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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

**If you have sold or transferred** all your shares in North Asia Strategic Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, other licensed corporation or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

### **ISSUE OF PREFERENCE SHARES TO WOORI BANK AND CONNECTED TRANSACTION INVOLVING THE WAIVER AGREEMENT**

**Financial adviser to North Asia Strategic Holdings Limited**



**Independent financial adviser to the independent board committee  
and the independent shareholders of North Asia Strategic Holdings Limited**



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A letter from the board of directors of North Asia Strategic Holdings Limited is set out on pages 6 to 20 of this circular. A letter from the independent board committee of the Company and a letter from Access Capital Limited containing their recommendation and advice are set out on page 21 and pages 22 to 30 of this circular respectively.

A notice convening a special general meeting of North Asia Strategic Holdings Limited to be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Monday, 4th September 2006 is set out on pages 46 to 47 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

*This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at [www.nasholdings.com](http://www.nasholdings.com).*

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## CHARACTERISTICS OF GEM

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context requires otherwise:*

“Access Capital”	Access Capital Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Waiver Agreement
“AICV”	Asia Internet Capital Ventures LP, a US\$33 million venture capital fund organised for the object and purpose of making private equity investments in internet and technology oriented companies and managed by Mr. Tsang
“Ajia Parties”	NASAC and Mr. Tsang
“Ajia Parties Subscription Agreement”	the subscription agreement dated 19th May 2005 entered into between the Company, NASAC, Mr. Tsang and Huge Top in relation to the subscription by the Ajia Parties of a total of 63,856,960 Shares and the Convertible Bonds, details of which are set out in the announcement of the Company dated 19th May 2005 and the circular of the Company dated 20th June 2005
“Announcement”	the announcement dated 26th July 2006 issued by the Company in relation to, among other things, the Placement and the Waiver Agreement
“API”	Ajia Partners Inc., a company incorporated in the Cayman Islands in which Mr. Tsang, Mr. Cho and a director of the Company and their associates in aggregate hold controlling interest
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Autron”	Autron Corporation Limited, a company incorporated in Australia whose securities are listed on both The Singapore Exchange Securities Trading Limited and The Australian Stock Exchange Limited
“Board”	the board of Directors

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## DEFINITIONS

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“Change of Law”	a change in a law, or a regulation having the force of law, of a Korean governmental authority, or in the interpretation of any such law or regulation by a Korean court or other governmental authority of competent jurisdiction
“Company”	North Asia Strategic Holdings Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on GEM
“Completion”	the closing of the Subscription Agreement
“connected persons”	has the meaning given to it in the GEM Listing Rules
“Conversion Shares”	the Shares to be issued upon conversion of the New Preference Shares
“Convertible Bonds”	the convertible bonds, with total face value of HK\$20 million, issued by the Company to the Ajia Parties, which are convertible into new Shares at an initial conversion price of HK\$0.1566 per Share (subject to adjustments) pursuant to the Ajia Parties Subscription Agreement, details of which are set out in the circular of the Company dated 20th June 2005
“Director(s)”	the director(s) of the Company
“First Placement”	the placement of a total of 7,383,166,793 Preference Shares to the 19 Initial Placees completed by the Company during February and March 2006
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huge Top”	Huge Top Industrial Limited, a company incorporated in the British Virgin Islands

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board (comprising all the independent non-executive Directors) constituted to give recommendations to the Independent Shareholders as regards the Waiver Agreement
“Independent Shareholders”	Shareholders other than the Ajia Parties and their respective associates
“Independent Third Parties”	third parties who are independent of the Company and its connected persons
“Initial Placees”	the 19 subscribers of the Preference Shares (including AICV and Timeless) pursuant to the First Placement
“Investment Committee”	the committee constituted by the Board from time to time for the purpose of evaluating potential acquisition and disposition of investments
“Latest Practicable Date”	15th August 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long-stop Date”	the date which is 60 days from the date of the Subscription Agreement
“Main Board”	the main board of the Stock Exchange
“Mr. Cho”	Mr. Henry Cho Kim, an executive Director
“Mr. Tsang”	Mr. Moses Tsang Kwok Tai, a substantial Shareholder holding approximately 21.1% of the existing issued Shares
“Mr. Yao”	Mr. Andrew Yao Cho Fai, an executive Director
“NASA”	North Asia Strategic Advisors, a company incorporated in Cayman Islands which controls 100% of the voting rights of NASAC and is a wholly-owned subsidiary of API
“NASAC”	North Asia Strategic Acquisition Corp., an investment holding company incorporated in the Cayman Islands and the controlling Shareholder holding approximately 46.1% of the existing issued Shares

