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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 ACQUISITION OF INTEREST IN THE SHANGHAI PROPERTIES AND RESUMPTION OF TRADING

#### VERY SUBSTANTIAL ACQUISITION

The Board is pleased to announce that on 21 August 2006, the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to acquire from the Vendor the entire issued share capital of Luck Grow and the Sale Loan. Upon completion of the Acquisition, the Company will be interested in (i) the entire issued share capital of Luck Grow whose principal assets are the Properties; and (ii) the Sale Loan.

The Consideration payable to the Vendor shall be satisfied (i) as to HK\$24,811,764 in cash payable within 90 days after the date of Completion; (ii) as to HK\$82,692,308 by issue of Promissory Note I; and (iii) as to HK\$75,000,000 by issue of Promissory Note II. The principal terms of the Promissory Notes are set out in the sub-section headed "Consideration" below.

#### GENERAL

The Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules which requires the approval by the Shareholders at the SGM under Rule 14.49 of the Listing Rules. The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, amongst other things, further details of the Acquisition, other disclosures in connection with the Acquisition required pursuant to the Listing Rules and the notice of the SGM 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 9:30 a.m. on Monday, 21 August 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 6 September 2006.

#### SALE AND PURCHASE AGREEMENT

**Date:** 21 August 2006

#### Parties:

**Purchaser:** the Company

**Vendor:** Mr. Peter D. Xu (徐東先生)<sup>#</sup> is a Chinese merchant, who is independent of and not connected with the Company and its connected person (as defined in the Listing Rules)

#### Assets to be acquired:

- (i) The entire issued share capital of Luck Grow, a company incorporated in the British Virgin Island with limited liability on 8 August 2005, whose principal assets are the Properties, with Property A located at units Nos. 201 and 202 on Mezzanine Level, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC and Property B located at whole of basement level, one and ground level, Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, The PRC; and
- (ii) the Sale Loan.

Further information on Luck Grow, Lok Wing and Shanghai Xiang Chen Hang, including the Properties, is set out under the sections headed "Information on Luck Grow, Lok Wing and Shanghai Xiang Chen Hang" and "Information on the Properties" in this announcement.

#### Consideration:

The Consideration of up to HK\$182,504,072, which is determined after an arm's length negotiation between the Purchaser and the Vendor, shall be satisfied:

- (i) as to HK\$24,811,764 (the "Cash Payment") by cash to the Vendor within 90 days after the date of Completion;
- (ii) as to HK\$82,692,308 by the issue of Promissory Note I to the Vendor on the second Business Day upon the following conditions having been fulfilled:
  - (a) the expiry of the Third Party Mortgage I and;

- (b) Shanghai Xiang Chen Hang is not liable for any debts or liabilities, whether actual or contingent under the Third Party Mortgage I and the Third Party Mortgage I has been cancelled; and
- (iii) as to HK\$75,000,000 by the issue of Promissory Note II to the Vendor on the second Business Day upon the following conditions having been fulfilled:
  - (a) the expiry of the Third Party Mortgage II and Third Party Mortgage III, whichever the later and;
  - (b) Shanghai Xiang Chen Hang is not liable for any debts or liabilities, whether actual or contingent under the Third Party Mortgage II and the Third Party Mortgage III and both the Third Party Mortgage II and Third Party Mortgage III have been cancelled.

The Consideration of up to HK\$182,504,072 (subject to adjustment below) was determined with reference to the unaudited net asset value of the Target Group of approximately HK\$110,000,000 as at 30 April 2006; plus the value of the Sale Loan. The unaudited net asset value of the Target Group as at 30 April 2006 was reviewed by the Board. The Company intends to finance the Cash Payment and the Promissory Notes with internal financial resources and/or external bank financing. In the event that the Properties are seized by the Mortgagee Banks under the Third Party Mortgage I, Third Party Mortgage II and Third Party Mortgage III at any time prior to the expiry dates of the Third Party Mortgage I, Third Party Mortgage II and Third Party Mortgage III, the Company has its sole discretion not to issue Promissory Note I and Promissory Note II and to be reimbursed by the Vendor for the Cash Payment.

