北方興業控股有限公司

NORTHERN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 736)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

INTERIM RESULTS

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 (the "Group") and associated companies for the six months ended 30 September 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2005

		Six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited and restated)
	Notes	***HK$***	*HK$*
TURNOVER	5	**60,767,460**	33,875,981
COST OF SALES		**(56,639,841)**	(31,017,463)
GROSS PROFIT		**4,127,619**	2,858,518
OTHER INCOME AND GAINS		**1,648,552**	975,233
DISTRIBUTION AND SELLING EXPENSES		**(4,609,565)**	(3,027,946)
ADMINISTRATIVE EXPENSES		**(8,547,790)**	(8,414,967)
LOSS FROM OPERATING ACTIVITIES	6	**(7,381,184)**	(7,609,162)
FINANCE COSTS		**(1,079,912)**	(1,243,456)
LOSS BEFORE TAXATION		**(8,461,096)**	(8,852,618)
TAXATION	7	**–**	–
LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		**(8,461,096)**	(8,852,618)
LOSS PER SHARE – BASIC	8	**3.25 cents**	3.67 cents

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 September 2005

	30 September 2005 (Unaudited) *HK$*	31 March 2005 (Audited and restated) *HK$*
NON-CURRENT ASSETS		
Fixed assets		
– Property, plant and equipment	**35,614,817**	34,157,775
– Investment properties	**40,816,010**	40,816,010
Leasehold land and land use rights	**1,986,017**	1,955,540
Interests in associates	**–**	–
	78,416,844	76,929,325
CURRENT ASSETS		
Inventories	**23,596,614**	20,469,604
Trade and bills receivables	**14,947,519**	10,389,460
Other receivables, deposits and prepayments	**4,026,678**	4,258,604
Pledged time deposits	**500,000**	500,000
Cash and bank balances	**13,154,768**	4,199,721
	56,225,579	39,817,389
CURRENT LIABILITIES		
Trade payables	**21,392,814**	11,083,400
Other payables and accruals	**10,659,460**	10,097,998
Interest-bearing bank and other borrowings	**21,093,064**	22,670,803
Tax payable	**2,002,461**	1,659,370
Finance lease payables	**489,279**	229,914
Due to related parties	**15,658,111**	14,270,547
Due to associates	**1,051,554**	1,655,405
Due to directors	**6,129,114**	4,206,329
Bank overdrafts	**492,332**	501,276
	78,968,189	66,375,042
NET CURRENT LIABILITIES	**(22,742,610)**	(26,557,653)
TOTAL ASSETS LESS CURRENT LIABILITIES	**55,674,234**	50,371,672
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**17,799,508**	17,441,209
Finance lease payables	**906,686**	9,178
Deferred tax liabilities	**1,452,955**	1,313,187
	20,159,149	18,763,574
NET ASSETS	**35,515,085**	31,608,098
CAPITAL AND RESERVES		
Share capital	**58,299,577**	48,699,577
Reserves	**(22,784,492)**	(17,091,479)
	35,515,085	31,608,098

Notes:

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 ("the Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 31 March 2005, except for the accounting policy changes that are expected to be reflected in the Group's financial statements for the year ending 31 March 2006. Details of these changes in accounting policies are set out in note 2.

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 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 31 March 2005). The condensed consolidated interim 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").

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs, (which term collectively includes HKASs and interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 March 2006, on the basis of HKFRSs currently in issue.

The following sets out the changes in accounting policies for the annual accounting period beginning on 1 April 2005 which have been reflected in this interim financial report.

(a) *Share option scheme (HKFRS 2, Share-based payment)*

In prior years, no amounts were recognised when option holders were granted share options over shares in the Company. If the option holders chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the options' exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group recognised the fair value of share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the option holders are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an option holder chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained profits.

The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(i) all options granted to option holders on or before 7 November 2002; and

(ii) all options granted to option holders after 7 November 2002 but which had vested before 1 April 2005.

As all the Group's options were granted to options holders before 7 November 2002, the adoption of HKFRS 2 has no impact on the Group's net assets and results for the prior and current periods.

(b) *Leasehold land and buildings held for own use (HKAS 17, Leases)*

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With the adoption of HKAS 17 as from 1 April 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and carried at revalued amount less accumulated depreciation and accumulated impairment losses.

