



NORTHERN INTERNATIONAL HOLDINGS LIMITED

北方興業控股有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock code 股份代號 : 736

INTERIM REPORT 2007 中期報告

CORPORATE INFORMATION**BOARD OF DIRECTORS****Executive directors**

Zhao Qing Ji (*Chairman*)

Lu Xiao Dong

Au Tat On

Wong Siu Keung, Joe

(*Resigned on 1 July 2007*)

Independent non-executive directors

Chan Mei Bo, Mabel

(*Appointed on 1 June 2007*)

Yeung Yuen Hei

Wang Dong

(*Appointed on 1 November 2007*)

Cheng Kwok Hing, Andy

(*Resigned on 1 November 2007*)

Yeung King Wah

(*Resigned on 1 June 2007*)

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ong King Keung

(*Appointed on 1 July 2007*)

Wong Siu Keung, Joe

(*Resigned on 1 July 2007*)

AUTHORISED REPRESENTATIVES

Lu Xiao Dong

Ong King Keung

LEGAL ADVISER

Michael Li & Co

AUDITORS

CCIF CPA Limited

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ICBC (Asia)

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Bermuda

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STOCK CODE

736

**CCIF****CCIF CPA LIMITED**20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong**REPORT ON REVIEW OF INTERIM FINANCIAL REPORT
TO THE BOARD OF DIRECTORS OF
NORTHERN INTERNATIONAL HOLDINGS LIMITED***(Incorporated in Bermuda with limited liability)***Introduction**

We have reviewed the interim financial report set out on pages 3 to 16, which comprises the condensed consolidated balance sheet of Northern International Holdings Limited as at 30 September 2007 and the related condensed consolidated income statement, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to another person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting".

CCIF CPA Limited*Certified Public Accountants*

Hong Kong, 26 November 2007

Delores Teh

Practising Certificate Number P03207

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Northern International Holdings Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company, its subsidiaries and associated companies (the "Group") for the six months ended 30 September 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

		Six months ended 30 September	
	Note	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000 (restated)
Continuing operation			
Turnover	5	6,124	1,345
Other revenue		6,007	700
Administrative expenses		(11,329)	(488)
Other operating expenses		–	(5)
		<hr/>	<hr/>
Profit from operating activities	6	802	1,552
Finance costs		(1,420)	–
		<hr/>	<hr/>
(Loss)/profit before taxation		(618)	1,552
Income tax	7(a)	(1,844)	–
		<hr/>	<hr/>
(Loss)/profit for the period from continuing operation		(2,462)	1,552
Discontinued operations			
Loss for the period from discontinued operations	8	–	(22,162)
		<hr/>	<hr/>
Loss for the period		(2,462)	(20,610)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		(2,462)	(20,610)
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/earnings per share			
From continuing and discontinued operations:			
– Basic	9	(0.28) cents	(3.15) cents
		<hr/>	<hr/>
– Diluted	9	–	–
		<hr/>	<hr/>
From continuing operations:			
– Basic	9	(0.28) cents	0.24 cents
		<hr/>	<hr/>
– Diluted	9	–	0.24 cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

