. The Group received the following honorable awards during the year:

- The Group was voted “The Best Managed Company (Small Cap) in Hong Kong”, in Asiamoney’s Annual Best Managed Companies & Corporate Governance Poll. This regional award gives recognition to listed companies that have taken their corporate governance to a higher level.
- Mr. Yeung Cheuk Kwong, the Group’s executive director and chief financial officer, was named the 6th best CFO among 26 other peers from Asia by sell-side analysts in the 2004 Asia Investor Relations Perception Study conducted by the “Institutional Investor Research Group”.
- Ngai Lik has been added as a constituent stock to the Morgan Stanley Capital International (“MSCI”) Hong Kong Small Cap Index, which is the most widely used international equity benchmark for institutional investors.

本集團喜見其於投資者關係方面之努力得到財經界社群之高度肯定。於本年度內，本集團曾獲得以下獎項：

- 本集團在Asiamoney(《亞洲貨幣》)雜誌舉辦之「最佳管理公司及企業管治選舉」中獲選為「香港最佳管理公司(小型企業)」。該區域性獎項旨在肯定已將企業管治提升至更高水平之上市公司。
- 本集團之執行董事兼首席財務總監楊卓光先生在「Institutional Investor Research Group(機構投資者研究集團)」進行之2004 Asia Investor Relations Perception Study中，獲賣方分析員排名為26位亞洲同儕中第六最佳財務總監。
- 毅力被納入為摩根士丹利資本國際(「MSCI」)香港小型企業指數成分股之一，該指數為機構投資者最常使用之國際股份基準。



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SOCIAL RESPONSIBILITY

As a responsible corporate citizen, the Group supports and has sponsored various social and community activities, mainly related to education and in helping the poor. The Group sponsored the Hong Kong Polytechnic University for its "Preferred Graduate Development Programme" for the years 2004 and 2005. This programme is aimed to offer opportunities for the students of Hong Kong Polytechnic University to put their knowledge into practice. The Group has provided the selected students on-the-job training during the summer. Donations worth of HK\$1 million for FY 2005 were mainly made in support of different charitable organizations with due regard to the overall financial position of the Group.

EMPLOYEE INFORMATION

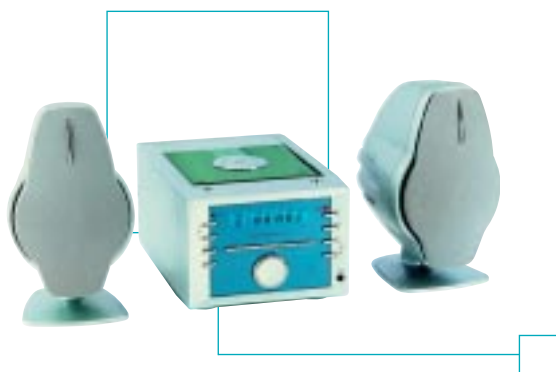
As at 31 March 2005, the Group had approximately 167 employees in Hong Kong and Macau (31 March 2004: 157), approximately 25,500 employees in Dongguan, the PRC (31 March 2004: 29,000) and approximately 12,300 in Qingyuan, the PRC (31 March 2004: 5,800). The increase in headcount in Qingyuan, PRC was a result of further expansion of its production capacity and its vertically integrated operations in the PRC. 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 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

社會責任

作為負責任之企業公民，本集團支持並贊助多種形式之社會及社區活動，其中主要有關教育及扶貧方面。於二零零四年及二零零五年，本集團贊助香港理工大學之「首選畢業生培育計劃」。該計劃旨在提供機會予香港理工大學學生，讓彼等將知識付諸實踐。每年夏季，本集團均為若干學生提供在職訓練。經妥為考慮本集團之整體財政狀況後，本集團於二零零五年財政年度捐款共1,000,000港元，主要乃支持多個不同的慈善機構。

僱員資料

於二零零五年三月三十一日，本集團之香港及澳門僱員人數約為167名（二零零四年三月三十一日：157名），中國東莞僱員人數約為25,500名（二零零四年三月三十一日：29,000名），而中國清遠僱員人數則約為12,300名（二零零四年三月三十一日：5,800名）。增聘中國清遠員工乃由於本集團進一步擴大於中國之生產能力及實施垂直綜合業務所致。薪金一般參考市場標準及個別員工資歷而釐定。本集團僱員之薪金及工資一般於每年根據表現評估及其他相關因素作出檢討。本集團亦按管理層人員各自之良好表現及各公司之業績發放花紅。香港員工之福利計劃包括一項公積金計劃及醫療及人壽保險。本公司亦設有一項購股權計劃，據此可向僱員授出



from the respective companies with which the staff works for. 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.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to our management team and staff for their hard work and dedication in the past year. I also wish to thank our shareholders, customers, suppliers, bankers and business partners for their continued trust and support.

By order of the Board

Lam Man Chan

Chairman

Hong Kong, 18 July 2005

認購本公司股份之購股權。購股權計劃旨在給予僱員盡展所長之機會。

致謝

本人謹代表董事會，對管理層及員工們於過去一年之努力及作出之貢獻致以衷心謝意。本人亦謹此感謝股東、客戶、供應商、往來銀行及業務夥伴之不斷信賴及支持。

承董事會命

林文燦

主席

香港，二零零五年七月十八日