

Chairman's Statement

I hereby present the annual report of Northern International Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2004.

FINANCIAL RESULTS

The Group recorded a turnover of HK\$81 million for the year ended 31 March 2004 (2003: HK\$107 million), representing a decrease of 24% over the previous year. Gross profit margin deteriorated to 13% (2003: 30%) and the net loss of the Group was HK\$15.5 million (2003: HK\$2.7 million restated profit). Loss per share was HK0.34 cents (2003: HK0.06 cents restated earnings per share).

REVIEW AND PROSPECTS

The year ended 31 March 2004 was a difficult one for the Group. The performance of the electronics business of the Group was adversely affected by the impact of SARS. The outbreak of SARS in year 2003 brought the OEM development to an abrupt halt and slashed about half of the annual turnover from the electronics business. As the adverse impact of SARS has receded, the electronics business is expected to regain its momentum this year.

The cutter business was relatively stable during the year with a growth of 7% in annual turnover. Adversely affected by the unexpected sharp increase in prices of raw materials during the year, the contribution of the cutter business to the Group reduced to HK\$2.9 million (2003: HK\$5.9 million). The cutter business is expected to remain steady in the near future.

Now the worst is over and the Group is poised for a rebound. I am confident that the overall performance of the Group will improve in the coming year.

GRATITUDE

I would like to take this opportunity to express my gratitude to the shareholders, board members, staff and business partners of the Group for their continuous supports during the year.

CHONG SING YUEN

CHAIRMAN

Hong Kong, 28 July 2004