	Note	30.09.2007 (Unaudited) HK\$'000	31.03.2007 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	1,556	887
Investment properties	11	264,373	258,784
Interests in an associate		—	—
		<u>265,929</u>	<u>259,671</u>
Current assets			
Other receivables, deposits and prepayments		100,378	2,155
Cash and cash equivalents		187,763	5,802
		<u>288,141</u>	<u>7,957</u>
Current liabilities			
Other payables and accruals		11,947	5,462
Interest-bearing borrowings		4,045	—
Tax payable	7(b)	429	420
Due to shareholder		3,150	—
Due to directors		—	35
		<u>19,571</u>	<u>5,917</u>
Net current assets		<u>268,570</u>	<u>2,040</u>
Total assets less current liabilities		<u>534,499</u>	<u>261,711</u>
Non-current liabilities			
Interest-bearing borrowings		97,075	—
Other payable		—	2,752
Long term payable	12	—	162,504
Promissory notes	13	132,692	—
Deferred tax liabilities	7(c)	62,359	60,515
		<u>292,126</u>	<u>225,771</u>
Net assets		<u>242,373</u>	<u>35,940</u>
Capital and reserves			
Share capital	14	16,798	83,879
Reserves		225,575	(47,939)
TOTAL EQUITY		<u>242,373</u>	<u>35,940</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Share capital HK'000	Share premium HK'000	Contributed surplus HK'000	Buildings revaluation reserve HK'000	Special reserve HK'000	Exchange fluctuation reserve HK'000	Retained profits/ (accumulated losses) HK'000	Total HK'000
As at 1 April 2007	83,879	40,911	-	-	(11,153)	(94)	(77,603)	35,940
Capital reorganisation	(79,685)	(40,911)	20,868	-	-	-	99,728	-
Issue of new shares	12,582	194,982	-	-	-	-	-	207,564
Exercise of share options	22	147	-	-	-	-	-	169
Translation differences	-	-	-	-	-	1,162	-	1,162
Loss for the period	-	-	-	-	-	-	(2,462)	(2,462)
As at 30 September 2007 (unaudited)	<u>16,798</u>	<u>195,129</u>	<u>20,868</u>	<u>-</u>	<u>(11,153)</u>	<u>1,068</u>	<u>19,663</u>	<u>242,373</u>
As at 1 April 2006	58,300	26,743	-	546	(11,153)	(457)	(59,649)	14,330
Issue of new shares	11,600	1,740	-	-	-	-	-	13,340
Translation differences	-	-	-	-	-	(520)	-	(520)
Loss for the period	-	-	-	-	-	-	(20,610)	(20,610)
As at 30 September 2006 (unaudited)	<u>69,900</u>	<u>28,483</u>	<u>-</u>	<u>546</u>	<u>(11,153)</u>	<u>(977)</u>	<u>(80,259)</u>	<u>6,540</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(2,250)	18,146
Net cash (used in)/generated from investing activities	(99,375)	666
Net cash generated from/(used in) financing activities	282,433	(17,308)
Net increase in cash and cash equivalents	180,808	1,504
Effect of foreign exchange rate changes	1,153	(24)
Cash and cash equivalents at beginning of the period	5,802	(316)
Cash and cash equivalents at end of the period	<u>187,763</u>	<u>1,164</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	187,763	2,153
Bank overdrafts	-	(989)
	<u>187,763</u>	<u>1,164</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS*30 September 2007***1. BASIS OF PREPARATION**

This interim financial report is unaudited but has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the Group’s financial statements for the year ended 31 March 2007. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The interim financial report should be read in conjunction with the financial statements of the Group for the year ended 31 March 2007.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties which are measured at fair value.

The accounting policies adopted are consistent with those of the Group’s annual financial statements for the year ended 31 March 2007 as described in the annual financial statements for the year ended 31 March 2007.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 March 2008.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transaction

The adoption of the above new standards, amendments to standards and interpretations does not result in substantial changes to the Group’s accounting policies.

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group’s accounting policies.

2. **PRINCIPAL ACCOUNTING POLICIES** (continued)

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating Segments ¹
HK (IFRIC) – INT 12	Service Concession Arrangements ²
HK (IFRIC) – INT 13	Customer Loyalty Programmes ³
HK (IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

3. **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activity of the Group is properties investment.

4. **SEGMENT INFORMATION**

The analysis of the Group's turnover and profit/(loss) from operations by business and geographical segments for the six months ended 30 September 2007 and 2006 are as follows:

(a) **Business segments**

Six months ended 30 September 2007 (Unaudited)

	Continuing operation	Discontinued operations			Consolidated HK\$'000
	Properties investment HK\$'000	Snap off blade cutters HK\$'000	Electronic consumer products HK\$'000	Total HK\$'000	
Revenue –					
External sales	6,124	–	–	–	6,124
Segment results	451	–	–	–	451
Interest income	351			–	351
Profit from operations	802			–	802
Finance costs	(1,420)			–	(1,420)
Loss before taxation	(618)			–	(618)
Income tax	(1,844)			–	(1,844)
Loss from ordinary activities attributable to equity holders of the Company	(2,462)			–	(2,462)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Six months ended 30 September 2006 (Unaudited)

	Continuing operation	Discontinued operations			Consolidated HK\$'000
	Properties investment HK\$'000	Snap off blade cutters HK\$'000	Electronic consumer products HK\$'000	Total HK\$'000	
Revenue –					
External sales	1,345	25,689	2,335	28,024	29,369
Segment results	1,469	(4,434)	(16,179)	(20,613)	(19,144)
Interest income	83			12	95
Profit/(loss) from operations	1,552			(20,601)	(19,049)
Finance costs	–			(1,561)	(1,561)
Profit/(loss) before taxation	1,552			(22,162)	(20,610)
Income tax	–			–	–
Profit/(loss) from ordinary activities attributable to equity holders of the Company	1,552			(22,162)	(20,610)