The new accounting policies have been adopted retrospectively, with the opening balances and the comparative information adjusted (increase/(decrease)) as follows:

(i) Consolidated balance sheet

	As at 1 April	
	2005	2004
	HK$	*HK$*
Retained profits	**(522,492)**	(612,288)
Land and buildings revaluation reserve	**(8,148,621)**	(8,372,235)
Exchange fluctuation reserve	**(163,837)**	(163,837)
Land and buildings	**(14,803,990)**	(15,279,000)
Leasehold land and land use rights	**1,955,540**	2,007,002
Deferred tax liabilities	**(4,013,500)**	(4,123,638)

(ii) Consolidated income statement

	For the six months ended 30 September	
	2005	2004
	HK$	*HK$*
Depreciation	**(70,625)**	(70,629)
Amortisation of leasehold land and land use rights	**26,480**	25,731

(c) *Amortisation of goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)*
In prior periods:

– positive goodwill which arose prior to 1 April 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

– positive goodwill which arose on or after 1 April 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment.

With effect from 1 April 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generated unit to which the goodwill had been allocated exceeds its recoverable amount.

In accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserve (i.e. goodwill which arose before 1 April 2001) will not be recognised in the income statement on disposal or impairment of the acquired business, or under any other circumstances.

This change in accounting policy had no effect on the Group's net assets and results for prior and current periods.

(d) *Investment properties (HKAS 40, Investment property)*
The adoption of HKAS 40 has resulted in a change in accounting policy for investment property. Prior to this, changes in the value of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. After the adoption of HKAS 40, any changes in value of investment properties are dealt with in the income statement. This change in accounting policy had no effect on the Group's net assets and results for prior and current periods as the Group had revaluation decreases on its investment properties in the past.

(e) *Deferred taxation (HKAS Interpretation 21 Income taxes – recovery of revaluation non-depreciable assets ("HKAS-INT 21"))*
The adoption of HKAS-INT 21 has resulted in a change in accounting policy for the deferred tax treatment on the Group's investment properties. Prior to 1 April 2005, deferred tax on changes in fair value of investment properties arising from revaluation was not provided on the basis that the recovery of the carrying amount would be through sale and was calculated at the tax rate applicable on eventual sale. Following the adoption of HKAS-INT 21, the deferred tax arising from revaluation of the investment properties is required to be valued on the basis that the recovery of the carrying amount of the properties would be through use and calculated at the profits tax rate and is charged to the income statement. This change in accounting policy had no material effect on the Group's net assets and results for prior and current periods.

3. PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are properties investment, manufacture and sale of electronic consumer products and snap off blade cutters.

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 2005 and 2004 are as follows:

	Six months ended 30 September 2005 (Unaudited) *HK$*	2004 (Unaudited and restated) *HK$*
Business segments		
TURNOVER		
– snap off blade cutters	**21,357,372**	21,480,293
– electronic consumer products	**37,901,711**	10,716,948
– corporate and others	**1,508,377**	1,678,740
	60,767,460	33,875,981
RESULTS		
– snap off blade cutters	**389,268**	(740,382)
– electronic consumer products	**(3,606,709)**	(3,812,037)
– corporate and others	**1,505,723**	1,565,687
	(1,711,718)	(2,986,732)
CENTRAL ADMINISTRATIVE EXPENSES	**(5,669,466)**	(4,622,430)
LOSS FROM OPERATIONS	**(7,381,184)**	(7,609,162)
FINANCE COSTS	**(1,079,912)**	(1,243,456)
LOSS BEFORE TAXATION	**(8,461,096)**	(8,852,618)
TAXATION	**–**	–
LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	**(8,461,096)**	(8,852,618)

Geographical segment (by location of customers)

	Turnover Six months ended 30 September		**Loss from operations Six months ended 30 September**	
	2005 (Unaudited) *HK$*	2004 (Unaudited) *HK$*	**2005 (Unaudited) *HK$***	2004 (Unaudited and restated) *HK$*
North America	**6,165,726**	6,987,311	**173,679**	616,048
Hong Kong	**40,295,490**	12,178,739	**1,135,057**	1,073,759
Europe	**7,440,747**	5,829,440	**209,593**	513,962
East Asia	**5,303,125**	2,193,914	**149,380**	193,430
Others	**1,562,372**	6,686,577	**44,009**	589,533
	60,767,460	33,875,981	**1,711,718**	2,986,732
Central administrative expenses			**5,669,466**	4,622,430
Loss from operations			**7,381,184**	7,609,162

5. **TURNOVER**

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and gross rental income received and receivable from investment properties during the period.

