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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 ACQUISITIONS**

The Board announces that on 10 July 2007, the Group entered into three sale and purchase agreements with three independent third parties regarding the acquisition of three commercial properties in Shanghai, the PRC. The total consideration payable by the Company for the Acquisitions is HK\$160,098,000. It is intended the Group will finance the consideration of the Acquisitions principally by bank borrowings.

The Acquisitions constitute very substantial acquisitions of the Company under the Listing Rules. Accordingly, the Acquisitions contemplated under the S&P Agreements are conditional upon, among other things, the approval by the Shareholders at the SGM. No Shareholders are required to abstain from voting in the SGM in respect of the resolutions to approve the Acquisitions.

A circular containing, among other things, (i) further details of the Acquisitions; (ii) financial and other information on the Group; and (iii) the notice convening the SGM will be sent to the Shareholders as soon as possible. The SGM will be held to consider and, if thought appropriate, to approve the Acquisitions.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 July 2007 pending the release of this announcement. Trading in the Shares will remain suspended pending the release of an announcement in relation to the Open Offer and the Whitewash Waiver.

**1. ACQUISITIONS**

On 10 July 2007, the Group has entered into three sale and purchase agreements to acquire certain commercial properties in Shanghai, the PRC. Details of the Acquisitions are set out below.

## **S&P AGREEMENTS DATED 10 JULY 2007**

### **First Agreement:**

#### **Parties**

Vendor: Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司)

Purchaser: Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司), an indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Xiwu and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The principal activities of Shanghai Xiwu include, among others, manufacture of machinery, subcontracting of electrical appliances and property investment and development.

#### **Assets to be acquired**

Under the First Agreement, the Company agreed to acquire and Shanghai Xiwu agreed to sell the property comprising whole of two commercial floors on Levels 1 and 2 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC. Shimei Mansion is a 26-storey commercial building completed in 1997. The First Property has a total gross floor area of approximately 2,352.14 square meters.

Shanghai Xiwu entered into leasing agreements for the premises and advertising spaces of the First Property with a total of 3 tenants who are third parties independent of the Company and its connected persons. The leasing term relating to the premises covers periods up to 2016/2017 while that relating to the advertising spaces covers period from March 2007 to March 2009. As at the date of this announcement, all premises and advertising spaces were leased out. Pursuant to the relevant leasing agreements relating to the premises with a total lettable area of 2,352.14 square meters, the aggregate annual rental for the premises is approximately RMB4.4 million (equivalent to approximately HK\$4.51 million), which is subject to an annual increase of 3% commencing on the 3rd or 4th anniversary of the relevant lease. Pursuant to the relevant leasing agreement, the annual rental for the advertising spaces is approximately RMB1.8 million (equivalent to approximately HK\$1.85 million). The First Property recorded unaudited rental income of approximately RMB1.77 million (equivalent to approximately HK\$1.82 million) and RMB3.94 million (equivalent to approximately HK\$4.04 million) for each of the two years ended 31 December 2005 and 2006 respectively.

According to the indication of the valuation prepared by Castores, the value of the First Property as at 31 May 2007 is HK\$86,487,000. The First Property was valued on a market basis by reference to comparable market transactions.

## **Consideration**

The consideration payable by the Purchaser to Shanghai Xiwu for the acquisition of the First Property is HK\$86,487,000. The consideration was arrived at after arm's length negotiations between the Purchaser and Shanghai Xiwu with reference to an indicative valuation conducted by Castores on the First Property. The Directors consider that the consideration is fair and reasonable.

The consideration for the First Property will be settled as follows:

- (a) HK\$43,243,500 in cash, which will be paid within 90 days after fulfillment of conditions precedent of the First Agreement (i) to (vi) and (viii) as set out in the sub-section headed "Conditions precedent to the S&P Agreements" below; and
- (b) the remaining HK\$43,243,500 in cash, which will be paid on the tenth business day after completion of the First Agreement.

## **Second Agreement:**

### **Parties**

Vendor: Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司)

Purchaser: Shanghai Xiang Chen Hang

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Chen Xuan and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The principal activities of Shanghai Chen Xuan include, among others, provision of trading of metal materials, construction materials, electronic and chemical products; and provision of property investment.

