

DIVIDEND

The Board of Directors (the "Board") has resolved to declare an interim dividend of HK1.5 cents (2004: interim dividend of HK3.5 cents) per share for six months ended 30 September 2005. The dividend will be payable on or about 18 January 2006 to shareholders of the Company whose names are on the Register of Members on 13 January 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 9 January 2006 to 13 January 2006, 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, G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (which will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong with effect from 3 January 2006) not later than 4:30 p.m. on 6 January 2006.

BUSINESS REVIEW

For the six months ended 30 September 2005, the Group's turnover was HK\$1,562 million, representing a decrease of 22.2% as compared to the same period last year. Profit attributable to shareholders amounted to HK\$25 million, representing a decrease of 53.2% from HK\$54 million for the same period last year.

During the period under review, the Group's performance was significantly affected by the following adverse factors:

1. an abrupt rise in oil and raw material prices, in particular oil prices once hiked to a level of nearly US\$80 a barrel;
2. general increase in market interest rate;
3. appreciation of Renminbi ("RMB") starting from July 2005;
4. shortages and unstable supply of labour and escalation of wages and salaries in Southern China.

股息

董事會(「董事會」)已議決派發截至二零零五年九月三十日止六個月之中期股息每股1.5港仙(二零零四年:中期股息每股3.5港仙)。有關股息將於二零零六年一月十八日或前後向於二零零六年一月十三日名列本公司股東登記冊內之股東派發。

暫停辦理股份過戶登記手續

本公司在二零零六年一月九日至二零零六年一月十三日(包括首尾兩天)之期間內將會暫停為股東辦理股份過戶登記手續。為符合收取中期股息之資格,務請股東在二零零六年一月六日下午四時三十分之前,將所有有關之過戶文件連同有關股票交回本公司之香港股份過戶登記分處登捷時有限公司,地址為香港灣仔告士打道56號東亞銀行港灣中心地下(將於二零零六年一月三日起遷往香港灣仔皇后大道東28號金鐘匯中心26樓),方為有效。

業務回顧

截至二零零五年九月三十日止六個月,本集團錄得營業額1,562,000,000港元,較去年同期減少22.2%。期內錄得之股東應佔溢利由去年同期54,000,000港元減少53.2%至25,000,000港元。

回顧期間內,本集團表現大受以下不利因素影響:

1. 油價及原材料價格急升,尤其是油價曾一度衝上接近每桶80美元水平;
2. 市場利率全面上升;
3. 人民幣(「人民幣」)自二零零五年七月起升值;
4. 勞工短缺且供應不穩定;以及華南地區之薪金及工資上升。

The high oil prices also had a negative impact on consumer purchasing power and our customers tended to be more conservative in making procurement decisions in view of the uncertain market conditions.

Furthermore, as explained in the 2005 Annual Report, the Group has decided to shift its product mix from conventional audio products to high value digital products. In line with this strategy, the sales of home audio products decreased by 26.1%, but still accounted for 87.8% of the total sales. The sales of digital products increased by 25.7% which accounted for 12.2% of the total sales.

During the period, America remained the Group's largest market followed by Europe. HK\$1,214 million and HK\$220 million of the Group's products were sold to America and Europe, accounting for 77.7% and 14.1% of the Group's total turnover respectively. During the same period last year, HK\$1,374 million and HK\$398 million of the Group's products were sold to America and Europe respectively.

The Group has taken stringent cost control measures and certain component manufacturing operations will be consolidated in the Qingyuan Industrial Estate in early 2006 with an aim of reducing certain operating costs and overheads.

PROSPECTS

The current environment for the manufacturing business remains challenging. Oil prices stayed at relatively high levels and interest rate sustained an uprising trend. In addition, further appreciation in RMB is generally expected in the near future and its impact on the related costs, such as wages and salaries and other expenses denominated in RMB, is uncertain. Moreover, labour shortage continues to be a general concern of the manufacturers in the Pearl River Delta region.

Thanks to the Group's well-developed production platforms in Qingyuan and Dongguan, Ngai Lik still places its focus on low-cost manufacturing of a wide variety of quality consumer electronic products for the mass market. Currently, the Group operates about 70 production lines in China.