6. **LOSS FROM OPERATING ACTIVITIES**

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

	Six months ended 30 September 2005 (Unaudited) *HK$*	2004 (Unaudited and restated) *HK$*
Depreciation	**1,727,578**	1,730,675
Amortisation of leasehold land and land use rights	**26,480**	25,731
Interest income	**(4,820)**	(20,387)

7. **TAXATION**

No provision for income tax has been made in the financial statements as the Group has no estimated assessable profit for the period (2004: Nil).

8. **LOSS PER SHARE**

The calculation of basic loss per share is based on the loss attributable to shareholders for the period of HK$8,461,096 (2004: HK$8,852,618 as restated) and on the weighted average number of 260,547,066 shares (2004: 241,496,560 as adjusted) in issue during the period. The weighted average number of shares for both periods has been adjusted for the consolidation of every twenty of the Company's ordinary shares of HK$0.01 each into one ordinary share of HK$0.2 in May 2005.

Diluted loss per share has not been disclosed as the impact of the potential ordinary shares was anti-dilutive for both periods.

INTERIM DIVIDEND

The Directors has resolved not to declare any interim dividend (2004: Nil). Accordingly, no closure of register of members of the Company is proposed.

REVIEW OF RESULTS

The interim results of the Group are unaudited but have been reviewed by the audit committee of the Company (the "Audit Committee"). For the six months ended 30 September 2005 (the "Interim Period"), the Group's turnover was HK$60.8 million (2004: HK$33.9 million), representing an increase of 79% over the same period of last year. Gross profit margin slightly decreased to 7% (2004: 8%) due to increase in material prices and production cost. Net loss of the Group was HK$8.5 million (2004: HK$8.9 million) and loss per share was HK3.25 cents (2004: HK3.67 cents as restated).

BUSINESS REVIEW AND PROSPECTS

Consumer electronics business

The turnover of the Group's electronics business was HK$37.9 million (2004: HK$10.7 million) in the Interim Period, a 254% increase over the same period in the previous financial year. Adversely affected by an overall increase in material prices and production cost, the business segment only managed to narrow the negative contribution to HK$3.6 million (2004: HK$3.8 million). The management will focus more on cutting production overhead of the business segment to enhance its flexibility. The business segment will also attempt to increase its sales in original design manufacturing significantly to seek higher profit margin.

Snap off blade cutter business

The turnover of the Group's cutter business was HK$21.4 million (2004: HK$21.5 million). As expected, the profit margin was improved because of the introduction of the newly developed models, and the result of the business segment turned around to a positive contribution of HK$0.4 million (2004: negative contribution of HK$0.7 million) in the Interim Period. The business segment has continued to develop new products and add them to the existing product mix. Moderate growth in turnover and continuous improvement in the result of the business segment are expected.

Geographical segment analysis

The Group's client base is quite well diversified in terms of geographical locations. There was a high concentration in the Hong Kong market since sales were classified according to the location of direct clients. Most of the goods sold to our clients in Hong Kong were in fact exported to other countries.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the current and non-current liabilities of the Group amounted to HK$79.0 million (31 March 2005: HK$66.4 million) and HK$20.2 million (31 March 2005: HK$18.8 million, as restated), respectively. The amount of net current liabilities narrowed further to HK$22.7 million (31 March 2005: HK$26.6 million) mainly due to a subscription of new shares completed in July 2005. The Group has also reached preliminary agreements with some banks in the PRC for some loan facilities to be secured by the Group's property holdings. This, if successfully concluded, is expected to help improve the Group's liquidity.

During the Interim Period, the Group recorded an operating cash outflow of HK$2.9 million (2004: HK$8.5 million outflow) and the gearing ratio, defined as the percentage of total borrowings to shareholders' funds, fell to 115% (31 March 2005: 129% as restated).

From the management's point of view, the amount of financial resources available to the Group is adequate. The Group may consider disposing of its assets if additional financial resources are required for operation.

INVESTMENT POSITION AND PLANNING

All of the Group's investment properties are situated in Northern Industrial Complex, Panyu, Guangdong Province of the PRC. These investment properties have been rented out for manufacturing, storage and office purposes and have continued to generate a stable stream of income for the Group.