*Adjustment to the Consideration*

The Vendor undertakes to the Company that the total net assets value of the Target Group as at the date of Completion (the "Actual NAV"), which will be audited by Company's auditors under the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the current group structure had been in existence throughout the period, shall not be less than HK\$110,000,000 (the "Guaranteed NAV"). According to the Sale and Purchase Agreement, in case the Actual NAV is less than the Guaranteed NAV, which is the difference between the Actual NAV and the Guaranteed NAV (the "Discrepancy"), the Company shall have the right to deduct the Discrepancy on a dollar to dollar basis, from the Cash Payment, Promissory Note I and Promissory Note II on the following basis:

- (1) deduct from the amount of Cash Payment, if the Cash Payment has not been paid to the Vendor, or the Vendor shall reimburse the sum equivalent to the Discrepancy from the Cash Payment, if the Cash Payment has been paid to the Vendor;
- (2) deduct from the face value of Promissory Note I, if the total sum of the Cash Payment is insufficient to cover the Discrepancy; and
- (3) deduct from the face value of the Promissory Note II, if the Cash Payment and the value of Promissory Note I is insufficient to cover the Discrepancy.

*Principal terms of the Promissory Notes*

- Principal amount : Promissory Note I – HK\$82,692,308  
Promissory Note II – HK\$75,000,000
- Maturity date : the date falling on the fifth anniversary of the date of issue
- Interest : 5% per annum and payable together with the principal amount upon maturity date
- Transferability : transferable by the holder(s)
- Early repayment : the Company may, at its option, repay the Promissory Note I and/or Promissory Note II in whole or in part prior to their maturity dates by giving a prior ten Business Days' written notice to the Vendor

**Conditions precedent**

Completion of the Sale and Purchase Agreement is conditional upon, inter alia:

- (i) the obtaining of all necessary consent and approval by the Vendor in relation to the Acquisition;
- (ii) there being no material breach or possible material breach of warranties\* on the part of the Vendor under the Sale and Purchase Agreement;
- (iii) the obtaining of all necessary consent and approval by the Company in relation to the Acquisition, including the passing of relevant resolution(s) at a special general meeting by the Shareholders for approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Promissory Note I and Promissory Note II;
- (iv) the issue of a PRC legal opinion by the Company's designated PRC legal advisers in relation to the Sale and Purchase Agreement, in such form and content to the Company's satisfaction;
- (v) the issue of a valuation report by the Company's designated independent qualified valuer in relation to the Properties showing an aggregate value of not less than HK\$241,000,000\*\*;
- (vi) the Company being satisfied with its due diligence review of the Target Group; and
- (vii) the delivery of audited accounts\*\*\* of the Target Group for a period of four months ended 30 April 2006 to the Company.

\* The warranties given include those concerning net asset value of the Target Group, which is HK\$110,000,000, corporate power, accounts, taxation, property, litigation of the Target Group and other general business and operation matters.

\*\* The valuation basis of the Properties is "Market Value" in accordance with the Valuation Standards published by Hong Kong Institute of Surveyors.

\*\*\* The combined audited financial statements of the Target Group was prepared under the principles of merger accounting in accordance the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the current group structure had been in existence throughout the period.

The Company may at any time waive in writing the whole or part of any or all of the conditions (except conditions (i) and (iii) above). In the event that any of the conditions above have not been fulfilled on or before 21 October 2006 or such other later date as may be agreed between the parties to the Sale and Purchase Agreement, the Sale and Purchase Agreement shall forthwith be of no further effect and all the obligations of the parties thereto shall be released and the parties shall have no claims against each other in respect of the Sale and Purchase Agreement.

#### Completion

Completion shall take place on the fifth Business Day after all the abovementioned conditions have been fulfilled.

#### INFORMATION ON LUCK GROW, LOK WING AND SHANGHAI XIANG CHEN HANG

Luck Grow, a company incorporated in British Virgin Islands with limited liability on 8 August 2005, is beneficially owned by the Vendor. Luck Grow is an investment holding company. Luck Grow has not, since its incorporation, carried on any business other than acquisition and holding of its equity interests in Lok Wing. Upon completion of the Acquisition, Luck Grow will become a wholly owned subsidiary of the Company. The Directors confirmed that Luck Grow has not been owned by or controlled by the connected person (as defined under the Listing Rules) of the Company since September 2005, the time when the Vendor acquired Luck Grow from secretarial services company.

