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NORTH ASIA STRATEGIC HOLDINGS LIMITED

北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

Connected transaction involving waiver of adjustment of conversion price of Convertible Bonds

Financial adviser to North Asia Strategic Holdings Limited



Upon completion of the Ajia Parties Subscription Agreement, the Ajia Parties have subscribed for new Shares and the Convertible Bonds which are convertible into new Shares at an initial conversion price of HK\$0.1566 each.

Based on the terms of the Placement, the prevailing conversion price for the Convertible Bonds should be adjusted from HK\$0.1566 to HK\$0.0280 in accordance with the relevant provisions of the instrument constituting the Convertible Bonds as a result of the Placement.

In order to avoid the potential dilution effect to the Independent Shareholders as a result of the downward adjustment to the conversion price of the Convertible Bonds and to have a consistent entry price for the investments in the Company by the Ajia Parties and the Placees, which is one of the factors considered by the Placees in committing to participate in the Placement, the Ajia Parties and the Company will enter into the Waiver Agreement to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the Placement, including any subsequent conversion of the Preference Shares into ordinary shares of the Company.

Reference is made to the joint announcement dated 19th May, 2005 (the “Subscription Announcement”) and the circular of the Company dated 20th June, 2005 relating to, among other things, the subscription of new Shares and the Convertible Bonds by the Ajia Parties, and to the announcements of the Company dated 30th December, 2005 and 16th January, 2006 (the “Placement Announcements”) relating to, among other things, the conditional subscription of Preference Shares by a total of 21 Placees. Capitalised terms used herein shall have the same meanings as defined in the Placement Announcements unless otherwise stated.

* *For identification purpose only*

WAIVER OF ADJUSTMENT TO CONVERSION PRICE

As disclosed in the Subscription Announcement, the Ajia Parties have agreed to subscribe for new Shares and the Convertible Bonds. The aforesaid subscription was completed on 8th August, 2005. Since then, the Ajia Parties became holders of the Convertible Bonds with an aggregate principal value of HK\$20 million. The Convertible Bonds are convertible into new Shares at an initial conversion price of HK\$0.1566 each.

Pursuant to the instrument constituting the Convertible Bonds, the conversion price for the Convertible Bonds is subject to anti-dilution adjustments if certain events, which include, among other things, the issue by the Company of convertible securities, take place. Based on the terms of the Placement, the prevailing conversion price for the Convertible Bonds should be adjusted from HK\$0.1566 to HK\$0.0280 in accordance with the relevant provisions of the instrument constituting the Convertible Bonds as a result of the Placement. In order to avoid the potential dilution effect to the Independent Shareholders as a result of the downward adjustment to the conversion price of the Convertible Bonds and to have a consistent entry price for the investments in the Company by the Ajia Parties and the Placees, which is one of the factors considered by the Placees in committing to participate in the Placement, the Ajia Parties and the Company will enter into an agreement (the “Waiver Agreement”) to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the Placement, including any subsequent conversion of the Preference Shares into ordinary shares of the Company (the “Waiver”). The Directors (including the independent non-executive Directors) consider that the terms of the Waiver Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Waiver Agreement is expected to be entered into after the Waiver has been approved by the Independent Shareholders at the Special General Meeting to be held on 20th February, 2006.

GEM LISTING RULES IMPLICATIONS

Ajia Parties are NASAC and Mr. Tsang. NASAC, a company incorporated in the Cayman Islands, is a special purpose vehicle formed for the purpose of the subscription of new Shares and the Convertible Bonds pursuant to the Ajia Parties Subscription Agreement. Upon completion of the Ajia Parties Subscription Agreement and as at the date of this announcement, the Ajia Parties are interested in an aggregate of 64,366,360 Shares which represent approximately 67.2% of the existing issued share capital of the Company. In view of Ajia Parties’ controlling shareholding interests in the Company, the Waiver constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the approval of the Independent Shareholders. The Ajia Parties and their respective associates shall abstain from voting on the resolution to be proposed at the Special General Meeting regarding the Waiver. An independent committee of the Board has been constituted to give recommendation to the Independent Shareholders as regards the Waiver. Access Capital has been appointed as the independent financial adviser to advise the independent Board committee and the Independent Shareholders in this connection.

A circular containing details of, among other things, the Placement and the Waiver will be despatched to the Shareholders on 24th January, 2006.

INFORMATION ON THE GROUP

The Group is principally engaged in the trading of steel products, provision of procurement services for steel products, operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services.

By Order of the Board
North Asia Strategic Holdings Limited
Savio Chow Sing Nam
Executive Director and Chief Executive Officer

Hong Kong, 23rd January, 2006

For the purpose of this announcement, unless otherwise stated, translation of US\$ into HK\$ have been made at the rate of US\$1 to HK\$7.76. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in US\$ or HK\$ have been, could have been, or may be converted at such or any other rate.

As at the date of this announcement, the Board comprises Mr. Göran Sture Malm (Chairman), Mr. Savio Chow Sing Nam (Chief Executive Officer), Mr. Henry Cho Kim, Mr. Andrew Yao Cho Fai and Mr. Desmond Fu Hay Ching (being the executive Directors), Mr. Philip Ma King Huen, Mr. Kenny Tam King Ching and Mr. Edgar Kwan Chi Ping (being the independent non-executive Directors).

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief that: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcement” page for at least seven days from the date of its posting and on the Company’s website at www.nasholdings.com.