### **Assets to be acquired**

Under the Second Agreement, the Company agreed to acquire and Shanghai Chen Xuan agreed to sell the property comprising whole of two commercial floors on Levels 3 and 4 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC. As mentioned above, Shimei Mansion is a 26-storey commercial building completed in 1997. The Second Property has a total gross floor area of approximately 2,762.13 square meters.

Shanghai Chen Xuan entered into leasing agreements for the premises and advertising spaces of the Second Property with a total of 3 tenants who are parties independent of the Company and its connected persons. The leasing term relating to the premises covers periods up to 2016/2017 while that relating to the advertising spaces covers period from March 2007 to March 2009. As at the date of this announcement, all premises and advertising spaces were leased out. Pursuant to the relevant leasing agreements relating to the premises with a total lettable area of 2,762.13 square meters, the aggregate annual rental for the premises is approximately RMB2.4 million (equivalent to approximately HK\$2.46 million), which is subject to an annual increase of 3% commencing on the 3rd or 4th anniversary of the relevant lease. Pursuant to the relevant leasing agreement, the annual rental for the advertising spaces is approximately RMB1.2 million (equivalent to approximately HK\$1.23 million). The Second

Property recorded unaudited rental income of RMB0.98 million (equivalent to approximately HK\$1.01 million) and RMB2.19 million (equivalent to approximately HK\$2.25 million) for each of the two years ended 31 December 2005 and 2006 respectively.

According to the indication of the valuation prepared by Castores, the value of the Second Property as at 31 May 2007 is HK\$42,740,000. The Second Property was valued on a market basis by reference to comparable market transactions.

### **Consideration**

The consideration payable by the Purchaser to Shanghai Chen Xuan for the acquisition of the Second Property is HK\$42,740,000. The consideration was arrived at after arm's length negotiations between the Purchaser and Shanghai Chen Xuan with reference to an indicative valuation conducted by Castores on the Second Property. The Directors consider that the consideration is fair and reasonable.

The consideration for the Second Property will be settled as follows:

- (a) HK\$21,370,000 in cash, which will be paid within 90 days after fulfillment of conditions precedent of the Second Agreement (i) to (vi) and (viii) as set out in the sub-section headed "Conditions precedent to the S&P Agreements" below; and
- (b) the remaining HK\$21,370,000 in cash, which will be paid on the tenth business day after completion of the Second Agreement.

### **Third Agreement:**

#### **Parties**

Vendor: Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司)

Purchaser: Shanghai Xiang Chen Hang

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Xu Hui and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The principal activities of Shanghai Xu Hui include, among others, provision of trading of metal materials, construction materials, electronic products and other products; and provision of exhibition services and property management.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Xiwu, Shanghai Chen Xuan and Shanghai Xu Hui have certain common beneficial owners.

## **Assets to be acquired**

Under the Third Agreement, the Company agreed to acquire and Shanghai Xu Hui agreed to sell the property comprising whole of two office floors on Levels 14 and 15 of Yun Hai Building located at No. 1329 and 1331, Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC. Yun Han Building is a 24-storey commercial building completed in 1999. The Third Property has a total gross floor area of approximately 2,062.83 square meters. At present, the Group owns unit Nos, 201 and 202 on the mezzanine level in Yun Hai Building.

Upon completion of the Third Agreement, Shanghai Xu Hui (as tenant) and Shanghai Xiang Chen Hang (as landlord) will enter into a leasing agreement for the premises of the Third Property with a leasing term of two years. The annual rental for the premises is expected to be RMB7.2 million (equivalent to approximately HK\$7.39 million) which is determined after arm's length negotiations between Shanghai Xu Hui and Shanghai Xiang Chen Hang with reference to the prevailing market rate. Taking into account that the aforesaid leasing agreement could provide additional income source for the Group, the Directors consider that the entering into of the aforesaid leasing agreement is in the interests of the Group and the Shareholders.

The Third Property recorded unaudited rental income of nil and RMB3.6 million (equivalent to approximately HK\$3.69 million) for each of the two years ended 31 December and 2005 and 2006 respectively.

According to the indication of the valuation prepared by Castores, the value of the Third Property as at 31 May 2007 is HK\$30,871,000. The Third Property was valued on a market basis by reference to comparable market transactions.

## **Consideration**

The consideration payable by the Purchaser to Shanghai Xu Hui for the acquisition of the Third Property is HK\$30,871,000. The consideration was arrived at after arm's length negotiations between the Purchaser and Shanghai Xu Hui with reference to an indicative valuation conducted by Castores on the Third Property. The Directors consider that the consideration is fair and reasonable.