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## DEFINITIONS

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“New Preference Shares”	the 792,848,020 Preference Shares to be issued to Woori pursuant to the Subscription Agreement
“Places”	the Initial Places and Woori
“Placement”	the proposed placing of a total of 792,848,020 Preference Shares by the Company to Woori pursuant to the Subscription Agreement
“Preference Shares”	the non-voting convertible preference shares of the Company in issue and to be issued by the Company and subscribed by Woori under the Placement, and any further non-voting convertible preference shares to be issued by the Company from time to time
“Preference Shares Waiver”	the proposed waiver by the holders of the existing issued Preference Shares of any requirement to adjust the conversion ratio of the existing issued Preference Shares arising from the Placement
“Services Agreement”	the services agreement dated 26th September 2005 (as amended and restated on 30th December 2005) entered into between the Company and NASA
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Special General Meeting”	the special general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Subscription Agreement and the Waiver Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 20th July 2006 entered into between the Company and Woori in relation to the Placement
“Timeless”	Timeless Enterprises Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Cho

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## DEFINITIONS

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“TN”	TN Development Limited
“VSC”	Van Shung Chong Holdings Limited (stock code: 1001), a company whose shares are listed on the Main Board of the Stock Exchange
“VSC BVI”	Van Shung Chong (B.V.I.) Limited, a wholly-owned subsidiary of VSC
“Waiver Agreement”	the agreement to be entered into between the Company and the Ajia Parties pursuant to which the Ajia Parties agree to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the Placement
“Woori”	Woori Bank, the subscriber for the New Preference Shares pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*For the purpose of illustration in this circular, figure in US\$ are translated into HK\$ at the approximate exchange rate of US\$1 = HK\$7.76.*



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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Göran Sture Malm (*Chairman*)  
Mr. Savio Chow Sing Nam (*Chief Executive Officer*)  
Mr. Henry Cho Kim  
Mr. Andrew Yao Cho Fai

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Mr. Philip Ma King Huen  
Mr. Kenny Tam King Ching  
Mr. Edgar Kwan Chi Ping

*Head Office and Principal*

*Place of Business in Hong Kong:*  
78th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

17th August 2006

*To the Shareholders and, for information only,  
to the holders of the Preference Shares  
and Convertible Bonds*

Dear Sir or Madam,

### ISSUE OF PREFERENCE SHARES TO WOORI BANK AND CONNECTED TRANSACTION INVOLVING THE WAIVER AGREEMENT

#### INTRODUCTION

On 26th July 2006, the Company announced that the Company entered into the Subscription Agreement with Woori for the placement of 792,848,020 Preference Shares at an issue price of HK\$0.1566 per New Preference Share. The proceeds from the Placement amount to approximately HK\$124.2 million and are intended to be used for future investment purposes. The Subscription Agreement is conditional upon the approval of the Shareholders.

The Ajia Parties and the Company have agreed, upon the approval of Independent Shareholders, to 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 New Preference Shares into Shares. By virtue of the controlling interests of the Ajia Parties in the Company, the entering into of the Waiver Agreement constitutes a connected

\* For identification purpose only

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## LETTER FROM THE BOARD

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transaction of the Company under the GEM Listing Rules and is subject to the approval of Independent Shareholders. The Company will also seek approval from the existing holders of the Preference Shares to waive any adjustment to the conversion ratio of the Preference Shares arising from the Placement.

