



# 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 2006

#### 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 2006 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 September 2006*

		Six months ended 30 September	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
	<i>Notes</i>		
<b>Continuing operation</b>			
Turnover	5	27,034	22,866
Cost of sales		(22,936)	(16,425)
Gross profit		4,098	6,441
Other revenue		671	1,163
Distribution costs		(2,369)	(1,740)
Administrative expenses		(5,883)	(7,548)
Other operating expects		(5)	(2,090)
Loss from operation activities	6	(3,488)	(3,774)
Finance costs		(802)	(329)
Loss before taxation		(4,290)	(4,103)
Income tax	7	–	–
Loss for the period from continuing operations		(4,290)	(4,103)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation		(16,320)	(4,358)
Loss for the period		(20,610)	(8,461)
<b>Attributed to:</b>			
Equity shareholders of the Company		(20,610)	(8,461)
<b>Loss per share</b>			
From continuing and discontinued operations:			
– Basic	8	6.4 cents	3.2 cents
– Diluted	8	–	–
From continuing operations:			
– Basic	8	1.3 cents	1.6 cents
– Diluted	8	–	–

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 September 2006

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
<b>Non-current assets</b>		
Fixed assets		
– Property, plant and equipment	24,058	31,172
– Investment properties	43,661	41,021
Interest in leasehold land held for own use under operating leases	3,322	4,352
Interests in associates	–	–
Deferred tax assets	6	6
	<u>71,047</u>	<u>76,551</u>
<b>Current assets</b>		
Inventories	5,480	12,074
Trade and bills receivables	8,613	8,139
Other receivables, deposits and prepayments	3,099	2,723
Pledged deposits	500	500
Cash and cash equivalents	2,153	310
	<u>19,845</u>	<u>23,746</u>
<b>Current liabilities</b>		
Trade payables	12,331	12,622
Other payables and accruals	13,693	11,696
Interest-bearing borrowings	7,847	40,604
Tax payable	877	1,766
Obligation under finance leases	598	743
Due to related parties	18,424	13,942
Due to a shareholder	19,000	–
Due to directors	10,429	3,135
	<u>83,199</u>	<u>84,508</u>
<b>Net current liabilities</b>	<u>(63,354)</u>	<u>(60,762)</u>
<b>Total assets less current liabilities</b>	<u>7,693</u>	<u>15,789</u>
<b>Non-current liabilities</b>		
Interest-bearing borrowings	1,153	1,271
Obligation under finance leases	–	188
	<u>1,153</u>	<u>1,459</u>
<b>Net assets</b>	<u>6,540</u>	<u>14,330</u>
<b>Capital and reserves</b>		
Share capital	69,900	58,300
Reserves	(63,360)	(43,970)
<b>Total equity attributable to equity shareholders of the company</b>	<u>6,540</u>	<u>14,330</u>
<b>TOTAL EQUITY</b>	<u>6,540</u>	<u>14,330</u>

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 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 2006. The unaudited 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. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified for certain properties which are measured at fair value or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 March 2006 as described in the annual financial statements for the year ended 31 March 2006.

The Group ceased to carry on electronic consumer business during the period, which constituted a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Therefore, the results derived from the operations of electronic customer business are presented as discontinued operation in current accounting period. The comparative figures for the corresponding period in 2005 have been reclassified to conform with current period's presentation.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 March 2007.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures <sup>1</sup>
HKAS 21 (Amendment)	Net Investment in a Foreign Operation <sup>1</sup>
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions <sup>1</sup>
HKAS 39 (Amendment)	The Fair Value Option <sup>1</sup>
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts <sup>1</sup>
HKFRS 6	Exploration for and Evaluation of Mineral Resources <sup>1</sup>
HK (IFRIC) – INT 4	Determining whether an Arrangement Contains a Lease <sup>1</sup>
HK (IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds <sup>1</sup>
HK (IFRIC) – INT 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment <sup>2</sup>
HK (IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2006

<sup>2</sup> Effective for annual periods beginning on or after 1 December 2005

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2006

The adoption of the above new standards, amendments to standards and interpretations did 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.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments – Disclosures <sup>1</sup>
HK (IFRIC) – INT 8	Scope of HKFRS <sup>2</sup>
HK (IFRIC) – INT 9	Reassessment of Embedded Derivatives <sup>3</sup>
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 November 2006

## 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 loss from operations by business and geographical segments for the six months ended 30 September 2006 and 2005 are as follows:

##### (a) Business segments

*Six months ended 30 September 2006 (Unaudited)*

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Snap off blade cutters HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Electronic customer products HK\$'000	
Revenue	25,689	1,345	27,034	2,335	29,369
Segment results	(2,671)	(910)	(3,581)	(15,563)	(19,144)
Interest income			93	2	95
Loss from operations			(3,488)	(15,561)	(19,049)
Finance costs			(802)	(759)	(1,561)
Loss before taxation			(4,290)	(16,320)	(20,610)
Income tax			-	-	-
Net loss from ordinary activities attributable to equity shareholders			(4,290)	(16,320)	(20,610)

*Six months ended 30 September 2005 (Unaudited)*

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Snap off blade cutters HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Electronic customer products HK\$'000	
Revenue	21,357	1,509	22,866	37,901	60,767
Segment results	389	(4,167)	(3,778)	(3,607)	(7,385)
Interest income			4	-	4
Loss from operations			(3,774)	(3,607)	(7,381)
Finance costs			(329)	(751)	(1,080)
Loss before taxation			(4,103)	(4,358)	(8,461)
Income tax			-	-	-
Net loss from ordinary activities attributable to equity shareholders			(4,103)	(4,358)	(8,461)

(b) Geographic segments

	Six month ended 30 September					
	2006			2005		
	Continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000	Continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Hong Kong	2,992	2,245	5,237	2,839	35,947	38,786
Mainland China	4,587	-	4,587	3,947	-	3,947
Europe	8,565	87	8,652	7,396	45	7,441
North America	3,809	-	3,809	6,164	2	6,166
East Asia	5,806	3	5,809	960	1,905	2,865
Others	1,275	-	1,275	1,560	2	1,562
	<u>27,034</u>	<u>2,335</u>	<u>29,369</u>	<u>22,866</u>	<u>37,901</u>	<u>60,767</u>

**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 (crediting)/charging:

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest income	(95)	(5)
Depreciation	882	1,697
Amortisation of leasehold land and land use rights	55	57
	<u>55</u>	<u>57</u>

**7. TAXATION**

No (2005: Nil) profits tax has been provided on the estimated assessable profits during the period.

**8. LOSS PER SHARE**

The calculation of basic loss per share from continuing and discontinued operations is based on the loss attributable to shareholders for the period of HK\$20,609,610 (2005: HK\$8,461,096) and on the weighted average number of 324,142,694 shares (2005: 260,547,066) in issue during the period.

The calculation of basic loss per share from continuing operations is based on the loss attributable to shareholders for the period of HK\$4,290,417 (2005: HK\$4,103,482) and on the weighted average number of 324,142,694 shares (2005: 260,547,066) in issue during the period.

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 have resolved not to declare any interim dividend (2005: Nil). Accordingly, no closure of register of members of the Company is proposed.

**REVIEW OF RESULTS**

During the period, the Group's turnover was HK\$29.4 million (2005: HK\$60.8 million), representing an decrease of 51.6% over last period. Gross margin fell to gross loss of 3% (2005: gross profit of 7%) due to increase in material prices and production cost. Net loss of the Group was HK\$20.6 million (2005: HK\$8.5 million) and loss per share was HK6.4 cents (2005: HK3.2 cents).

**BUSINESS REVIEW AND PROSPECTS**

**Consumer electronics business**

The turnover of the Group's electronics business was HK\$2.3 million (2005: HK\$37.9 million), a 94% decrease over last period. Adversely affected by an overall increase in material prices and production costs, the electronics business enhances its negative contribution to HK\$15.6 million (2005: HK\$3.6 million). In response to the negative result on this segment, the Group terminated the consumer electronics business in June 2006.

**Snap off blade cutter business**

The turnover of the Group's cutter business was HK\$25.7 million (2005: HK\$21.4 million), a 20% increase over last period. Adversely affected by an overall increase in material prices and production costs, the results of this business segment turned to a negative contribution of HK\$2.7 million (2005: profit contribution of HK\$0.4 million).

### **Investment properties business**

The turnover of the Group's investment properties business was HK\$1.3 million (2005: HK\$1.5 million), a 13% decrease over last period. During the period, most of the Group's investment properties are situated in Northern Industrial Complex, Panyu, Guangdong Province of the PRC.

Subsequent to the balance sheet date, the investment properties in Panyu have been disposed and the Group has acquired investment properties in Shanghai in order to enhance the investment properties business. Please refer to the post balance sheet event for details. Those investment properties in Shanghai will generate a stable stream of income for the Group. The Group leased back certain properties in Panyu in November 2006 so as to operate the snap off blade cutters business.