Lok Wing, a company incorporated in Hong Kong on 25 February 2004 with limited liability, is wholly owned by Luck Grow since August 2005. Lok Wing invested in 30% of equity interest of Shanghai Xiang Chen Hang in 2004. On 16 March 2005 and 18 August 2005, Lok Wing further acquired 25% and 45% of equity interest of Shanghai Xiang Chen Hang from Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司)\* (“Shanghai Xiwu”) respectively. Accordingly, as at the date of this announcement, the principal asset of Lok Wing is its 100% interest in Shanghai Xiang Chen Hang. The Directors confirmed that Lok Wing has not been owned by or controlled by the connected person (as defined under the Listing Rules) of the Company since March 2004, the time when the Vendor acquired Lok Wing from secretarial services company.

Shanghai Xiang Chen Hang, a wholly owned foreign enterprise established under the laws of the PRC on 16 June 2004, has been wholly owned by Lok Wing since 30 August 2005. The principal activity of Shanghai Xiang Chen Hang is property investment and its principal assets are the Properties. The Directors confirmed that Shanghai Xiang Chen Hang has not been owned by or controlled by the connected person (as defined under the Listing Rules) of the Company since August 2005, the time when Shanghai Xiang Chen Hang was acquired by Lok Wing.

The audited consolidated total asset value and net asset value of Lok Wing prepared in accordance with Hong Kong GAAP as at 31 December 2005 were approximately HK\$77,196,513 and HK\$46,135,535 respectively. The audited consolidated turnover and profits (both before and after taxation) of Lok Wing prepared in accordance with Hong Kong GAAP from the date of its incorporation to 31 December 2005 are as follows:

	<b>For the period from 25 February 2004 (Date of incorporation) to 31 December 2005 (audited) HKD</b>
<b>Turnover</b>	2,128,347
<b>Profit/(loss) before tax</b>	(3,757,516)
<b>Profit/(loss) after tax</b>	(3,864,465)

The audited consolidated total asset value and net asset value of Shanghai Xiang Chen Heng as at 31 December 2005 were approximately RMB79,707,897 and RMB47,381,293 respectively. The audited turnover and profits (both before and after taxation) of Shanghai Xiang Chen Heng prepared in accordance with PRC GAAP for each of the two years ended 31 December 2004 and 2005 are as follows:

	<b>For the period from 16 June 2004 (Date of incorporation) to 31 December 2004 (audited) RMB (Note)</b>	<b>For the year ended 31 December 2005 (audited) RMB</b>
<b>Turnover</b>	–	2,216,354
<b>Profit/(loss) before tax</b>	–	(1,466,424)
<b>Profit/(loss) after tax</b>	–	(1,466,424)

*Note:* Shanghai Xiang Chen Heng has not carried on any rental business during year 2004

#### INFORMATION ON THE PROPERTIES

##### Property A

Address : units Nos. 201 and 202 on Mezzanine Level, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC

Gross floor area : 1,889.36 m<sup>2</sup>

Uses : Commercial

Property A consists of unit 201 and unit 202 in a commercial building with a gross area of approximately 1,515.97 m<sup>2</sup> and 373.39 m<sup>2</sup> respectively. To the best of the Directors' knowledge, the property is currently rented to a third party who is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). The principal terms of the tenancy agreement are as follows:

##### *Principal terms of the tenancy agreement*

Date : 22 July 2005

Landlord : Shanghai Xiang Chen Hang

Tenant : Shanghai Taihe Advertising Co., Ltd (上海泰和廣告有限公司)#  
Monthly rent : RMB252,908 (equivalent to approximately HK\$243,180)  
(Note)  
Rental deposit : RMB877,670 (equivalent to approximately HK\$843,913)  
Leasing period : 22 July 2005 to 31 December 2010

Note: The monthly rent will increase at a rate of 5.5% in every two years starting from the third year of the tenancy period (i.e. 23 July 2007) in a consecutive manner.