(b) Geographical segments

	Six months ended 30 September					
	2007			2006		
	Continuing operation HK\$'000	Discontinued operations HK\$'000	Total HK\$'000	Continuing operation HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Turnover						
Hong Kong	–	–	–	–	5,237	5,237
Mainland China	6,124	–	6,124	1,345	3,242	4,587
Europe	–	–	–	–	8,652	8,652
North America	–	–	–	–	3,809	3,809
East Asia	–	–	–	–	5,809	5,809
Others	–	–	–	–	1,275	1,275
	6,124	–	6,124	1,345	28,024	29,369

5. **TURNOVER**

Turnover represents gross rental income received and receivable from investment properties during the period.

6. **PROFIT FROM OPERATING ACTIVITIES**

The Group's profit from operating activities is arrived at after (crediting)/charging:

	Continuing operation		Six months ended 30 September		Consolidated	
	2007	2006	Discontinued operations		2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	(351)	(83)	-	(12)	(351)	(95)
Surplus on revaluation on investment properties	(5,589)	(617)	-	-	(5,589)	(617)
Depreciation	125	4	-	878	125	882
Amortisation of leasehold land and land use rights	-	-	-	55	-	55

7. **INCOME TAX**

(a) Tax in the condensed consolidated income statement represents:

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax	-	-
Deferred tax	1,844	-
Tax expense	1,844	-
Tax expense for continuing operation	1,844	-
Tax expense for discontinued operations	-	-
	1,844	-

Note:

(i) **Hong Kong profits tax**

No Hong Kong profits tax has been provided for as the Group had no estimated assessable profits arising in or derived from Hong Kong (2006: Nil).

(ii) **Deferred taxation**

The amount represented deferred tax on the fair value adjustments on investment properties held by the subsidiaries during the period (2006: Nil).

7. INCOME TAX (continued)

(b) Taxation in the condensed consolidated balance sheet represents:

	At 30	At 31
	September 2007	March 2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Mainland China enterprise income tax	429	420

(c) Movement of deferred tax liabilities in the condensed consolidated balance sheet is as follows:

	At 30	At 31
	September 2007	March 2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Balance brought forward	60,515	116
Disposal of building held for own use	-	(116)
Acquisition of subsidiaries	-	55,787
Deferred tax charge to income statement	1,844	4,728
	62,359	60,515

8. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

The result of the discontinued operations for the period ended 30 September 2007, which have been included in the condensed consolidated income statement, were as follows:

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Sales of snap off blade cutters	-	2,335
Sales of electronic consumer products	-	25,689
	-	28,024
Cost of sales	-	(30,224)
Gross loss	-	(2,200)
Other revenue	-	593
Distribution costs	-	(2,456)
Administrative expenses	-	(7,502)
Other operating expenses	-	(9,036)
Loss from operations	-	(20,601)
Finance costs	-	(1,561)
Loss before taxation	-	(22,162)
Income tax	-	-
Loss for the period	-	(22,162)

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the following data:

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the purpose of basic (loss)/earnings per share (attributable to equity holders of the Company)		
From continuing operations	(2,462)	1,552
From discontinued operations	–	(22,162)
	<u>(2,462)</u>	<u>(20,610)</u>
	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>shares</i>
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	892,319,607	654,579,421
Deemed issue of ordinary shares for share options	N/A	64,502
	<u>N/A</u>	<u>654,643,923</u>

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the period ended 30 September 2006 has been retrospectively adjusted for the effect of the open offer completed in September 2007.

The calculation of diluted earnings per share for continuing operations for the period ended 30 September 2006 is based on the profit attributable to equity holders of approximately HK\$1,552,000 and the weighted average number of 654,643,923 ordinary shares after adjusting for the effects of all dilutive potential shares under the Company's share option scheme.

No disclosure of the diluted loss per share for the period ended 30 September 2007 as there is no dilutive potential ordinary shares. Diluted loss per share for continuing and discontinued operations for the period ended 30 September 2006 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2007, the Group acquired property, plant and equipment at a cost of approximately HK\$788,000 (Six months ended 30 September 2006: HK\$12,000).

11. INVESTMENT PROPERTIES

The Directors consider that the fair value of the investment properties were approximately HK\$264,373,000 on 30 September 2007 (31 March 2007: HK\$258,784,000).

