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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Northern International Holdings Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSED CAPITAL REORGANISATION INVOLVING
CAPITAL REDUCTION AND SHARE PREMIUM REDUCTION**

Financial adviser to Northern International Holdings Limited



A notice convening a special general meeting of the Company to be held at 9:30 a.m. on Monday, 21 May 2007 at Falcon Room 1, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong is set out on pages 10 to 11 of this circular. If you are not able to attend the special general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding the meeting of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting of the Company or any adjournment of it, if you so wish.

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires.

“Board”	the board of Directors
“Bye-laws”	bye-laws of the Company for the time being in force
“Capital Reduction”	the proposed capital reduction which involves the nominal value of each Existing Share in issue being reduced from HK\$0.2 to HK\$0.01 by the reduction of HK\$0.19 paid up capital on each Existing Share
“Capital Reorganisation”	collectively, the Capital Reduction and the Share Premium Reduction
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Northern International Holdings Limited, a company incorporated in Bermuda with limited liability whose issued Existing Shares are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Existing Share(s)”	existing ordinary share(s) of HK\$0.20 each in the capital of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	25 April 2007, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	new ordinary share(s) of HK\$0.01 each in the capital of the Company after the Capital Reorganisation has taken effect
“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, approve the necessary resolutions in respect of the Capital Reorganisation

DEFINITIONS

“Share Premium Reduction”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company
“Shareholder(s)”	holder(s) of the Existing Shares or, as the case may be, New Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

EXPECTED TIMETABLE

2007

Latest time for lodging forms of proxy for the SGM	9:30 a.m. on Saturday, 19 May
The SGM	9:30 a.m. on Monday, 21 May
Effective date for the Capital Reorganisation	4:00 p.m. on Monday, 21 May
Free exchange of existing pink share certificates for new blue share certificates commences	Tuesday, 22 May
Free exchange of existing pink share certificates for new blue share certificates ends	Friday, 22 June

LETTER FROM THE BOARD



北方興業控股有限公司*
NORTHERN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 736)

Board of Directors:

Executive:

Zhao Qing Ji
Au Tat On
Lu Xiao Dong
Wong Siu Keung, Joe

Independent non-executive:

Cheng Kwok Hing, Andy
Yeung King Wah
Yeung Yuen Hei

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

**Head office and principal
place of business:**

Room 2001, 20th Floor
Lippo Centre
Tower Two
89 Queensway
Hong Kong

27 April 2007

To the Shareholders

Dear Sir or Madam,

PROPOSED CAPITAL REORGANISATION INVOLVING CAPITAL REDUCTION AND SHARE PREMIUM REDUCTION

INTRODUCTION

On 12 April 2007, the Board announced the proposed Capital Reorganisation involving the Capital Reduction and the Share Premium Reduction in accordance with the Bye-laws. The Capital Reorganisation is subject to, among others, the approval of the Shareholders at the SGM.

The purpose of this circular is to provide you with further information on the Capital Reorganisation and the notice of the SGM.

* For identification purpose only

LETTER FROM THE BOARD

CAPITAL REORGANISATION

The Board proposes to effect the Capital Reorganisation which involves the Capital Reduction and the Share Premium Reduction in accordance with the Bye-laws and all applicable laws.

1. Capital Reduction

Pursuant to the Capital Reduction, the issued share capital of the Company will be reduced by HK\$0.19 per Existing Share by cancelling an equivalent amount of paid-up capital per Existing Share so that the nominal value of each Existing Share in issue will be reduced from HK\$0.20 to HK\$0.01.

2. Share Premium Reduction

Pursuant to the Share Premium Reduction, the entire amount standing to the credit of the share premium account of the Company will be cancelled.

The credit arising from (1) and (2) above will be transferred to the contributed surplus account of the Company where it may be utilised by the Directors in accordance with the Bye-laws and all applicable laws, including to apply such credit against the accumulated losses of the Company.

3. Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company amounts to HK\$300,000,000 comprising 1,500,000,000 Existing Shares of HK\$0.2 each, of which 419,392,885 Existing Shares have been allotted and issued as fully paid or credited as fully paid. Upon the Capital Reorganisation taking effect and on the basis that the Company does not allot and issue any further Existing Shares prior thereto, the authorised share capital of the Company shall be reduced to HK\$15,000,000 by the amount of HK\$285,000,000 comprising 1,500,000,000 New Shares, of which 419,392,885 New Shares will be in issue. The New Shares will rank pari passu in all respects with each other.

On the basis of 419,392,885 Existing Shares in issue and the unaudited amount of approximately HK\$41.1 million standing to the credit of the share premium account of the Company as at 31 December 2006, a credit of approximately HK\$120.8 million will arise from the Capital Reorganisation. Such amount will be transferred to the contributed surplus account of the Company upon implementation of the Capital Reorganisation. Part of the contributed surplus of the Company will be applied to eliminate the accumulated deficits of the Company, which amounted to approximately HK\$99.7 million as at 31 December 2006. Based on the above, the accumulated deficits of the Company as at 31 December 2006 will be fully eliminated and there will be a surplus of approximately HK\$21.1 million standing to the credit of the contributed surplus account of the Company following the Capital Reorganisation becoming effective.

LETTER FROM THE BOARD

Set out below is a table summarising the effects of the Capital Reorganisation on the Company:

	As at the Latest Practicable Date or otherwise specified	Upon the Capital Reorganisation becoming effective
Nominal value of Existing Shares/ New Shares	HK\$0.20	HK\$0.01
Authorised share capital	HK\$300,000,000 consisting of 1,500,000,000 Existing Shares	HK\$15,000,000 consisting of 1,500,000,000 New Shares
Issued share capital	Approximately HK\$83.9 million divided into 419,392,885 Existing Shares	Approximately HK\$4.2 million divided into 419,392,885 New Shares
Unissued share capital	Approximately HK\$216.1 million divided into 1,080,607,115 Existing Shares	Approximately HK\$10.8 million divided into 1,080,607,115 New Shares
Share premium account	Approximately HK\$41.1 million	Nil
Accumulated deficits	Approximately HK\$99.7 million as at 31 December 2006	Nil
Contributed surplus account	Nil	Approximately HK\$21.1 million

Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, net asset value, business operations, management or financial position of the Company or the interests or rights of the Shareholders. The Capital Reorganisation will not affect the Company's ability to repay its liabilities when they fall due and does not involve any repayment to the Shareholders of any paid-up capital of the Company.

LETTER FROM THE BOARD

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the New Shares to be in issue upon the Capital Reorganisation taking effect.

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

4. Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional on:

- (i) the passing by the Shareholders of the necessary ordinary resolutions (*Note*) to approve the Capital Reorganisation;
- (ii) compliance with the relevant legal procedures and requirements under the Companies Act of Bermuda to effect the Capital Reorganisation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Shares in issue.

Note: In accordance with the Bye-laws, passing of ordinary resolutions (instead of special resolutions as set out in the announcement of the Company dated 12 April 2007) are sufficient to approve the Capital Reorganisation.

5. Reasons for the Capital Reorganisation

The Directors consider that it would be inappropriate for the Company to pay any dividends while the Company has accumulated deficits, although the Company has no present intention to pay any dividends. Based on the accumulated deficits as at 31 December 2006, and the number of Existing Shares in issue as at the Latest Practicable Date, it is expected that the accumulated deficits of the Company will be fully eliminated upon the Capital Reorganisation becoming effective. The Capital Reorganisation will therefore facilitate any dividend payment by the Company as and when appropriate in the future. Based on the above, the Directors consider that the Capital Reorganisation is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

6. Free exchange of share certificates

Subject to the Capital Reorganisation becoming effective on or about Monday, 21 May 2007, Shareholders may, during Tuesday, 22 May 2007 to Friday, 22 June 2007 (both dates inclusive), submit existing pink share certificates for Existing Shares to the Company's branch share registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in exchange, at the expense of the Company, for new blue share certificates for New Shares with new nominal value of HK\$0.01. Thereafter, certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for Existing Shares cancelled or each new share certificate issued for New Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for New Shares at any time.

