# 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 CONNECTED TRANSACTION AND RESUMPTION OF TRADING

The Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase (i) the Sale Shares representing the entire issued share capital of Asian Field; and (ii) the rights of and benefits in, the Sale Loan. The Asian Field Group is principally engaged in the business of manufacturing and sale of snap off blade cutters. Subsequent to the Disposal, the Group will cease to engage in the snap off blade cutters business and will focus on the properties investment business.

The Disposal constitutes a very substantial disposal on the part of the Company under the Listing Rules. By virtue of the Purchaser's directorship in the Group, the Disposal also constitutes a connected transaction on the part of the Company under the Listing Rules. Accordingly, the Disposal is subject to the approval by the Independent Shareholders at the SGM, in which the Purchaser and his associates will abstain from voting on the resolution approving the Disposal. A circular containing, among other things, further details of the Disposal, financial information of the Group, the recommendation from the independent board committee, the advice from an independent financial adviser regarding the Disposal and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 8 February 2007 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 13 February 2007.

On 7 February 2007, the Company entered into the S&P Agreement with the Purchaser, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase, (i) the Sale Shares; and (ii) the rights of and benefits in the Sale Loan at the Consideration. Details of the Disposal are set out below.

**The S&P Agreement**

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| Date: | 7 February 2007 |
| Vendor: | the Company |
| Purchaser: | Mr. Chong Sing Yuen |

Mr. Chong, being the Chairman of the Group since 1998, resigned as an executive Director with effect from 7 January 2007 but remains as the general manager and executive director of certain subsidiaries of the Company. As at the date of this announcement, Mr. Chong and his associates were interested in 1,411,552 Shares, representing about 0.34% of the total issued share capital of the Company.

**Assets to be disposed of:**

(i) the Sale Shares comprising (a) one ordinary share of US$1 each in the share capital of Asian Field, representing the entire issued share capital of Asian Field as at the date of the S&P Agreement; and (b) the Capitalised Share (if any) as detailed in the paragraph headed "Undertakings and adjustment to Consideration" below; and

(ii) the rights of and benefits in, the Sale Loan, being the inter-company balance owing from Asian Field to the Company after deducting the capitalised amount as at the date of Completion as detailed in the paragraph headed "Undertakings and adjustment to Consideration" below.

The Asian Field Group comprises Asian Field as an investment holding company and its subsidiaries which are principally engaged in the business of manufacturing and sale of snap off blade cutters. Since Asian Field is not required to prepare any statutory accounts, no audited financial statements have been prepared. Based on the unaudited consolidated management accounts of the Asian Field Group prepared in accordance with accounting principles generally accepted in Hong Kong, the Asian Field Group recorded a consolidated turnover of approximately HK$70.1 million for the year ended 31 March 2005. The consolidated loss before taxation was approximately HK$12.3 million and consolidated loss after taxation was approximately HK$12.8 million for the year ended 31 March 2005. For the year ended 31 March 2006, the Asian Field Group recorded a consolidated turnover of approximately HK$99.1 million, a consolidated loss before taxation of about HK$23.1 million, and a consolidated loss after taxation of about HK$23.3 million. For the six months ended 30 September 2006, the Asian Field Group recorded a consolidated turnover of approximately HK$29.4 million, a consolidated loss before and after taxation of both about HK$18.4 million. The Asian Field Group did not record any extraordinary gain or loss for both the years ended 31 March 2005 and 2006 and the six months ended 30 September 2006. The unaudited consolidated net asset value (excluding the Shareholder Loan of approximately HK$61.0 million as at 30 September 2006) of the Asian Field Group as at 30 September 2006 was approximately HK$5.8 million.