The purpose of this circular is to provide you with, among other things, further details of the Subscription Agreement and the Waiver Agreement, and to give you notice of the Special General Meeting at which resolutions shall be proposed to consider and approve the Subscription Agreement (including the issue of Conversion Shares upon conversion of the New Preference Shares) and the Waiver Agreement.

The Independent Board Committee, comprising Mr. Philip Ma King Huen, Mr. Kenny Tam King Ching and Mr. Edgar Kwan Chi Ping, has been constituted to give recommendations to the Independent Shareholders on the terms of the Waiver Agreement. Access Capital has been appointed as the independent financial adviser to the Independent Board Committee and Independent Shareholders in this regard. A letter from the Independent Board Committee is set out on page 21 of this circular and a letter from Access Capital is set out on pages 22 to 30 of this circular.

### SUBSCRIPTION AGREEMENT

**Date:**

20th July 2006

**Parties:**

Issuer: the Company

Subscriber: Woori

Woori is a member of the Woori Financial Group in Korea. Woori is the third largest commercial bank in Korea providing comprehensive financial services through more than 768 domestic and 18 overseas branches. In addition to Woori, the Woori Financial Group also consists of two regional banks, the largest securities company, the fourth largest asset management company, and other financial related businesses in Korea. The total assets of Woori Financial Group as at 31st December 2005 amounted to over 164,500 billion Korean Won (equivalent to approximately HK\$1,333 billion). To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Woori and its associates are Independent Third Parties. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Woori and its associates do not have any beneficial interests in any Shares or other securities of the Company prior to the Placement.

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## LETTER FROM THE BOARD

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### Securities to be subscribed:

792,848,020 Preference Shares

### Principal terms of the New Preference Shares:

#### Redemption and Conversion:

The New Preference Shares are not redeemable.

The New Preference Shares shall be automatically converted into Shares on the listing of the Shares on the Main Board, or on 28th February 2010 (being the fourth anniversary of the completion date of the First Placement), whichever occurs earlier, at the conversion ratio of one Preference Share to one Share, subject to customary anti-dilution adjustments. The adjustment events will arise as a result of certain changes in the share capital of the Company including capital reorganisation involving consolidation, sub-division or re-classification of shares, bonus issue by way of capitalisation of profits or reserves, capital distributions and subsequent issue of rights, options, warrants and other convertible securities in the Company.

The Conversion Shares, when issued, shall rank *pari passu* in all respects with all other Shares in issue on the date of conversion including the right to any dividends or distributions declared, made or paid after the date of the conversion.

Upon full conversion of the New Preference Shares at the conversion ratio of one New Preference Share to one Share, an aggregate of 792,848,020 Shares will be issued by the Company, representing approximately 827.7% of the total issued Shares as at the Latest Practicable Date and approximately 9.6% of the total issued Shares as enlarged by the conversion of all the Preference Shares (including the New Preference Shares) in issue.

#### Transferability:

The New Preference Shares may only be transferred with the prior approval of the Board and in compliance with applicable law and regulatory requirements.

The Company has undertaken to the Stock Exchange that it shall notify the Stock Exchange if it becomes aware of any dealings in the New Preference Shares by connected persons of the Company.

