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北方興業控股有限公司*

NORTHERN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 736)

VERY SUBSTANTIAL DISPOSAL AND RESUMPTION OF TRADING

THE DISPOSAL

The Board is pleased to announce that on 8 July 2006, Northern Industrial (Panyu) Co., Ltd., a wholly-owned subsidiary of the Company, and the Purchaser entered into the Letter of Agreement, pursuant to which the Vendor agreed to dispose of and the Purchaser agreed to acquire the Property at a total consideration of RMB75 million in cash. The Disposal is expected to realize a gain of approximately RMB4.0 million. The Board intends to use the proceeds from the Disposal (i) as to approximately RMB28.9 million to repay the outstanding loans under the banking facilities secured by the Property (such loans are under the first priority to repay by the Company); and (ii) as to the balance of approximately RMB41.1 million as general working capital of the Group.

GENERAL

The Disposal constitutes a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and therefore is subject to approval by Shareholders at the SGM under Rule 14.40 of the Listing Rules.

The SGM will be held to consider and, if thought fit, pass the necessary resolution to approve the Disposal. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the approval of the Disposal at the SGM.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 11:56 a.m. on Monday, 10 July 2006 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Tuesday, 18 July 2006.

THE LETTER OF AGREEMENT

Date: 8 July 2006

Parties:

Purchaser: 廣州市海珠區鳳陽街五鳳經濟聯合社 (Wufeng Economic Association, Feng Yang Street, Haizhu District, Guangzhou)#

Vendor: Northern Industrial (Panyu) Co., Ltd., a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules), and the Purchaser is principally engaged in investment holding including property investment.

Asset to be disposed of

The asset to be disposed of by the Vendor is its entire interest in the Property. Details of the Property are set out in the section headed "Information on the Property" in this announcement.

Consideration

The consideration for the Disposal is RMB75 million payable in cash, as follows:-

- (i) RMB1 million has been paid by the Purchaser as initial deposit and part of the payment of the consideration upon the signing of the Letter of Agreement; and
- (ii) the remaining balance of RMB74 million shall be payable upon obtaining of land use right certificate and the building ownership certificates for the Property by the Purchaser under the arrangement for transfer of title of the Property.

The consideration for the Disposal was determined after arm's length negotiations between the Vendor and the Purchaser having taken into account (i) the valuation of the Property of approximately HK\$77.0 million (equivalent to approximately RMB79.3 million) as at 30 June 2006 conducted by an independent professional valuer, namely Castores Magi (Hong Kong) Limited; and (ii) the illiquid industrial property market where there is very few readily available purchasers.

Completion of the Disposal will take place within five days upon payment of the consideration for the Disposal by the Purchaser.

Other principal terms

- The Vendor shall convene a Shareholders' meeting for approving the necessary resolution approving the Disposal.
- The Vendor shall procure the release or cancellation of the mortgage or charge on the Property. Once released or cancelled, the Vendor and the Purchaser shall enter into a formal agreement for sale and purchase of the Property within 80 days from the date of the Letter of Agreement.
- In the event that (i) the necessary resolution approving the Disposal is not passed at the Shareholders' meeting; or (ii) the Vendor is unable to enter into a formal agreement for sale and purchase of the Property within 80 days at its default, the Vendor will be deemed to have breached the Letter of Agreement and the Vendor shall pay a total of RMB2 million, being double of the initial deposit of RMB1 million, to the Purchaser. In the event of any breach of the Letter of Agreement by the Purchaser, the Vendor will be entitled to retain the initial deposit of RMB1 million.