The consideration for the Third Property will be settled as follows:

- (a) HK\$15,435,500 in cash, which will be paid within 90 days after fulfillment of conditions precedent of the Third Agreement (i) to (vi) as set out in the sub-section headed "Conditions precedent to the S&P Agreements" below; and
- (b) the remaining HK\$15,435,500 in cash, which will be paid on the tenth business day after completion of the Third Agreement.

## **CONDITIONS PRECEDENT TO THE S&P AGREEMENTS**

Completion of each of the S&P Agreements is conditional upon fulfilment of the following conditions:

- (i) all necessary consents, approvals and authorizations in relation to the transactions contemplated under each of the S&P Agreements having been obtained by the respective vendor of the Subject Properties;
- (ii) there being no matter, fact or circumstance which constituted or is likely to constitute any breach of the provision or the warranties given by the respective vendor of the Subject Properties;
- (iii) the Purchaser obtaining all necessary consents and approvals including the passing of the necessary ordinary resolutions at the SGM by the Shareholders approving each of the Acquisitions;
- (iv) the receipt by the Purchaser of a legal opinion issued by a PRC law firm appointed by the Purchaser in form and substance acceptable to the Purchaser in relation to each of the Acquisitions;
- (v) the receipt by the Purchaser of the valuation reports issued by an independent property valuer appointed by the Company in form and substance acceptable to the Purchaser affirming that the valuation of the First Property, Second Property and Third Property is no less than HK\$86,487,000, HK\$42,740,000 and HK\$30,871,000 respectively;
- (vi) the Purchaser having satisfied with the results of its due diligence review on each of the Subject Properties; and
- (vii) the respective vendor of the Subject Properties provide written confirmation to the satisfaction of the Purchaser that the mortgages of the Subject Properties have been discharged.

Completion of the First Agreement and the Second Agreement are subject further to the condition precedent (viii) that the respective vendor of the First Property and Second Property provide written confirmations to the satisfaction of the Purchaser that the relevant tenants of the relevant properties have given up the first right of refusal to acquire the relevant properties.

Save for conditions (i), (iii), (vii) and (viii) above which are not waivable, the Company may waive any of the above conditions. The S&P Agreements are not inter-conditional on each other.

If the conditions above are not fulfilled or waived (as the case may be) within 180 days from the date of receipt of deposit under the respective S&P Agreements or such other date as the parties to each of the S&P Agreements may agree, the relevant S&P Agreements will lapse.

## REASONS FOR THE ACQUISITIONS

Following the cessation of the businesses of manufacture and sale of snap off blade cutters and electronic consumer products in March 2007, the Group now focuses on properties investment business. At present, the property portfolio of the Group includes certain commercial properties with aggregate gross floor area of approximately 5,621.69 square meters, respectively located in Xuhui central business district (徐匯區) and Putuo district (普陀區) in Shanghai which are fast developing area or city centre of Shanghai.

As set out in the announcement of the Company dated 5 September 2006 and the circular of the Company dated 31 October 2006, the Group acquired the interests in aforesaid Existing Properties and sale loan at a consideration of HK\$182.5 million (the "Previous Acquisition"). The completion of the Previous Acquisition took place in November 2006. The Existing Properties were pledged to certain banks by their previous owners (Shanghai Xiwu and Shanghai Chen Xuan) to secure banking facilities of approximately RMB164 million (equivalent to approximately HK\$168 million) in favour of two independent borrowers pursuant to three mortgage loan agreements. The Board was informed that all mortgage loans granted to the aforesaid independent borrowers have been released in July 2007. Upon the release of the mortgages, the Company is required to issue the promissory notes in an aggregate amount of HK\$157.7 million to satisfy the equivalent amount of consideration for the Previous Acquisition. Mr. Zhao confirms that (i) he is not connected with the vendors and their respective beneficial owners of the Previous Acquisition; and (ii) he is not connected with the vendors and their respective beneficial owners of the Acquisitions. Profit Key and Mr. Zhao confirm that they have not held any interests in the First Property, Second Property and Third Property in the past 24 months.