In addition to the rental income under the tenancy agreement, Shanghai Xiang Chen Hang is entitled to a monthly advertising income of approximately RMB162,000 (equivalent to approximately HK\$155,769) by leasing out the surface of the building to a company which also is independent of and not connected with the Company and its connected person (as defined under the Listing Rules). The principal terms of the advertising agreement are as follows:

*Principal terms of the advertising agreement*

Date : 15 November 2005  
Landlord : Shanghai Xiang Chen Hang  
Tenant : Shanghai Shiyu Industry Co., Ltd. (上海仕昱實業有限公司)# (formerly named as Shanghai Maihan Trading Co., Ltd. (上海邁漢貿易有限公司)#)  
Monthly rent : RMB162,000 (equivalent to approximately HK\$155,769)  
(Note)  
Rental deposit : RMB324,000 (equivalent to approximately HK\$311,538)  
Leasing period : 20 November 2005 to 19 November 2008

Note: The monthly advertising income will increase by 10% every year.

Pursuant to the Third Party Mortgage II, Property A has been pledged to secure banking facilities amounting to RMB50,000,000 (equivalent to approximately HK\$48,076,923) at maximum a annual interest rate of 6.435%, granted to Shanghai Xiwu, an independent borrower. As at the date of this announcement, the outstanding loan amount is RMB30,000,000 (equivalent to approximately HK\$28,846,154). The Third Party Mortgage II will expire on 13 December 2007 and the banking facilities will expire on 16 November 2006. Shanghai Xiwu was one of the shareholders of Shanghai Xiang Chen Hang until 30 August 2005 and is a third party independent of and not connected to the Company, its connected persons (as defined in the Listing Rules) and Shanghai Xiang Chen Hang. Xianzhen Chungchang Industry and Trading Co., Ltd. (深圳中昌工貿有限公司)#, a state-owned enterprise in PRC, is the ultimate beneficial owner of Shanghai Xiwu. To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, the borrower, Shanghai Xiwu, is a long-term business partner with high credit to the Vendor and therefore, the Vendor is willing to pledge the Property A to secure the banking facilities granted to Shanghai Xiwu.

In addition, pursuant to the Third Party Mortgage III, Property A has been pledged to secure banking facilities amounting to RMB28,000,000 (equivalent to approximately HK\$26,923,077) at a maximum annual interest rate of 6.435%, granted to Shanghai Xiwu. As at the date of this announcement, the outstanding loan amount is RMB10,000,000 (equivalent to approximately HK\$9,615,385). The Third Party Mortgage III will expire on 22 June 2009 and the banking facilities will expire on 22 June 2007. To the best of the Directors' knowledge, no consideration was received by Shanghai Xiang Chen Hang and the Vendor in respect of the Third Party Mortgage II and Third Party Mortgage III.

**Property B**

Address : whole of basement level, one and ground level, Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, The PRC  
Gross floor area : 3,732.33 m<sup>2</sup>  
Uses : Commercial

Property B consists of ground floor and the basement of a commercial building with a gross area of approximately 2,210.73 m<sup>2</sup> and 1,521.60 m<sup>2</sup> respectively.

To the best of the Directors' knowledge, the property is currently rented to a third party who is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). The principal terms of the tenancy agreement are as follow:

*Principal terms of the tenancy agreement*

Date : 25 December 2005  
Landlord : Shanghai Xiang Chen Hang  
Tenant : Shanghai Difayuan Entertainment Management Co., Ltd. (上海帝賦苑餐飲娛樂管理有限公司)#  
(Note 1)  
Monthly rent : RMB270,000 (equivalent to approximately HK\$259,615)  
(Note 2)  
Rental deposit : RMB1,200,000 (equivalent to approximately HK\$1,153,846)  
Leasing period : 29 July 2005 to 31 March 2015

Note:

1. Pursuant to the tenancy agreement, the tenant has leased seven storey (including Property B) of the building.
2. The amount represents the portion of rental income receivable by Shanghai Xiang Chen Hang. The rental income will increase by approximately RMB110,800 (equivalent to approximately HK\$106,538) annually. Pursuant to the supplemental tenancy agreement, the rental income changed from RMB220,000 to RMB270,000 with effect from 1 January 2006.