12. LONG TERM PAYABLE

During the year ended 31 March 2007, the Group acquired 100% equity interest in Luck Grow Group Limited and sale loan from Mr. Peter D. Xu, an independent third party, for a consideration of HK\$182.5 million which was satisfied by cash payment of HK\$24.8 million and promissory notes of HK\$157.7 million. The Company paid HK\$20 million as partial settlement of the cash consideration of HK\$24.8 million. The remaining balance of the cash consideration of HK\$4.8 million was agreed with Mr. Peter D. Xu and will not be repayable within one year. The amount of HK\$157.7 million which should be settled by way of issuing promissory notes had not been issued as the conditions under the sale and purchase agreement signed on 21 August 2006 for issuing the promissory notes were not yet fulfilled until July 2007. The total outstanding balance of HK\$162.5 million was therefore classified as a long term payable as at 31 March 2007.

13. PROMISSORY NOTES

In July 2007, as the conditions under the sale and purchase agreement signed on 21 August 2006 were fulfilled, the Company issued the promissory notes to Mr. Peter D. Xu in the amount of HK\$157.7 million during the period. The promissory notes borne interest at 5% per annum and payable together with the principal amount at the date falling on the fifth anniversary of the date of issue.

Part of the promissory notes were repaid from the proceeds of the open offer. Repayment of amount HK\$25 million and HK\$96.6 million were made in September 2007 and October 2007 respectively. The remaining balance HK\$36.1 million of the promissory notes were fully settled before the date of this report by setting off the proceeds from share placement in October 2007 as stated in note 19(a) of this report. The interests accrued under the promissory notes were agreed by Mr. Peter D. Xu to be waived in October 2007.

14. SHARE CAPITAL

		Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
Balance at beginning of the period		1,500,000,000	300,000
Capital reorganisation	(i)	–	(285,000)
Increase during the period	(ii)	2,000,000,000	20,000
		<u>3,500,000,000</u>	<u>35,000</u>
Balance at end of the period			
Issued and fully paid:			
Balance at beginning of the period		419,392,885	83,879
Capital reorganisation	(i)	–	(79,685)
Issue of new shares	(iii)	1,258,178,656	12,582
Exercise of share options	(iv)	2,251,650	22
		<u>1,679,823,191</u>	<u>16,798</u>
Balance at end of the period			

- (i) By ordinary resolutions passed at a special general meeting held on 21 May 2007 for the capital reorganisation scheme, the authorised share capital was reduced from HK\$300,000,000 of 1,500,000,000 shares of HK\$0.2 each to HK\$15,000,000 of 1,500,000,000 shares of HK\$0.01 each by cancelling the amount of HK\$285,000,000 shares.

The issued share capital was reduced from 419,392,885 shares of HK\$0.2 each to 419,392,885 shares of HK\$0.01 each by cancelling 419,392,885 shares of HK\$0.19 each together with the associated share premium of amount HK\$40.9 million. Under the capital reorganisation scheme, a credit of approximately HK\$120.6 million arose. Such amount was transferred to the contributed surplus account. Part of the contributed surplus was applied to eliminate the accumulated deficits amounting to approximately HK\$99.7 million. A surplus of approximately HK\$20.9 million standing to the credit of the contributed surplus account was remained after the completion of the capital reorganisation.

The contributed surplus was arising from capital reduction and share premium reduction on 21 May 2007. It may be utilised by the Directors in accordance with the Bye-laws of the Company and all applicable laws, including to apply such credit against the accumulated losses of the Company.

- (ii) By an ordinary resolution passed at a special general meeting held on 31 August 2007, the Company's authorised share capital was increased to HK\$35,000,000 by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.01 each.
- (iii) By an ordinary resolution passed at a special general meeting held on 31 August 2007, the Company issued 1,258,178,655.75 shares at HK\$0.17 each by an open offer.
- (iv) By an ordinary resolution passed on 28 September 2007, the Company issued 2,251,650 shares under the share option scheme of the Company exercised by an option holder at an exercise price of HK\$0.0755.

15. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group had the following transactions with Twin Base Limited (“Twin Base”), a company in which Mrs. Chong Cheng Man Shan (“Mrs. Chong”), the spouse of Mr. Chong Sing Yuen, a former Director, has a beneficial interest:
- (i) During the period, the Group paid rentals of approximately HK\$Nil (2006: HK\$197,500) to Twin Base for a motor vehicle. The rentals were charged in accordance with a motor vehicle rental agreement.
- (ii) As at 30 September 2007, no property interests was pledged to a bank by Twin Base to secure the credit facilities granted to the Group. As at 31 March 2007, Twin Base had pledged certain of its property interests to a bank to secure the credit facilities to the extent of HK\$12,899,980 granted to the Group.
- (iii) No advance was provided by Twin Base to the Group during the period. During the period 2006, Twin Base advanced HK\$4,061,859 to the Group. The advances are unsecured, interest-free and are repayable on demand.
- (b) No advance was provided by Mrs. Chong to the Group during the period. During the period 2006, Mrs. Chong advanced HK\$14,362,094 to the Group. The advances are unsecured, interest-free and are repayable on demand.
- (c) No advance was provided by Mr. Chim Pui Chung, a shareholder of the Company, to the Group during the period. During the period 2006, Mr. Chim Pui Chung advanced HK\$19,000,000 to the Group. The advances are unsecured, interest-free and are repayable on demand.
- (d) No advance was provided by Mr. Chong Sing Yuen to the Group during the period. During the period 2006, Mr. Chong Sing Yuen advanced approximately HK\$10,374,018 to the Group. The advances are unsecured, interest-free and are repayable on demand.
- (e) During the period 2007, Ms. Pan Chien Pu, a shareholder of the Company, advanced HK\$3,150,000 (2006: HK\$Nil) to the Group. The advance is unsecured, interest-free and repayable on demand.
- (f) Key management compensation

Details of compensation paid to key management of the Group (all being Directors) are as follows:

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other benefits	830	2,120
Contribution to retirement benefit scheme	34	26
	<u>864</u>	<u>2,146</u>

16. COMMITMENTS

(a) Capital commitments

As at the balance sheet date, the Group had the following commitments:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Purchase of investment properties		
– Contracted for but not provided for	<u>80,049</u>	<u>–</u>

(b) Operating lease commitments

(i) The Group as lessor:

The Group had total future minimum lease payments receivable under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within one year	13,459	12,895
In the second to fifth years, inclusive	34,387	41,475
Over five years	<u>11,120</u>	<u>6,018</u>
	<u>58,966</u>	<u>60,388</u>

(ii) The Group as lessee:

The Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within one year	2,965	1,272
In the second to fifth years, inclusive	4,647	2,738
Over five years	<u>–</u>	<u>1,091</u>
	<u>7,612</u>	<u>5,101</u>

17. CHARGES ON GROUP'S ASSETS

The Group's investment properties situated in Shanghai, mainland China are all rented out. As at 30 September 2007, all (31 March 2007: 100%) of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group.

18. LITIGATION

The Company instituted legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") in 1998 for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of HK\$40 million being the economic loss suffered by the Company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the Company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

19. NON-ADJUSTING POST BALANCE SHEET EVENT

- (a) On 10 October 2007, the Company entered into a subscription agreement and a deed with Mr. Peter D. Xu, the promissory notes holder, for the subscription of 83,875,000 shares of HK\$0.43 each. The gross proceeds from the issue were approximately HK\$36.1 million and were utilised for setting off the remaining balance of the promissory notes. After completion of the issue, the share capital was increased by HK\$838,750 to HK\$17,636,982 and the share premium was increased by HK\$35,227,500 to HK\$230,356,820 before expenses.
- (b) On 5 November 2007, the Directors proposed to change the English name of the Company from “Northern International Holdings Limited” to “China Properties Investment Holdings Limited” and adopt the Chinese name of “中國置業投資控股有限公司” in lieu of “北方興業控股有限公司” for identification purpose. The Directors also proposed the followings:
- (1) the grant of option to Mr. Zhao Qing Ji, a controlling shareholder of the Company, to subscribe for and the issue of 55,890,000 shares at an exercise price of HK\$0.60 per shares;
 - (2) the grant of options to each of Mr. Lu Xiao Dong, Ms. Yu Wai Fong, Mr. Au Tat On, Mr. Ong King Keung, Mr. Qiu Fang, Mr. Zhou Hong Tao, Mr. Li Ying, Mr. Shen Lu Jun, Mr. Huan Jing and Mr. Yao Nai Wei to subscribe for and the issue of 17,635,000 shares at an exercise price of HK\$0.60 per shares, representing a total of 176,350,000 shares;
 - (3) to grant to the Directors a general mandate to allot, issue and deal with additional shares and to make or grant offers, agreements, options and warrants not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing such resolution; and
 - (4) to refresh the 10% limit on the grant of options under the share option scheme of the Company.

