

I hereby present the annual report of Northern International Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2006.

## **FINANCIAL RESULTS**

The Group recorded a turnover of HK\$99.1 million for the year ended 31 March 2006 (2005: HK\$70.1 million), representing a increase of 41% over the previous year. Gross profit margin fell to gross loss 4% (2005 gross profit: 8%) and the net loss of the Group was HK\$29.8 million (2005: HK\$19.6 million). Loss per share was HK10.80 cents (2005: HK0.41 cents).

## **REVIEW AND PROSPECTS**

The financial year ended 31 March 2006 was another difficult year for the Group. Sustained high raw material prices and growth in production costs had adversely impact on profit margin of the Group's manufacturing businesses during the year.

The Group will continuously put efforts on improving the performance in different business segments through the methods of cost control and production of higher profit margin products.

The Group will not eliminate any potential opportunity for the disposal of its major business of appropriate buyer could be seek and will under the principle of prudence carefully while actively identify potential investment opportunity in order to diversify business and improve the performance of the Group.

I believe that the Group is heading the right direction and is well placed to capitalize on any exciting investment opportunity.

## 4 CHAIRMAN'S STATEMENT

### **GRATITUDE**

During the year and up to the date of this report, certain board members have resigned because of personal reasons. I would like to take this opportunity to express my gratitude to those board members for their valuable contributions in the past years and warm welcome for our new board members. Currently, the new board is composite with different talents and dedicated to maximize the wealth of shareholders and believes to have sufficient capacity to overcome any future challenges the Group will meet.

Taking this opportunity, I would also like to thank all shareholders, staff and business partners of the Group for their continuous supports during the year.

**CHONG SING YUEN**

*CHAIRMAN*

Hong Kong, 25 July 2006