In addition to the rental income under the tenancy agreement, Shanghai Xiang Chen Hang is entitled to a monthly advertising income of approximately RMB188,000 (equivalent to approximately HK\$180,769) by leasing out the surface of the building to a company which is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

*Principal terms of the advertising agreement*

Date	: 12 December 2005
Landlord	: Shanghai Xiang Chen Hang
Tenant	: Shanghai Jinqi Yuan Trading Co., Ltd. (上海金啟淵貿易有限公司)#
Monthly rent (Note)	: RMB188,000 (equivalent to approximately HK\$180,769)
Rental deposit	: RMB376,000 (equivalent to approximately HK\$361,538)
Leasing period	: 15 December 2005 to 14 December 2010

*Note:* The monthly advertising income will increase by 10% every year.

Pursuant to the Third Party Mortgage I, Property B has been pledged to secure banking facilities, amounting to approximately RMB86,000,000 (equivalent to approximately HK\$82,692,308) at a maximum annual interest rate of 5.85%, granted to Shanghai Chenxuan Trading Co., Ltd. (上海辰炫貿易有限公司)# (“Shanghai Chenxuan”), an independent borrower. As at the date of this announcement, the outstanding loan amount is RMB80,000,000 (equivalent to approximately HK\$76,923,077). The Third Party Mortgage I will expire on 26 July 2007 and the banking facilities will expire on 23 July 2007 and 25 July 2007 respectively. Shanghai Chenxuan is an independent third party of and not connected with the Company and its connected person (as defined under the Listing Rules). Xu Pei (徐蓓)# is a director of Shanghai Xiang Chen Hang and is also a director of Shanghai Chenxuan, Chengdu Chendian Zhengyuan (Group) Co., Ltd. (成都成電正元(集團)有限公司)# (“Chengdu Chendian”), the ultimate beneficial owner of Shanghai Chenxuan, is a company owned by University of Electronic Technicques (電子科技大學)#, Chengdu Chuangxian Technical Development Co., Ltd. (成都創先科技開發有限公司)#, Chengdu Zhong Ao Information Technicque Co., Ltd. (成都中奧信息技術有限公司)#, Chengdu Hui Jin Technical Development Co., Ltd. (成都匯金科技開發有限公司)#, Chengdu Cheng Tian Ling Xian Software Co., Ltd. (成都成電領先軟件股份有限公司) and Lei Ming (雷鳴)#, and no individual shareholder holds more than 50% shareholdings of it. Neither Chengdu Chendian nor its shareholders are connected with the Company and its connected person (as defined under the Listing Rules). To the best of the Directors’ knowledge, information and belief having made all reasonable inquiries, the borrower, Shanghai Chenxuan, is long-term business partner with high credit to the Vendor and therefore, the Vendor is willing to pledge the Property B to secure the banking facilities granted to Chengdu Chendian. To the best of the Directors’ knowledge, no consideration was received by Shanghai Xiang Chen Hang and the Vendor in respect of the Third Party Mortgage I.

The Directors confirmed that the Properties have not been owned by or controlled by the connected person (as defined under the Listing Rules) of the Company. The Company has obtained a legal opinion from PRC legal advisers, which states that, inter alia, (i) Shanghai Xiang Chen Hang, the ultimate beneficial owner of which is the Vendor, has acquired the relevant Shanghai Certificate of Real Estate Ownership (房地產證書) (no. Xu 2004 Di 038951 Hao) and (no. Xu 2004 Di 038949 Hao) for the unit 201 and unit 202 respectively of Property A and (no. Xu 2005 Di 033005 Hao) and (no. Xu 2005 Di 032997 Hao) for the ground floor and basement respectively of Property B; (ii) the Vendor can transfer shares of Luck Grow to the Company without consents from the Mortgagee Banks; and (iii) that no consent and approval is required from the Mortgagee Banks and the borrowers in relation to the Acquisition.