### **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 2006, the current and non-current liabilities of the Group amounted to HK\$83 million (As at 31 March 2006: HK\$85 million) and HK\$1.2 million (As at 31 March 2006: HK\$1.5 million), respectively. The amount of net current liabilities enhances further to HK\$63.3 million mainly due to the increase in the loss incurred during the period.

During the period, the Group recorded an operating cash inflow of HK\$18.1 million (2005: 2.9 million outflow) and the gearing ratio, defined as the percentage of total borrowings to shareholders' funds, rise to 147% (2005: 115%).

The Group's financial position will enhance after the Group has entered into placement agreements with independent third parties in December 2006, which will raise net proceeds of HK\$26.3 million subsequent to the balance sheet date.

### **USE OF PROCEEDS FROM ISSUE OF SHARES**

On 18 May 2006, 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), for the subscription of 58 million new shares at a price of HK\$0.23 per new share. All conditions of the agreement for the subscription were fulfilled and the 58 million new shares were issued to the subscriber in mid 2006. The net proceeds from the subscription of approximately HK\$13.24 million were used to finance general working capital requirements of the Group.

### **POST BALANCE SHEET EVENTS**

#### **Subscription of new shares**

In December 2006, the Company entered into a conditional subscription agreement with ten subscribers, third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules), for the subscription of approximately 69 million new shares at a price of HK\$0.38 per new share under the general mandate granted to the Directors pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 30 August 2006. The net proceeds from the subscription of approximately HK\$26.3 million will be used as general working capital. The subscription is to be completed on or before 29 December 2006.

#### **Disposal of the properties in Panyu**

On 8 July 2006, the Group entered into a letter of agreement with an independent third party to dispose all of its interest in the properties in Panyu in PRC, at a consideration of RMB75 million, resulting a gain of RMB4 million attributable to the Group. For details, please refer to the circular dated 14 August 2006. The disposal was completed on 26 October 2006.

#### **Acquisition of the interest in the investment properties in Shanghai**

On 21 August 2006, the Company entered into a sale and purchase agreement with an independent third party to acquire the entire issued capital of Luck Grow Group Limited, whose principal assets are the properties in Shanghai and the sale loan for consideration of approximately HK\$182.5 million. For details, please refer to the circular dated 31 October 2006. The acquisition was completed on 27 November 2006.

## **CHARGES ON GROUP'S ASSETS**

As at 30 September 2006, Nil (31 March 2006: 100%) of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group.

As at 30 September 2006, approximately 12% (31 March 2006: 94%) 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 Nil (31 March 2006: HK\$338,000) as at 30 September 2006.

## **PROSPECTS**

The Group will continuously put efforts on improving the performance of the Group. The Group will under the principle of prudence carefully look for potential investment opportunity (if any) in order to diversify its business and improve the performance. The Group believes that it is heading in the right direction and tries to maximize the wealth of shareholders.

## **EMPLOYEES**

As at 30 September 2006, the Group had approximately 320 employees. Most of the employees were working in Panyu, Guangdong Province, the PRC. Employees are remunerated on a performance basis with reference to market practices. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees to achieve the Group's business goals.

## **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.

## **AUDIT COMMITTEE**

During the period, the audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Messrs. Yeung King Wah, Cheng Kwok Hing, Andy and Yeung Yuen Hei.

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 2006 was reviewed by the Audit Committee.

## **CORPORATE GOVERNANCE**

The Company has complied with the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rule throughout the period except for the deviation as mentioned below:

Upon the resignation of Mr Chong Chun Kwok, Piggy, the Group do not have an officer titled chief executive officer during the period. Mr Chong Sing Yuen is the Chairman of the Company and acts as chief executive officer of the Company, which is deviated from the requirement of the code provision A2. The Company appointed chief executive officer on 30 November 2006.

## **MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 to the Listing Rules 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.

By Order of the Board  
**Chong Sing Yuen**  
*Chairman*

Hong Kong, 20 December 2006

*As at the date of this announcement, the executive directors of the Company are Messrs. Chong Sing Yuen, Zhao Qing Ji, Wong Siu Keung, Joe, Au Tat On, Lu Xiao Dong; and the independent non-executive directors of the Company are Messrs. Cheng Kwok Hing, Andy, Yeung Yuen Hei and Yeung King Wah.*

*\* For identification only*

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