The Director (including independent non-executive Directors) would like to state that it is a normal practice in the property market that the purchaser and vendor first enter into a provisional sale and purchase agreement (in this case, the Letter of Agreement) and follow with a formal sale and purchase agreement, where normally there is a deposit as earnest moneys to be paid to the vendor at the time of signing the provisional sale and purchase agreement, and such deposit will be forfeited (in this case, a total of RMB2 million, representing approximately 2.7% of the total consideration of RMB75 million) should the vendor does not proceed to enter into a formal sale and purchase agreement. The Director (including independent non-executive Directors) considers that the Letter of Agreement is entered into after an arm's length negotiation between the Purchaser and the Vendor and the terms therein are in accordance with the normal practice in the property market and the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PROPERTY

The Property is situated at 中國廣東省番禺區魚窩頭鎮沙灣大橋南岸東側的北方工業城 (Dawn Village, Yuwotou Zhen, Panyu City, Guangdong Province, the PRC)[#] and consists of all the buildings (including 4 factory premises, 2 warehouses and 4 staff dormitories) and fixtures situated within such land with an area of approximately 65,500m² and a gross floor area of approximately 75,000m² (of which approximately 67,000m² are supported with building ownership certificates and the remaining area is temporarily built). The Property is being used for purposes of (i) leasing out as to a gross floor area of approximately 37,000m²; and (ii) own use as to a gross floor area of approximately 32,000m² by the Group.

The rental income and the relevant taxation attributable to the Property were approximately RMB3.0 million and RMB0.15 million for the financial years ended 31 March 2005, and approximately RMB2.7 million and RMB0.135 million for 31 March 2004 respectively. The Property is currently pledged to secure banking facilities with an annual interest rate of approximately 6% provided to the Group in the amount of approximately RMB28.9 million, out of which approximately RMB16.9 million will expire in the end of July 2006; approximately RMB4 million will expire in the end of November 2006 and approximately RMB8 million will expire in December 2006.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

In view that the industrial property market is rather illiquid, where there is few fluctuation in valuation and there is very few readily available purchasers and vendors, the Directors consider that it is good opportunity for the Company dispose of the Property especially under the circumstances that the Company has identified an independent purchaser and the disposal price is only at a small discount to the valuation of the Property given there being very few readily available purchasers for industrial properties. The Board intends to use the proceeds from the Disposal (i) as to approximately RMB28.9 million to repay the outstanding loans under the banking facilities secured by the Property (such loans are under the first priority to repay by the Company); and (ii) as to the balance of approximately RMB41.1 million as general working capital of the Group. By the Disposal, the Group will be able (i) to alleviate its financial burden resulting from the interest payment; (ii) to strengthen its financial position by lowering its gearing; and (iii) to increase its working capital.

The Company proposes to lease back a block of factory and a three-storey staff dormitory under the Property for manufacturing snap off blade cutters and the Purchaser has undertaken to the Vendor that upon completion of the Disposal, Tung Hing Plastic (Panyu) Co., Ltd., a wholly-owned subsidiary of the Company, can lease back at a rent not higher than the market rent of RMB12 per m² of not less than three years. Details of the arrangement for the proposed lease-back will be announced by the Company when appropriate. Upon the expiry of leaseback period in future, the Company may either continue with the lease should the Board consider that the rent is at a market rate, or seek other appropriate places to continue its business of manufacturing and sale of snap off blade cutters. The Directors (including independent non-executive Directors) consider that it is not difficult to find others places in the proximity to the Property to continue with its business of manufacturing of snap off blade cutters given there being lots of such places in Panyu, the PRC, and other nearby cities available, and that it will not take much time nor involve many resources for any necessary arrangement for relocation of the equipment and machinery to other location. Therefore, the Directors (including independent non-executive Directors) are of the view that there will be no material impact on the business operations of the Group.

There is a fee of RMB5 million payable by the Vendor to an agent, namely Ground Auction Guangdong Co. Ltd., which, to the best knowledge of the Directors, is a auction company and a third party independent of the Company and its connected persons (as defined under the Listing Rules), for arranging the sale of

the Property and the processing of title transfer of the Property. The Directors (including independent non-executive Directors) consider that fee payable to agents for sale of industrial properties in the PRC depends on the location, scale, function or value of properties, and the fee of RMB5 million in respect of the Disposal is at a market rate.

Despite that the consideration for the Disposal is at a discount to the valuation of the Property as the industrial property market is rather illiquid and that the Vendor is required to pay a fee of RMB5 million to the agent, the Directors (including independent non-executive Directors) are of the view that given that the fee payable to the agent is at the market rate and the Disposal will allow the Group to alleviate its financial burden resulting from the interest payment, to strengthen its financial position by lowering its gearing, and to increase its working capital, the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Group will continue to look for potential investments in properties, especially commercial properties, should opportunities arise in future.