## **REASONS FOR THE ACQUISITION**

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

In response to the negative result on the consumer electronics business, the Company and its subsidiaries has terminated the consumer electronics business in June 2006 and will continue the snap off blade cutter business. As disclosed in the circular of the Company dated 14 August 2006 (the “Circular”), the Group proposed to lease back a block of factory and a three-storey staff dormitory under the disposed property for a term of not less than three years. The ordinary resolution to approve the disposal of such property was duly passed by way of poll at the special general meeting of the Company held on 30 August 2006. The Company currently operates its manufacturing snap off blade cutters business in property located at Dawn Village, Yuwotou Zhen, Panyu City, Guangdong Province, the PRC. Such property is to be disposed by the Group upon all the conditions set out in the Circular have been fulfilled. Further details of arrangement for the proposed lease back of such property will be disclosed in the circular of the Company.

In view of the economic development in the PRC during the last decade, the demand for real estate, especially the demand for real estate for business use, in major cities in PRC, such as Shanghai, Beijing and Shenzhen, has significantly increased. For cutting the loss on the negative business and ultimate the efficiency of shareholders’ and investors’ funds, the Group has been actively seeking potential property investments in the PRC, especially properties in developing cities, such as Shanghai, Beijing and Shenzhen. Despite that the Group has extensive experience in manufacture and sale of snap off blade cutters, the Group is moving into the acquisition of property assets in the PRC to achieve a long-term capital appreciation, generate stable revenue to the Group and enhance its investment properties business, one of the Group’s principal activities.

Property A is located at the Xu Hui central business district (徐匯區)# which is a fast developing district in Shanghai city. Property B is located at Pu Tuo district (普陀區)# which is in the center of Shanghai city. Given the favorable macroeconomic environment, the rapid economic growth in Shanghai, PRC, the Directors are optimistic about the potential for capital appreciation in value of the Properties and expect that the Acquisitions will provide a stable source of rental income to the Group in the future.

Pursuant to the Sale and Purchase Agreement, in the event that the Properties are seized by the Mortgagee Banks under the Third Party Mortgage I, Third Party Mortgage II and Third Party Mortgage III at any time prior to the expiry dates of the Third Party Mortgage I, Third Party Mortgage II and Third Party Mortgage III, the Company has its sole discretion not to issue Promissory Note I and Promissory Note II and to be reimbursed by Vendor for the Cash Payment (the “Arrangement”). The Company will not incur liability as a result of issue of the Promissory Notes until the expiry of the mortgages or Shanghai Xiang Chen Hang is not liable for any debts or liabilities, whether actual or contingent under the respective third party mortgages and all the respective mortgages have been cancelled. In this regard, the Board considers that the arrangement under the Sale and Purchase Agreement would serve the purpose of, to certain extent, protecting the

Company from suffering any potential loss in the event that the Properties are seized. The Board is of the view that notwithstanding that the Properties has been pledged to the Mortgage Banks by the Vendor to secure banking facilities amounting to approximately RMB120,000,000 (equivalent to approximately HK\$115,384,615) to the independent borrowers, with the Arrangement in place, the Group will be protected from any potential loss resulting from the seizing of the Properties by the Mortgage Banks, and it is in the interest of the Company to initiate the Acquisition at this stage and to lock in the potential growth in valuation of the Properties in the coming years as the Group can capture a stable stream of rental income generated from the Properties. The Board considers the terms and conditions (including the Arrangement) under the Sale and Purchase Agreement is fair and reasonable to the Company and is in the best interests to the Shareholders as a whole.

Based on the above, the Directors are of the view that the Acquisition represents (i) an attractive opportunity to the Group as it enables the Group to participate in real estate market in Shanghai, the PRC; (ii) a stable stream of rental income for the Group from the Properties; and (iii) an opportunity for the Group to capture the potential for assured present value of the Properties. The Directors believe that the terms, conditions and the reasons of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **SGM**

The Acquisition constitutes a very substantial acquisition on the part of the Company under the Listing Rules which requires the approval by the Shareholders at the SGM. The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including Promissory Note I and Promissory Note II.