The Group spent about HK$1.6 million in upgrading plant and machinery during the Interim Period. The total spending in upgrading plant and machinery for this financial year is likely to be contained at HK$2.0 million as budgeted.

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 AND OPTION

During the Interim Period, the share capital and the option of the Company have the following changes:

Consolidation of shares and adjustment to options

A proposal to consolidate 20 issued and un-issued shares of HK$0.01 each into 1 share of HK$0.20 each (the "New Share(s)") (the "Consolidation") was approved by the shareholders of the Company on 4 May 2005. The Consolidation and change in board lot size for trading in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 50,000 shares to 5,000 New Shares became effective on 5 May 2005. Immediately after the Consolidation, the Company had 243,497,885.25 issued New Shares and 1,256,502,114.75 un-issued New Shares.

Before the Consolidation, the Company had outstanding options granted under the share option scheme of the Company to subscribe for a total of 19,300,000 shares at the price of HK$0.01 per share. Immediately after the Consolidation, the number of shares issuable under each outstanding option granted was reduced by 95%, and the exercise price per share was increased from HK$0.01 to HK$0.20. Accordingly, after the Consolidation became effective, the Company had outstanding options to subscribe for a total of 965,000 New Shares at the exercise price of HK$0.20 per New Share.

Subscription of new shares

On 14 July 2005, the Company entered into a conditional subscription agreement with a subscriber, a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules) (the "Subscriber"), for the subscription of 48 million New Shares at a price of HK$0.26 per New Share under the general mandate granted to the directors of the Company pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 27 August 2004 (the "Subscription").

All conditions of the agreement for the Subscription were fulfilled and the 48 million New Shares were issued to the Subscriber on 29 July 2005.

TERMINATION OF AN OPEN OFFER

As stated in the Company's announcement dated 18 April 2005, the underwriter of an open offer announced by the Company on 28 January 2005 (the "Open Offer") purported to terminate the relevant underwriting agreement and failed to take up the underwritten shares, the Open Offer was therefore terminated. The Company is seeking legal advice on the necessary actions to be taken against the relevant underwriter.

CHARGES ON GROUP'S ASSETS

The Group's investment properties situated in Panyu, PRC are all rented out. As at 30 September 2005, all (31 March 2005: 100%) of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group.

As at 30 September 2005, approximately 64% (31 March 2005: 64% as restated) of the Group's land and buildings were pledged to banks to secure credit facilities granted to the Group.

CONTINGENT LIABILITIES

The Group

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$276,000 (31 March 2005: HK$275,000) as at 30 September 2005.

The Company

As at 30 September 2005, the Company had given guarantees to banks in connection with banking facilities granted to certain subsidiaries amounting to HK$55,201,866 (31 March 2005: HK$55,201,866).

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

During the Interim Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the unaudited interim consolidated financial statements for the Interim Period.

The Audit Committee comprises independent non-executive directors, Mr. Chan Ping Yim, Mr. Cheng Kwok Hing, Andy and Mr. Yeung Yuen Hei.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in Appendix 14 of the Listing Rules (the "CG Code"). During the Interim Period, the Company was in compliance with the CG Code, except for the deviation from the requirement of Code Provision A.4.2 in respect of rotation of Directors, which was different from the requirement of the existing Bye-law 87(1) of the Bye-laws of the Company.

To comply with the CG Code, a special resolution was passed in the Company's annual general meeting on 29 September 2005 that the existing Bye-law 87(1) be deleted and replaced by the new Bye-law 87(1) which requiring "at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to one-third but not less than one-third) shall retire from office by rotation so that each director shall be subject to retirement at least once every three years".

MODEL CODE

The Company has adopted the model code as set out in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all directors of the Company have confirmed that they fully complied with the Model Code throughout the Interim Period.

By Order of the Board
Chong Sing Yuen
Chairman

Hong Kong, 23 December 2005

As at the date of this announcement, the executive directors of the Company are Messrs. Chong Sing Yuen, Chong Chun Hing, Chu Kiu Fat, Wong Siu Keung, Joe and Chong Chun Kwok, Piggy; and the independent non-executive directors of the Company are Messrs. Chan Ping Yim, Cheng Kwok Hing, Andy and Yeung Yuen Hei.

* *For identification only*

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