The proposals are subject to approval by the shareholders of the Company at a special general meeting to be held on 28 November 2007. Details of the proposals have been disclosed in the Company’s circular dated 5 November 2007.

20. COMPARATIVE FIGURES

Due to the termination of the snapp off blade cutters business during the second half of the previous year financial period, which constituted a discontinued operation under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, certain comparative figures have been reclassified to conform with current period’s presentation.

21. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the board on 26 November 2007.

INTERIM DIVIDEND

The Directors has resolved not to declare any interim dividend (2006: Nil). Accordingly, no closure of register of members of the Company is proposed.

BUSINESS REVIEW AND PROSPECTS

During the period, the Group focuses on the properties investment business and ceased its electronic consumer products and snap off blade cutters businesses last year. Net loss of the Group was narrowed to approximately HK\$2.5 million (2006: HK\$20.6 million) and loss per share was reduced to HK0.28 cents (2006: HK3.15 cents) because of the discontinuance of electronic consumer products and snap off blade cutters businesses.

Continuing operation

Properties investment business

The turnover of the Group's properties investment business was approximately HK\$6.1 million (2006: HK\$1.3 million), a 369% increase over last year. The increase was mainly due to the acquisition of properties in Shanghai through the acquisition of Luck Grow Group Limited last year. The properties in Shanghai are properties with aggregate gross floor area of approximately 5,621.69 square meters, located in fast developing area or city centre of Shanghai. The results of this business segment slightly reduced to approximately HK\$0.45 million (2006: HK\$1.47 million) due to higher administrative expenses during the period.

As at 30 September 2007, the Group was in the progress to further acquire properties in Shanghai as stated in the circular dated 14 August 2007 and expected to complete the acquisition within this financial year. It was believed that the turnover and result of the segment would be enhanced after the acquisition.

The Group will continuously concentrate on the properties investment business and will actively explore other investment opportunities.

Discontinued operation

The Group terminated its electronic consumer products business and disposed its snap off blade cutters business last year because of the underperformance of these businesses.

Geographical segment analysis

The Group's client base is quite well diversified in terms of geographical locations. There was a high concentration in the PRC market since the Group's properties are located in the PRC and turnover was classified according to the location of direct clients.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2007, the current and non-current liabilities of the Group amounted to approximately HK\$19.6 million (2007: HK\$5.9 million) and approximately HK\$292.1 million (2007: HK\$225.8 million), respectively. The amount of net current assets increased to approximately HK\$268.6 million (2007: HK\$2 million), which was mainly due to the completion of open offer in September 2007.

The Group had bank borrowing of approximately HK\$101.1 million as at 30 September 2007 (2007: Nil). The gearing ratio, defined as the percentage of total bank borrowings to shareholders' funds, is 41.7% (2007: nil). Promissory notes were all issued in July 2007 and settled on or before October 2007 through cash and placement of shares. For details, please refer to note 13 to the condensed financial statements.

Most of the Group's continuing business transactions, assets and liabilities are denominated in either Hong Kong dollars and Renminbi. The risk of foreign exchange fluctuation was not significant to the Group as at 30 September 2007.

INVESTMENT POSITION AND PLANNING

As at 30 September 2007, the Group was in the progress to acquire properties in Shanghai. Details of such acquisition are set out in the circular dated 14 August 2007. Accordingly, there was capital commitment of approximately HK\$80 million (2007: nil) as at 30 September 2007.

The Group does not have any significant investment position in stocks, bonds and other financial derivatives. The Group's exposure to fluctuations in exchange rates is very limited because its assets and liabilities have been well matched in terms of denominations.

SHARE CAPITAL

Please refer to note 14 to the condensed consolidated financial statements for details.

USE OF PROCEEDS FROM ISSUE OF SHARES

The Company completed the open offer in September 2007 and raised net proceeds of HK\$207 million. The net proceeds from the open offer will be used and have been utilized as at the date of this report as follows:

- (i) approximately HK\$121.6 million for repayment of promissory notes (which has been fully utilized as intended);
- (ii) approximately HK\$60.0 million for funding part of the payment obligation under the Acquisitions (HK\$52 million of which has been utilized as intended and the remaining of HK\$8 million is currently deposited in bank); and
- (iii) approximately HK\$25.4 million for general working capital purpose (HK\$14.4 million has been utilized as intended and the remaining of HK\$11 million is currently deposited in bank).

