

I hereby present the annual report of Northern International Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March, 2001.

FINANCIAL RESULTS

For the year ended 31st March, 2001, the Group recorded a turnover of HK\$40 million. Although the turnover was approximately the same as in the previous financial year, the loss from operations increased to HK\$21 million (2000: HK\$15 million) due to increased operating expenses. The net loss for the financial year increased to HK\$26 million (2000: HK\$22 million).

REVIEW OF OPERATIONS

The consumer electronics business of the Group continued to operate under unfavourable market conditions during the year. In response, the management downsized and restructured the operations in the second half of the financial year to contain losses. The negative effect to the Group was also cushioned by the cash inflow and profits contributed by the newly acquired Cutters Business.

PROSPECTS

There are some preliminary signs that the performance of the Group will improve in the near future. The Cutters Business will continue to generate cash inflow and profits for the Group. For the consumer electronics business, several new OEM products have been developed successfully. To cope with the surging orders, we have recently recruited more workers in China to increase our production capacity.

The management has tightened credit control and managed to improve the collection of receivables. Various cost savings have been achieved by exploiting the economies of scale after the acquisition of the Cutters Business. Together with some new bank facilities being granted in June and the share placement completed in July, the cash flow position of the Group has improved significantly. The management has also worked on re-scheduling the short-term banks loans to improve the liquidity of the Group. The negotiations with banks have all entered the final stages by now.

GRATITUDE

On behalf of the board, I would like to take this opportunity to express my gratitude to all staff, customers and suppliers for their continuous support to the Group during the period.

Chong Sing Yuen

Chairman

24th July, 2001