**Consideration:**

Subject to the adjustment (if any) as may be made in accordance with the S&P Agreement, the Consideration is HK$2 comprising the consideration for the Sale Shares of HK$1 and the consideration of the Sale Loan of HK$1 and was determined after arm's length negotiations between the Company and the Purchaser. Details of the possible adjustment to Consideration are set out in the paragraph headed "Undertakings and adjustment to Consideration" below. In determining the Consideration, the Directors have made reference to the unaudited consolidated net asset value of the Asian Field Group as at 31 January 2007, the loss-making track record of the Asian Field Group in the past two years, the anticipated loss of the Asian Field Group during the period up to the Completion, prospect of the snap off blade cutters business and the recoverability of the Sale Loan by the Company given the existing financial position of the Asian Field Group. Further information on the Asian Field Group is set out below. Based on the above, the Directors consider the Consideration to be fair and reasonable.

**Conditions:**

Completion is conditional upon fulfilment of the following conditions:

a) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM to approve the Company's entry into of the S&P Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and

b) the release by the banks of the obligations of the Company as a corporate guarantor under the existing banking facilities available to the Asian Field Group.

If the above conditions are not fulfilled on or before 30 June 2007 (or such later date as may be agreed between the Company and the Purchaser in writing), the S&P Agreement shall terminate and no party shall have any claim against any other for costs, damages, compensation or otherwise (save in respect of any antecedent breach of the S&P Agreement).

**Completion:**

Completion is to take place on the seventh business day after the fulfilment of the above conditions (or other dates the Company and the Purchaser may agree). Upon Completion, the Company will no longer hold any interests in Asian Field and Asian Field will cease to be a subsidiary of the Company. The Group will cease to engage in the business of manufacturing and sale of snap off blade cutters.

**Undertakings and adjustment to Consideration:**

In the event that the Asian Field Group records net liabilities on its unaudited consolidated management accounts as at 31 January 2007 (the "January Accounts"), the Company has undertaken to enter into, and undertaken to procure Asian Field to enter into the Capitalisation Agreement, pursuant to which an amount of inter-company balance owing from Asian Field to the Company equivalent to the net liabilities recorded on the January Accounts will be capitalised to offset the same amount of the net liabilities recorded on the January Accounts and as a result, one share of Asian Field will be allotted and issued to the Company at a consideration equivalent to the capitalised amount. The Capitalised Share will form part of the Sale Shares and the Sale Loan to be assigned to the Purchaser upon Completion will be reduced accordingly.

In the event that the January Accounts record net liabilities with an amount exceeding the inter-company balance owing from Asian Field to the Company, such inter-company balance will be fully capitalised and no Sale Loan will be assigned to the Purchaser upon Completion and in which case, no adjustment will be made to the consideration for the Sale Shares. Should the January Accounts record net asset value, the consideration for the Sale Shares will be adjusted upwards by the net asset value as shown on the January Accounts on a dollar-for-dollar basis and the Capitalisation Agreement will not be entered into and no Capitalised Share will be issued.

## REASONS FOR THE DISPOSAL

The Group is principally engaged in properties investment, manufacture and sale of snap off blade cutters. Upon Completion, the Group will cease to engage in the snap off blade cutters business and Asian Field will no longer be a subsidiary of the Company.

Adversely affected by the surge in material prices and production costs, the snap off blade cutters business has been loss-making since 2005. As set out in the 2006 annual report of the Company, the snap off blade cutters segment incurred a loss of about HK$3.1 million and about HK$4.8 million to the Group for the year ended 31 March 2005 and 2006 respectively. Besides, as set out in the 2006 interim report of the Company, the snap off blade cutters segment incurred a further loss of about HK$2.7 million for the six months ended 30 September 2006. Having considered the loss making track record for the past two financial years and the poor interim result, the Board considers that it is the suitable time for the Group to cease engaging in the snap off blade cutters business and the Disposal will enable the Group to avoid any further losses that will possibly be incurred by the Asian Field Group.