POST BALANCE SHEET EVENTS

Please refer to note 19 to the condensed consolidated financial statements for details.

CHARGES ON GROUP'S ASSETS

Please refer to note 17 to the condensed consolidated financial statements for details.

CONTINGENT LIABILITIES

As at 30 September 2007, the Group had no contingent liabilities (2007: nil).

EMPLOYEES

As at 30 September 2007, the Group had approximately 10 and 35 employees in Hong Kong and the PRC, respectively. The remuneration was determined with reference to statutory minimum wages, market terms, the performance, qualification and experience of individual employees. The Group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 30 September 2007, the interests and short positions of the Directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long position in the shares

Name of director	Number of Shares	Type of interests	Approximate percentage of Company's issued Shares
Zhao Qing Ji (<i>Note</i>)	562,630,358.75	Through a controlled corporation	33.5%

Note: The interest was held by Profit Key Group Limited, a company wholly owned by Mr. Zhao Qing Ji.

The interests of the Directors in the share options of the Company are separately disclosed under the heading "Share Option".

Save as disclosed above, as at 30 September 2007, none of Directors had registered an interest or short position in the shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares" above, and the "Share Option" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 30 September 2007, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued share
Profit Key (<i>Note 1</i>)	Directly beneficially owned	562,630,358.75	33.5%

Note 1: The interest was held by Profit Key Group Limited, a company wholly owned by Mr. Zhao Qing Ji.

Save as disclosed above, no person, other than the Directors, whose interests are set out in the section "Directors' interests and short positions in shares" above, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION

As at 30 September 2007, the Company does not have any share options granted and still outstanding under the share option scheme of the Company (31 March 2007: 850,000). Subsequent to the balance sheet date, the Company proposes to grant options to directors and employees of the Group and refreshes 10% limit which are subject to the approval by a special general meeting on 28 November 2007. For details, please refer to the Company's circular dated 5 November 2007. The proposed options to be granted subject to the approval at the said special general meetings are as follows:

Name or category of participant	Number of share options	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$
Directors				
Zhao Qing Ji	55,890,000	23-10-2007	23-10-2007 to 3-10-2012	0.6
Lu Xiao Dong	17,635,000	23-10-2007	23-10-2007 to 3-10-2012	0.6
Au Tat On	17,635,000	23-10-2007	23-10-2007 to 3-10-2012	0.6
	<u>91,160,000</u>			
Employees				
Other employees	141,080,000	23-10-2007	23-10-2007 to 3-10-2012	0.6
	<u>141,080,000</u>			
Total share options	<u><u>232,240,000</u></u>			

* The exercise price of the Share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the period.

AUDIT COMMITTEE

During the period, the audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Messrs. Chan Mei Bo, Mabel, Cheng Kwok Hing, Andy and Yeung Yuen Hei. With effect from 1 November 2007, Mr. Cheng Kwok Hing, Andy resigned as independent non-executive Director, the member of the Audit Committee and the member of the remuneration and nomination committee of the Company and Mr. Wang Dong was appointed as independent non-executive Director, the member of the Audit Committee and the member of the remuneration and nomination committee of the Company. Accordingly, Mr. Wang Dong replaced Mr. Cheng Kwok Hing as member of the Audit Committee with effect from 1 November 2007.

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee has regularly reviewed with the management the accounting principles and policies adopted by the Group. The unaudited interim financial statements for the six months ended 30 September 2007 was reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the period except for the deviation from the requirement of Code provision A.2.1 as follows:

The Chairman of the Company also acts as chief executive officer of the Company during the year, which is deviated from the requirement of the Code provision A.2.1. The Board considers that this structure is conducive with strong and consistent leadership, enabling the Company to respond promptly and efficiently.

BOARD OF DIRECTORS

As at the date of this report, the executive directors of the Company are Messrs. Zhao Qing Ji, Au Tat On, Lu Xiao Dong; and the independent non-executive directors of the Company are Messrs. Chan Mei Bo, Mabel, Yeung Yuen Hei and Wang Dong.

By Order of the Board

Zhao Qing Ji

Chairman

Hong Kong, 26 November 2007

北方興業控股有限公司



NORTHERN INTERNATIONAL HOLDINGS LIMITED