The Directors consider that the Acquisitions will provide a good opportunity for the Group to expand its property portfolio. It is intended that the Group will finance the consideration of the Acquisitions principally by bank borrowings. The Group has been discussing with a bank in the PRC regarding the proposed grant of mortgage loans to be secured by the Existing Properties and the Subject Properties. It is expected that the proposed acquisitions of three commercial properties under the S&P Agreements will provide a stable source of rental income to the Group in future. Upon completion of the Acquisitions, the financial results of Subject Properties will be consolidated into the accounts of the Group. In view of the economic development in the PRC, the Board foresees that the demand for real estates, especially commercial properties in major cities of the PRC such as Shanghai, Beijing and Shenzhen will remain strong. The Group intends to explore further in the properties investment business which would achieve capital appreciation and generate stable revenue to the Group. Taking into account the above factors, the Directors are of the view that the terms of the Acquisitions are fair and reasonable and in the interests of the Shareholders as a whole.

## **LISTING RULES IMPLICATION IN RESPECT OF THE ACQUISITIONS**

The Acquisitions constitute very substantial acquisitions of the Company under the Listing Rules. Accordingly, the Acquisitions contemplated under the S&P Agreements are conditional upon, among other things, the approval by the Shareholders at the SGM. No Shareholders are required to abstain from voting in the SGM in respect of the resolutions to approve the Acquisitions.

### **2. GENERAL**

A circular containing, among other things, (i) further details of the Acquisitions; (ii) financial and other information on the Group; and (iii) the notice convening the SGM will be sent to the Shareholders as soon as possible. The SGM will be held to consider and, if thought appropriate, to approve the Acquisitions.

### **3. PROPOSED OPEN OFFER**

The Company proposes an equity fund raising exercise by way of the Open Offer. The Open Offer is conditional on, among others, the approval of the Independent Shareholders and the Whitewash Waiver, and the Executive granting the Whitewash Waiver.

On 11 July 2007, Profit Key, VC Brokerage, the Company and Mr. Zhao entered into the Underwriting Agreement pursuant to which Profit Key shall subscribe for, or procure subscription of, part of the Underwritten Shares not being taken up before VC Brokerage is required to subscribe for any Underwritten Shares. If there remains any Underwritten Shares not being taken up after Profit Key's subscription or procurement of subscription in full, VC Brokerage shall subscribe for, or procure subscription of, the remaining Underwritten Shares not being taken up.

Rule A1 of Appendix 10 of the Listing Rules states that "a director must not deal in any of the securities of the listed issuer at any time when he is in possession of unpublished price-sensitive information in relation to those securities, or...". The entering into of the Underwriting Agreement by Mr. Zhao falls under the definition of "dealing" under Appendix 10 of the Listing Rules. As the announcement relating to Acquisitions has not been published at the time when Profit Key and Mr. Zhao entered into the Underwriting Agreement and in order to comply with the aforesaid rule, the parties to the Underwriting Agreement entered into a termination agreement to terminate the Underwriting Agreement on 20 July 2007. Notwithstanding this, the interests of the Independent Shareholders are not prejudiced as a result of the Underwriting Agreement on the following grounds:

- (i) all Shareholders are entitled to the assured entitlements of the Open Offer. They will all be given the chance to take up the Offer Shares should they wish to. Profit Key, as one of the Underwriters, will only subscribe for, or procure subscription of the relevant Underwritten Shares under the obligations of the Underwriting Agreement when the Independent Shareholders do not take up the Offer Shares;



- (ii) the Open Offer is subject to the approval of the Independent Shareholders where Profit Key, Mr. Zhao and parties acting in concert with them and their respective associates and those who are interested in or involved in the Underwriting Agreement will be required to abstain from voting. An independent financial adviser will be appointed to opine on the terms of the Open Offer. Independent Shareholders can exercise their veto rights if they so wish to. Accordingly, the Independent Shareholders' interests are safeguarded; and
- (iii) before the holding of the special general meeting of the Company to approve the Open Offer and any decision has been made by the Independent Shareholders to accept the Offer Shares, the details of the Acquisitions will have been published and the Independent Shareholders will be fully informed. The information on the Acquisitions available to the Independent Shareholders at the time when they are required to make any decision about the Open Offer will be the same as that of Profit Key when it is required to subscribe for the Offer Shares, if any.

The parties to the Underwriting Agreement intend to proceed with Open Offer after publication of this announcement in relation to the Acquisitions. Terms of the Open Offer will be subject to further negotiations among the relevant parties. Further announcement will be made in this regard.