油價高企對消費者購買力同樣有負面影響，客戶有見市場情況不明朗，採購決策亦趨於保守。

另外，誠如二零零五年年報所述，本集團決定改變其產品組合，由傳統音響產品轉至高價數碼產品。與此策略相符，家庭音響產品之銷售額降低26.1%，惟仍佔總銷售額87.8%。數碼產品之銷售額則上升25.7%，佔總銷售額12.2%。

期內，美洲仍為本集團產品之最大銷售市場，歐洲則緊隨其後。本集團價值1,214,000,000港元及220,000,000港元之產品已出售至美洲及歐洲，分別佔本集團總營業額之77.7%及14.1%。於去年同期內，本集團出售至美洲及歐洲之產品分別為1,374,000,000港元及398,000,000港元。

本集團嚴格控制成本，某些組件製造業務將於二零零六年初在清遠工業村內整合，以減輕若干經營成本及間接成本。

前景

現時製造業務之環境仍然充滿挑戰：油價仍處偏高水平；利息升勢未止；另外，一般預期人民幣將於短期內進一步升值，而相關成本（如薪金、工資及其他以人民幣計算之開支）之影響尚未明朗。另外，勞工短缺仍困擾著位於珠江三角洲地區的一眾製造商。

本集團擁有位於清遠及東莞發展良好之生產平台，故仍可集中以低成本生產各式優質消費者電子產品以饜大眾化市場所需。本集團現時於中國設有約70條生產線。

With the continual trend of digitalization of consumer audio-visual products, the Group will proactively enhance its products mix on an on-going basis.

The Group has actively promoted its higher value digital products to its customers. These include flash based MP3 and WMA players with different display formats, such as 7 segment, segment ID3, dot matrix and dual colours OLED. To cater for customer demand, various optional features are offered, including card slot, radio receiving and voice recording. At present, 11 models are available and 10 new models are in the pipeline. Furthermore, the Group continues to expand its product range in portable DVD players in 6.2", 7", 8.5", 9" and 10" screen size. Additional features including DIVX, television receiving and USB interface are also provided. 5 models of notebook and slot in type are currently available and 4 new models are in the pipeline.

Customer response towards these new products is encouraging. The Group is confident that sales orders for these products will have a satisfactory growth in the coming financial year and expects the sales of such digital products will account for not less than 15% of sales revenues in FY2007.

Furthermore, the Group will launch another series of digital products such as LCD TVs in different sizes, DVD recorders, personal media players and digital boomboxes. The Group is committed to enhancing the productivity and product quality through automated production facilities in its production processes.

It is anticipated that the market condition will remain difficult for the second half of the financial year and therefore the Group will continue to implement stringent cost controls, consolidate its operations and reduce its capital expenditure to improve free cash flow.

The Group is also in the process of renewing and upgrading certain factory dormitories in Dongguan to provide a better working and living environment for its workers. The Group will also negotiate with its customers to distribute their orders in a more even manner during the coming year to avoid order backlog during the peak season from July to October.

面對消費影音產品數碼化趨勢持續，本集團將繼續積極改善其產品組合。

本集團大力向客戶推廣較高價值之數碼產品，其中包括以快取為基礎、顯示格式不同(例如：7 segment、segment ID3、點陣顯示及雙色有機發光二極管(OLED)等)之MP3機及WMA機。為迎合客戶需求，產品亦配備多種可選功能，包括插卡槽、收音、錄音等。現時已推出11個款式，另有10個新款式亦已準備就緒。此外，本集團繼續擴大其便攜式DVD機之產品系列至6.2"、7"、8.5"、9"及10"螢幕，並提供DIVX、接收電視、USB介面等附加功能。現時已推出5個筆記簿型電腦及滑入式款式，另有4個新款式即將出台。

客戶對上述新產品之反應叫人鼓舞。本集團有信心該等產品之銷售訂單可於下一個財政年度獲得滿意增長，且預計於二零零七年財政年度，該等數碼產品之銷售額佔銷售總額將不少於15%。