FINANCIAL EFFECTS OF THE DISPOSAL

The Disposal is expected to realize a gain of approximately RMB4.0 million (being the difference between the proceeds from the Disposal of approximately RMB70 million (after taking into account amongst others a commission of RMB5 million payable to an agent pursuant to the Disposal) and the unaudited net book value of the Property of approximately RMB66.0 million as at 30 June 2006) and will be reflected in the consolidated accounts of the Company for the year ending 31 March 2007. The unaudited net book value of the Property as at 30 September 2005 under the 2005 interim report of the Company was shown as the sum of (i) approximately HK\$21.5 million under the classification of "Property, plant and equipment" which was marked to market value; (ii) approximately HK\$40.8 million under the classification of "Investment property" which was marked to market value; and (iii) approximately HK\$2.0 million under the classification of "Leasehold land and land use rights" which was marked as historical cost minus depreciation. Upon completion of the Disposal, the Group's net assets will increase by approximately HK\$3.9 million.

Notwithstanding that the commission payable to the agent amounts to RMB5 million which the Directors (including independent non-executive Directors) consider to be fair and reasonable, the net price for the Property is still the highest amongst those prices offered by other potential purchasers.

GENERAL

The principal activity of the Company is an investment holding company. The principal activities of its subsidiaries comprise property investment and manufacture and sale of snap off blade cutters.

The Disposal constitutes a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules and therefore is subject to approval by Shareholders at the SGM under Rule 14.40 of the Listing Rules.

The SGM will be held to consider and, if thought fit, pass the necessary resolution to approve the Disposal. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the approval of the Disposal at the SGM.

A circular containing, amongst other things, further details of (i) the terms of Disposal; (ii) other disclosures in connection with the Disposal required pursuant to the Listing Rules in respect of a very substantial disposal; and (iii) a notice of SGM for the purpose of approving the Disposal will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 11:56 a.m. on Monday, 10 July 2006 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Tuesday, 18 July 2006.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

"Board"	board of Directors
"Company"	Northern International Holdings Limited, a company incorporated in Bermuda with limited liability with its issued Shares listed on the Stock Exchange
"Directors"	directors of the Company
"Disposal"	disposal of the entire interest in the Property to the Purchaser by the Vendor pursuant to the Letter of Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Letter of Agreement"	an agreement dated 8 July 2006 between the Purchaser and the Vendor in relation to the Disposal
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China
"Property"	中國廣東省番禺區魚窩頭鎮沙灣大橋南岸東側的北方工業城 (Dawn Village, Yuwotou Zhen, Panyu City, Guangdong Province, the PRC) [#] (including the land, and the buildings and fixtures within the area)

“Purchaser”	廣州市海珠區鳳陽街五鳳經濟聯合社 (Wufeng Economic Association, Feng Yang Street, Haizhu District, Guangzhou) [#] , which and whose ultimate beneficial owners are to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, a third party independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Disposal
“Share(s)”	ordinary share(s) of HK\$0.20 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	as defined under the Listing Rules
“Vendor”	Northern Industrial (Panyu) Co., Ltd., a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“m ² ”	square metre(s)
“%”	percentage

[#] *denotes English translation of a Chinese company or entity or address and is provided for identification purposes only.*

In this announcement, conversion of HK\$ into RMB is based on the exchange rate of HK\$1.00 = RMB1.03.

By order of the Board
Northern International Holdings Limited
Wong Siu Keung, Joe
Company Secretary

Hong Kong, 17 July 2006

As at the date of this announcement, the Board comprises four executive Directors, Messrs. Chong Sing Yuen, Wong Siu Keung, Joe, Au Tat On and Lu Xiao Dong and three independent non-executive Directors, Messrs. Cheng Kwok Hing, Andy, Yeung Yuen Hei and Yeung King Wah.

** For identification purposes only*

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