Taking into account the unaudited net liabilities (including the Shareholder Loan) of the Asian Field Group of approximately HK$55.2 million as at 30 September 2006 and the Shareholder Loan of about HK$61.0 million as at the 30 September 2006, it is expected that a loss of approximately HK$5.8 million will be recognised in the consolidated accounts of the Company for the year ending 31 March 2007 should the Completion take place on or before 31 March 2007. It should be noted that the amount of loss eventually to be recognised on the consolidated accounts of the Company will depend on the net book value of the Asian Field Group and the Sale Loan as at the date of Completion. Despite the expected loss to be recognised in respect of the Disposal, in view of the declining results and the uncertain operating environment of the snap off blade cutters business, the Board considers that it is appropriate for the Group to exit the snap off cutter blade business and to focus the resources of the Group in the properties investment business.

Subsequent to Completion, the Group will cease to operate the snap off blade cutter business and concentrate on the properties investment business and will actively explore other investment opportunities. 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 has acquired the entire issued share capital of Luck Grow Group Limited, whose principal assets are the Shanghai Properties, at a consideration of HK$182.5 million (the "Acquisition"). As stated in the valuation report contained in the circular of the Company dated 31 October 2006, the Company was advised by its PRC legal advisers that 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited), an indirectly wholly-owned subsidiary of Luck Grow Group Limited, is the legal titler of the Shanghai Properties. The completion of the Acquisition took place in November 2006. At present, the Group does not have any capital commitment in relation to the Shanghai Properties. The Shanghai Properties at present were pledged to certain banks by their previous owner to secure banking facilities of approximately RMB120 million (equivalent to approximately HK$120 million) in favour of two independent borrowers pursuant to three mortgage loan agreements, which are expected to expire on 26 July 2007, 13 December 2007 and 12 June 2009 respectively. The Company will only be required to issue the promissory notes in an aggregate amount of HK$157.7 million to satisfy the equivalent amount of consideration for the Acquisition upon the respective expiry of the mortgages. The Board has been continuously monitoring the status of the respective outstanding mortgages with the respective banks and borrowers every three months. The mortgage banks will also inform the Company immediately if the outstanding mortgages are not settled on time. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the borrowers have been making repayment on schedule. Details of the aforesaid arrangements are set out in the circular of the Company dated 31 October 2006.

Subsequent to Completion, the Group will be principally engaged in the properties investment business whereby the Shanghai Properties will be the principal assets of the Group. The Shanghai Properties are certain commercial properties with aggregate gross floor area of approximately 5,621.69 square meters, respectively located in Xu Hui central business district (徐匯區) and Pu Tuo district (普陀區) in Shanghai which are fast developing area or city centre of Shanghai. They are expected to bring stable rental income and potential capital gain to the Group. According to the valuation report issued by a professional independent valuer, the Shanghai Properties have market value of HK$242.1 million as at 31 August 2006. The Shanghai Properties are currently fully occupied by two independent tenants. Since the completion of the Acquisition in November 2006, the two existing tenancy and advertising agreements of the Shanghai Properties have been contributing monthly rental income and advertising income of RMB414,908 (equivalent to approximately HK$414,908) and RMB458,000 (equivalent to approximately HK$458,000) to the Group respectively, and are subject to further increment in the coming years. It is expected that the Shanghai Properties will contribute to the Group an annual revenue of over RMB10.5 million (equivalent to approximately HK$10.5 million), becoming the major source of revenue of the Group after the Completion. Further, the Directors are optimistic about the property market in Shanghai and consider the Group could enjoy gain from possible appreciation of value of the Shanghai Properties riding on the development prospect of Shanghai city.

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. In light of the above factors, the Directors consider that the terms of the S&P Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

## FUTURE PLAN OF THE GROUP

Subsequent to the Completion, the Group will be principally engaged in the business of properties investment whereby the Shanghai Properties will be the principal assets of the Group. The Group will also actively and carefully look for potential investment opportunity in order to diversify its business and enhance the value of the Group. As at the date of this announcement, the Group has not yet commenced any discussion or negotiation for any potential investment.