另外，本集團將推出另一系列數碼產品，例如不同大小之液晶體電視、DVD錄影機、手提播放機及數碼boomboxes等。本集團亦致力通過生產過程中的自動化生產設施，提升生產力及產品質素。

預期本財政年度下半年市況仍然困難，故本集團將繼續嚴控成本、精簡營運及減少資本開支，以改善其自由現金流量。

本集團亦正著手翻新改建東莞之若干工廠宿舍，為工人提供更佳工作及居住環境。本集團亦將與客戶磋商，將來年訂單平均分佈，以免於七月至十月之旺季出現訂單積壓的情況。

The Group will also continue to explore business opportunities with new clients through the diversification of new product ranges and strives to achieve a proactive yet prudent product transition for the Group.

By leveraging on its solid foundation and establishment in the industry as well as the long-term relationship with its customers, the Group is confident of overcoming the challenges ahead.

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

Turnover

During the period, the sales turnover decreased to HK\$1,562 million, down by 22.2% as compared to the corresponding period last year. The drop was partly attributable to the competitive environment and partly to the planned reduction in product sales with high plastic consumption.

During the period, sales of home audio products accounted for approximately 87.8% of the Group's turnover, a decrease of 26.1% over last period, and remained its core business. Sales from digital and DVD players contributed to approximately 12.2% of the Group's turnover, an increase of 25.7% over last period.

Gross Margin

The Group continued to change its product mix and reduce the sales of CD audio products which used plastics, laminates and metals as the key raw materials. As a result, gross profit margin improved slightly to 6.7% despite the high level of key raw material costs.

Expenses

The Group's administrative expenses were similar to the period for last year and recorded at HK\$57 million. The percentage of administrative expenses to total sales rose to 3.7% (2004: 2.8%). With a lower sales revenue base for the period, the Group's selling and distribution expenses decreased to approximately HK\$19 million. The Group's finance costs surged to HK\$11 million, as a result of the significantly rise in average market interest rate and the increase in bank borrowings.

本集團亦將透過新產品多元化的策略，繼續物色新客戶及商機，令本集團在產品變身的過渡期中取得積極而審慎之進步。

憑藉穩固根基、業內成就，以及與客戶之間的長久關係，本集團充滿信心跨越當前挑戰。

管理層討論及分析

財務回顧

營業額

期內，銷售營業額較去年同期減少22.2%至1,562,000,000港元。營業額減少的原因之一是市場競爭激烈，而另一原因是按計劃減少塑膠成份較高之產品銷售所致。

期內，家庭音響產品之銷售額佔本集團營業額約87.8%，較去年同期降低26.1%，並繼續為其核心業務。數碼及DVD機之銷售額則佔本集團營業額約12.2%，較去年同期上升25.7%。

毛利率

本集團繼續更改產品組合，減少以塑膠、覆鋼面板及金屬為主要原材料之CD音響產品。因此，即使原材料成本仍然處於高水平，毛利率仍可輕微改善至6.7%。

開支

期內本集團之行政開支與去年相若，為57,000,000港元。行政開支對總銷售額之百分比率升至3.7%（二零零四年：2.8%）。由於期內銷售營業額基數降低，故本集團之銷售及分銷開支減少至19,000,000港元。本集團之融資成本因平均市場利率大幅上升及銀行借貸增加而急升至11,000,000港元。

Working Capital Management and Dividend Policy

As at 30 September 2005, the Group maintained long-term bank deposit, bank balances and cash of approximately HK\$245 million (31 March 2005: HK\$239 million). The Group's average inventory turnover was about 56 days (31 March 2005: 51 days). The increase was partly due to certain stocks being piled up for the shipments in October and November 2005. The Group's average trade receivables turnover increased to 15 days (31 March 2005: 10 days).

The Board of Directors has declared an interim dividend of HK1.5 cents per share.

After careful deliberation the Group adhered to its existing dividend policy with a payout ratio of not more than 50% on profit attributable to shareholders, rather than maintaining the absolute amount of dividend of the prior year.