#### **4. SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 July 2007 pending the release of this announcement. Trading in the Shares will remain suspended pending the release of an announcement in relation to the Open Offer and the Whitewash Waiver.

#### **5. TERMS USED IN THE ANNOUNCEMENT**

In this announcement, the following terms have the following meanings:

“Acquisitions”	the acquisitions of the Subject Properties pursuant to the S&P Agreements
“acting in concert”	has the meaning given to it in the Takeovers Code
“associate(s)”	has the meaning given to it in the Listing Rules
“Board”	board of Directors
“Castores”	Castores Magi (Hong Kong) Limited, a firm of professional property surveyors
“Company”	Northern International Holdings Limited, a company incorporated in Bermuda with limited liability whose issued shares are listed on the Main Board of the Stock Exchange

“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Existing Properties”	properties of (i) unit Nos. 201 and 202 on the mezzanine level, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC; and (ii) whole of basement level one and ground level, Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, the PRC, held by the Group
“First Agreement”	the sale and purchase agreement dated 10 July 2007 entered into between Shanghai Xiwu and the Purchaser in respect of the First Property
“First Property”	the property comprising whole of two commercial floors on Levels 1 and 2 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Profit Key, Mr. Zhao and parties acting in concert with them (including Ms. Pan Chien Pu) and their respective associates and those who are interested in or involved in the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhao”	Mr. Zhao Qing Ji, the executive Director and Chairman of the Company
“Offer Share(s)”	the new Share(s) proposed to be offered to the qualifying Shareholders to subscribe for pursuant to the Open Offer
“Open Offer”	the proposed issue of Offer Shares to the qualifying Shareholders on the terms to be announced by the Company in due course
“PRC”	the People’s Republic of China

“Profit Key”	Profit Key Group Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Zhao Qing Ji, an executive Director and Chairman of the Company
“Purchaser”	Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司), an indirect wholly-owned subsidiary of the Company
“S&P Agreements”	First Agreement, Second Agreement and Third Agreement
“Second Agreement”	the sale and purchase agreement dated 10 July 2007 entered into between Shanghai Chen Xuan and the Purchaser in respect of the Second Property
“Second Property”	the property comprising whole of two commercial floors on Levels 3 and 4 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC
“SFC”	Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened to approve the Acquisitions
“Shanghai Chen Xuan”	Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司)
“Shanghai Xiwu”	Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司)
“Shanghai Xu Hui”	Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司)
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Properties”	First Property, Second Property and Third Property
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Third Agreement”	the sale and purchase agreement dated 10 July 2007 entered into between Shanghai Xu Hui and the Purchaser in respect of the Third Property

“Third Property”	the property comprising whole of two office floors on Levels 14 and 15 of Yun Hai Building located at No. 1329 and 1331, Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC
“Underwriters”	Profit Key and VC Brokerage
“Underwriting Agreement”	the underwriting agreement dated 11 July 2007 entered into among the Underwriters, the Company and Mr. Zhao as guarantor in relation to the underwriting of the Open Offer, which was terminated on 20 July 2007
“Underwritten Shares”	the total number of Offer Shares which Shareholders are entitled pursuant to the Open Offer
“VC Brokerage”	VC Brokerage Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being one of the Underwriters of the Open Offer
“Whitewash Waiver”	a waiver of the obligation of Profit Key and parties acting in concert with it to make a mandatory offer for all the Shares not already owned or agreed to be acquired by them under Note 1 to Dispensations from Rule 26 of the Takeovers Code as a result of fulfillment of the obligations under the Underwriting Agreement
“HK\$”	Hong Kong dollars
“%”	per cent.

*This announcement contains translation between RMB and HK\$ at RMB1.00 = HK\$1.026. The translation should not be taken as a representation that the relevant currency could actually be converted into HK\$ at that rate or at all.*

By Order of the Board  
**NORTHERN INTERNATIONAL HOLDINGS LIMITED**  
**Mr. Zhao Qing Ji**  
*Chairman*

Hong Kong, 20 July 2007

\* *For identification purpose only*

*As at the date of this announcement, Mr. Zhao Qing Ji, Mr. Au Tat On and Mr. Lu Xiao Dong are the executive Directors; and Mr. Cheng Kwok Hing, Andy, Mr. Yeung Yuen Hei and Ms. Chan Mei Bo, Mabel are the independent non-executive Directors.*