## LISTING RULES IMPLICATIONS

The Disposal constitutes a very substantial disposal on the part of the Company under the Listing Rules. By virtue of Mr. Chong's directorship in the Group, the Disposal also constitutes a connected transaction on the part of the Company under the Listing Rules. Accordingly, the Disposal is subject to the approval by the Independent Shareholders at the SGM to be convened by the Company. Mr. Chong and his associates will abstain from voting at the SGM on the resolution approving the Disposal. At the SGM, votes of the Independent Shareholders will be taken by poll where Mr. Chong and his associates will abstain from voting on the resolution in relation to the Disposal. An independent board committee of the Company has been constituted and will advise the Independent Shareholders relating to the S&P Agreement and the transactions contemplated thereunder. An independent financial adviser has been appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

## GENERAL

A circular containing, among other things, further details of the Disposal, financial information of the Group, the recommendation from the independent board committee, the advice from the independent financial adviser on the Disposal and a notice of the SGM will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 8 February 2007 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 13 February 2007.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

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| "Asian Field" | Asian Field Holdings Corp. a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company as at the date of the S&P Agreement |
| "Asian Field Group" | Asian Field and its subsidiaries |
| "Board" | the board of the Directors |
| "Capitalisation Agreement" | the agreement which may be entered into between the Company and Asian Field, pursuant to which, the Capitalised Share (if any) will be issued and allotted to the Company |
| "Capitalised Share" | the one new share of Asian Field with par value of US$1 each to be issued and allotted to the Purchaser at a consideration equivalent to the value of the consolidated net liabilities (if any) of the Asian Field Group as at 31 January 2007 |
| "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 |
| "Completion" | completion of the S&P Agreement |
| "Consideration" | the aggregate consideration of HK$2, comprising the consideration for the Sale Shares of HK$1 and consideration for the Sale Loan of HK$1, payable by the Purchaser to the Company pursuant to the S&P Agreement |
| "Director(s)" | director(s) of the Company |
| "Disposal" | the disposal by the Company of (i) the Sale Shares; and (ii) the benefit of and the interest in, the Sale Loan pursuant to the S&P Agreement |
| "Group" | the Company and its subsidiaries |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |
| "Independent Shareholders" | Shareholders other than Mr. Chong and his associates |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "PRC" | the People's Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan |
| "Purchaser" or "Mr. Chong" | Mr. Chong Sing Yuen, an executive director of certain subsidiaries of the Group |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Sale Loan" | the Shareholder Loan as at the date of Completion (after netting of the amount capitalised (if any) pursuant to the Capitalisation Agreement) |

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| "Sale Shares" | (i) one ordinary share of US$1 par value each in the issued share capital of Asian Field as at the date of the S&P Agreement; and (ii) the Capitalised Share (if any) |
| "SGM" | the special general meeting of the Company to be convened to approve, among other things, the S&P Agreement and the transactions contemplated thereunder |
| "Shanghai Properties" | (i) unit Nos, 201 and 202 on 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 |
| "Share(s)" | ordinary share(s) of HK$0.20 each in the issued share capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Shareholder Loan" | all obligations, liabilities and debts owing and incurring by Asian Field to the Company as at the date of Completion which is expected to be not more than HK$65.70 million. The inter-company balances of approximately HK$65.66 million as at the date of the S&P Agreement is owing from Asian Field to the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "S&P Agreement" | the conditional sale and purchase agreement dated 7 February 2007 entered into among the Company and the Purchaser in relation to the sale and purchase of (i) the Sale Shares; and (ii) the benefit of and the interest in the Sale Loan |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "%" | per cent. |

*For illustration only, amounts in RMB have been translated into HK$ at the exchange rate of RMB1.0 = HK$1.0.*

By Order of the Board
**NORTHERN INTERNATIONAL HOLDINGS LIMITED**
**Wong Siu Keung, Joe**
*Company Secretary*

Hong Kong, 12 February 2007

* *For identification purpose only*

*As at the date of this announcement, the executive Directors are Messrs. Zhao Qing Ji, Au Tat On, Lu Xiao Dong and Wong Siu Keung, Joe; and the independent non-executive Directors are Messrs. Cheng Kwok Hing, Andy,Yeung King Wah and Yeung Yuen Hei.*

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