### **GENERAL**

The circular containing, amongst other things, further details of the Acquisition and the status of the very substantial disposal of the property of the Company which is currently used for manufacturing snap off blade cutters and other disclosures in connection with the Acquisition required pursuant to the Listing Rules in respect of the very substantial acquisition, and together with a notice of SGM for the purpose of approving the Acquisition will be despatched to the Shareholders in accordance with the Listing Rules, i.e. within 21 days after publication of this announcement.

### **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 21 August 2006 at the request of the Company pending release 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 6 September 2006.

### **DEFINITIONS**

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“Acquisition”	the acquisition by the Company from the Vendor of 100% shareholding interest in Luck Grow pursuant to the Sale and Purchase Agreement and the Sale Loan
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Northern International Holdings Limited, a company incorporated in Bermuda whose securities are listed on the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement in accordance with the terms and conditions of the Agreement
“Consideration”	consideration for the Acquisition in the total amount of HK\$182,504,072 to be settled (1) as to HK\$24,811,764 by way of cash; (2) as to HK\$82,692,308 by way of Promissory Note I; and (3) as to HK\$75,000,000 by way of Promissory Note II
“Directors”	directors of the Company, including independent non-executive directors of the Company
“GAAP”	Generally Accepted Accounting Principles
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing Securities on the Stock Exchange
“Lok Wing”	Lok Wing Group Limited, a company incorporated in Hong Kong on 25 February 2004 and is wholly owned by Luck Grow
“Luck Grow”	Luck Grow Group Limited, a company incorporated in the British Virgin Islands on 8 August 2005 and is beneficially and wholly owned by the Vendor
“Mortgagee Banks”	Agricultural Bank of China and Bank of Shanghai
“Promissory Notes”	collectively, Promissory Note I and Promissory Note II
“Promissory Note I”	promissory note in the principal sum of HK\$82,692,308 due to the Vendor as part of the Consideration
“Promissory Note II”	promissory note in the principal sum of HK\$75,000,000 due to the Vendor as part of the Consideration
“PRC”	The Peoples’ Republic of China
“Properties”	Property A and Property B collectively
“Property A”	units Nos. 201 and 202 on Mezzanine Level, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC
“Property B”	whole of basement level, one and ground level, Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, The PRC

“Sale and Purchase Agreement”	the agreement dated 21 August 2006 entered into between the Company and the Vendor in relation to the Acquisition
“Sale Loan”	all obligations, liabilities and debts owing and incurring by Luck Grow and Shanghai Xiang Chen Hang to the Vendor as at the date of Completion. As at the date of the Sale and Purchase Agreement, Luck Grow owed to the Vendor a loan in a sum of HK\$50,000,000 and Shanghai Xiang Chen Hang owed to the Vendor a loan in a sum of RMB 23,404,234.88 (equivalent to approximately HK\$22,504,072). To the best knowledge of the Directors, such loans are the monies lent by the Vendor to the respective companies as working capital
“Shanghai Xiang Chen Hang”	Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司), a company incorporated in the PRC on 16 June 2004 and is a wholly owned subsidiary of Luck Grow and its principal assets are the Properties
“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
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Luck Grow and its subsidiaries
“Third Party Mortgage I”	the mortgage loan agreement dated 27 July 2005 and entered into between Shanghai Xiang Chen Hang and Agricultural Bank of China
“Third Party Mortgage II”	the mortgage loan agreement dated 14 December 2004 and entered into between Shanghai Xiang Chen Hang and Bank of Shanghai
“Third Party Mortgage III”	the mortgage loan agreement dated 22 June 2006 entered into between Shanghai Xiang Chen Hang and Bank of Shanghai
“Vendor”	Mr. Peter D. Xu (徐東先生) <sup>#</sup>
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“m <sup>2</sup> ”	square metre(s)
“%”	percentage

*In this announcement, RMB are converted into HK\$ on the basis of RMB1.04 = HK\$1 for illustrative purpose.*

By Order of the Board  
**Northern International Holdings Limited**  
**Chong Sing Yuen**  
*Chairman*

Hong Kong, 5 September 2006

<sup>#</sup> *Denotes English translation of a Chinese company or entity or address or name and is provided for identification purposes only.*

<sup>\*</sup> *For identification purposes only*

*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.*

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