It is expected that new certificates for New Shares will be available for collection within 10 business days after the submission of the existing share certificates for Existing Shares to Secretaries Limited for exchange. Unless otherwise instructed, new share certificates will be issued in board lot of 5,000 New Shares each. New share certificates for New Shares will be blue in colour to distinguish them from the existing share certificates for Existing Shares which are pink in colour.

THE SGM

No Shareholders or their associates (as defined in the Listing Rules) have interests in the Capital Reorganisation which is different from that of other Shareholders. No Shareholders are required to abstain from voting at the SGM to approve the Capital Reorganisation.

A notice of the SGM to be held at Falcon Room 1, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong at 9:30 a.m. on Monday, 21 May 2007 is set out on pages 10 to 11 of this circular for the purpose to consider and, if thought fit, to approve the Capital Reorganisation.

The form of proxy for use at the SGM is accompanied with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment of it, if you so wish.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL AT A GENERAL MEETING OF THE COMPANY

According to the Bye-laws, a resolution put to the vote of a meeting shall be decided by a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of such meeting; or
- (b) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

RECOMMENDATION

The Directors consider that the proposed Capital Reorganisation is in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable. Therefore, the Directors recommend the Shareholders vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Capital Reorganisation.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully,
For and on behalf of
Northern International Holdings Limited
Zhao Qing Ji
Chairman

NOTICE OF SGM



北方興業控股有限公司*
NORTHERN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 736)

NOTICE IS HEREBY GIVEN that the special general meeting (the “**Meeting**”) of Northern International Holdings Limited (“**Company**”) will be held on Monday, 21 May 2007 at 9:30 a.m. at Falcon Room 1, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company with or without amendments:

ORDINARY RESOLUTIONS

1. “**THAT**, conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in, shares of HK\$0.01 each in the issued share capital of the Company upon the Capital Reorganisation (as defined below) becoming effective, with effect from 4:00 p.m. on the date on which this resolution is passed (the “Effective Date”):
 - (a) the issued share capital of the Company be reduced by canceling paid up capital to the extent of HK\$0.19 on each of the shares of HK\$0.2 in the capital of the Company in issue on the Effective Date (the “Capital Reduction”) so that each issued share in the capital of the Company shall be treated as one fully-paid up share of HK\$0.01 each in the capital of the Company (the “New Share”) and any liability of the holders of New Shares to make any further contribution to the capital of the Company on each such New Share shall be treated as satisfied;
 - (b) subject to and forthwith upon the Capital Reduction taking effect, the credit amounts arising from the Capital Reduction be credited to the contributed surplus account of the Company where they may be utilised in accordance with the bye-laws of the Company and all applicable laws, including to set off the accumulated losses of the Company as at 31 December 2006 (the “First Application of Credit”); and
 - (c) the directors of the Company (the “Directors”) be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect and implement the Capital Reduction and the First Application of Credit.”

* For identification purpose only

NOTICE OF SGM

2. “**THAT**, conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in, shares of HK\$0.01 each in the issued share capital of the Company upon the Capital Reorganisation becoming effective, with effect from 4:00 p.m. on the date on which this resolution is passed:
- (a) the entire amount standing to the credit of the share premium account of the Company as at 31 December 2006 be cancelled (the “Share Premium Reduction”);
 - (b) subject to and forthwith upon the Share Premium Reduction taking effect, the credit amounts arising from the Share Premium Reduction be credited to the contributed surplus account of the Company where they may be utilised in accordance with the bye-laws of the Company and all applicable laws, including to set off the accumulated losses of the Company as at 31 December 2006 (the “Second Application of Credit”); and
 - (c) the Directors be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect and implement the Share Premium Reduction (together with the Capital Reduction, the “Capital Reorganisation”). and the Second Application of Credit.”

On behalf of the Board of Directors
Northern International Holdings Limited
Zhao Qing Ji
Chairman

Hong Kong, 27 April 2007

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business
in Hong Kong:*
Room 2001, 20th Floor
Lippo Centre
Tower Two
89 Queensway
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint another person to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
2. A form of proxy for use at the Meeting is enclosed. In order to be valid, the form of proxy attached to this circular must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the offices of the branch share registrar of the Company in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Meeting or at any adjournment thereof should he so wish.
3. Where there are joint holders of any share of the Company, any one of such holders may vote at the Meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the Meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.