Financing and Capital Structure

For the period ended 30 September 2005, the total bank borrowings of the Group stood at approximately HK\$723 million (31 March 2005: HK\$544 million) of which HK\$358 million (31 March 2005: HK\$371 million) were not repayable within one year. The borrowings mainly included outstanding balances of syndicated loan facilities of HK\$294 million and term loans from several banks amounted to HK\$209 million. The increase in borrowings was mainly used to finance the CAPEX and daily operations.

The Group also issued letters of credit to procure the supplies of critical components and certain raw materials. The trust receipt loans amounted to approximately HK\$126 million (31 March 2005: HK\$40 million). The Group's borrowings were primarily denominated in Hong Kong dollars or US dollars and the Group had no significant exposure to foreign exchange fluctuations.

營運資金管理及股息政策

於二零零五年九月三十日，本集團之長期銀行存款、銀行結存及現金維持約245,000,000港元(二零零五年三月三十一日：239,000,000港元)。本集團之平均存貨流轉期約為56日(二零零五年三月三十一日：51日)，流轉期增加部份是因為二零零五年十月及十一月若干準備出貨之存貨積壓所致。本集團之平均貿易應收賬款流轉期上升至15日(二零零五年三月三十一日：10日)。

董事會已宣派中期股息每股1.5港仙。

經詳細商議後，本集團奉行其現有派息率不高於股東應佔溢利50%之股息政策。而不維持往年之絕對股息數額。

融資及資本架構

於截至二零零五年九月三十日止期間，本集團之總銀行借貸保持約為723,000,000港元(二零零五年三月三十一日：544,000,000港元)，其中358,000,000港元(二零零五年三月三十一日：371,000,000港元)毋須於一年內償還。借貸主要包括銀團貸款之未償還結餘294,000,000港元及若干銀行之定期貸款達209,000,000港元。借貸上升主要用以應付資本開支及日常營運所需。

本集團採購重要組件及若干原材料時亦發出信用證。信託收據貸款約為126,000,000港元(二零零五年三月三十一日：40,000,000港元)。由於本集團之借貸主要以港元或美元定值，因此本集團毋須承擔重大外匯波動之風險。

Capital Expenditure

Total capital expenditure for the period was HK\$73 million (31 March 2005: 328 million), out of which, HK\$20 million was spent on the construction of industrial buildings in the PRC, HK\$29 million for the acquisition of plant and machinery and HK\$12 million for moulds investment.

Liquidity and Financial Resources

The net current assets of the Group as at 30 September 2005 stood at a level of approximately HK\$115 million (31 March 2005: HK\$140 million) and the current ratio was 1.13 (31 March 2005: 1.21). Shareholders' funds were maintained at approximately HK\$1,084 million (31 March 2005: HK\$1,064 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 and, presently, the Group had not entered into any financial instrument for hedging purposes. However, 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 2005, the Group had approximately 35,000 employees (2004: approximately 38,500). 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 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.

資本支出

期內總資本支出為73,000,000港元(二零零五年三月三十一日: 328,000,000港元), 其中20,000,000港元用於興建位於中國之工業樓宇, 29,000,000港元用於收購廠房及機器, 12,000,000港元則用於模具投資。

流動資金及財政資源

於二零零五年九月三十日, 本集團之流動資產淨值維持於約115,000,000港元(二零零五年三月三十一日: 140,000,000港元)之水平, 而流動比率則為1.13(二零零五年三月三十一日: 1.21)。股東資金維持於約1,084,000,000港元(二零零五年三月三十一日: 1,064,000,000港元)之水平。

庫務政策

本集團之銷售及採購大部份以美元及港元結算。由於港元與美元掛鈎, 令本集團承受外匯波動風險甚低, 而現時, 本集團並無訂立任何金融工具作為對沖用途。然而, 本集團將密切監察整體之貨幣及利率風險。於認為合適時, 本集團將為貨幣風險及利率風險進行對沖。

僱員資料

於二零零五年九月三十日, 本集團有約35,000名僱員(二零零四年: 約38,500名)。酬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。