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## LETTER FROM THE BOARD

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- Voting:** Holders of the New Preference Shares will not be entitled to vote at general meetings of the Shareholders, except when a resolution is to be proposed for (i) the winding up of the Company; (ii) renewing the Services Agreement, amending, modifying or supplementing its terms, or approving the payment of any fee to NASA in Shares; or (iii) varying or abrogating the rights or privileges of the holders of the Preference Shares. Holders of the New Preference Shares are also entitled to vote on the election of a chairman of any meeting at which they are entitled to vote or any motion for adjournment of such general meeting.
- When the holders of the New Preference Shares are entitled to vote at a general meeting, each New Preference Share shall confer on its holder one vote.
- All or any of the rights or privileges attached to the New Preference Shares may be varied or abrogated only with the sanction of a resolution passed at a separate meeting of the holders of the Preference Shares by 75% votes cast at such meeting of the holders of the Preference Shares.
- The above voting rights of the holders of the New Preference Shares are applicable to partly paid New Preference Shares as if such shares were fully paid.
- Listing:** The New Preference Shares will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.
- Ranking:** The New Preference Shares will rank *pari passu* as to dividends with the Shares and all existing issued Preference Shares. In the event of liquidation or winding up of the Company, the holders of the New Preference Shares will receive an amount equal to 100% of the subscription monies paid by the holders of the New Preference Shares before a return of capital is made to the holders of the Shares. Thereafter, the remaining assets of the Company will be distributed to the Shareholders and holders of the Preference Shares *pro-rata* on an *as-if-converted* basis.

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## LETTER FROM THE BOARD

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In February and March 2006, the Company completed the First Placement and issued a total of 7,383,166,793 Preference Shares to the Initial Placees. Details of the First Placement were set out in the announcements of the Company dated 30th December 2005, 16th January 2006, 6th March 2006 and 13th March 2006 and the circular of the Company dated 24th January 2006. The terms of the New Preference Shares are identical to the terms of the Preference Shares issued under the First Placement.

Save for the Preference Shares issued pursuant to the First Placement, the New Preference Shares to be issued pursuant to the Subscription Agreement and the Convertible Bonds, the Company does not have any other outstanding options, warrants or other securities in issue which are convertible into Shares.

### **Subscription price:**

HK\$0.1566 per New Preference Share.

The subscription price shall be payable in cash by Woori in four equal instalments, the first of which will be payable on the date of Completion, and the remaining three of which will be payable on the first, second and third anniversary, respectively, of 28th February 2006 (or the first business day thereafter if such anniversary is not a business day), provided that payment of either the second or third instalment shall not be required unless and until at least 75% of the aggregate subscription monies previously paid by the Placees from time to time has been paid out for or committed to investments by the Company.

In the event that the subscription monies previously paid by the Placees from time to time for the Preference Shares are insufficient to make any potential investments approved by the Board and/or pay fees or expenses which are payable by the Company under the Services Agreement, the Company shall be entitled by written notice to the Placees to require the relevant amount of instalment to be paid by the Placees prior to the due dates described above on a date specified by the Company (but not earlier than 45 days from the date of service of notice to the Placees). The schedule of capital calls for the subscription monies will take into account the investment plan of the Company.

Any unpaid balance of the subscription price remaining payable immediately prior to the third anniversary of 28th February 2006 or, if earlier, the business day immediately preceding the date of conversion of the Preference Shares, shall in any event be payable on such anniversary or on such business day immediately preceding the date of conversion, as the case may be.

The Subscription Agreement provides that if, as a result of a Change of Law, Woori is prevented from paying any one or more of the second, third or fourth instalments of the subscription price when due, and the parties are unable to agree on an alternative way of satisfying Woori's obligation to pay the relevant sum, Woori's obligation to pay the relevant sum will be suspended. If by the date on which the fourth instalment is payable, the Change of

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## LETTER FROM THE BOARD

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Law continues to prevent Woori from paying the relevant sum, the Company may, subject to prior compliance with applicable rules and regulations (including the GEM Listing Rules) and, if required, prior approval of the Shareholders, and upon delivery of the partly paid New Preference Shares held by Woori to the Company, issue to Woori such number of fully paid Preference Shares as can be acquired at a price of HK\$0.1566 per share by the portion of the subscription price that has previously been paid by Woori to the Company. In such case, further announcement(s) will be made by the Company.

The subscription price per New Preference Share:

- (i) is equal to the subscription price per Preference Share under the First Placement;
- (ii) represents a discount of approximately 65.2% to the closing price of HK\$0.45 per Share on 20th July 2006, being the date of the Subscription Agreement and the last trading day of the Shares prior to the suspension of the Shares pending the release of the Announcement;
- (iii) represents a discount of approximately 65.0% to the average closing price of the Shares of HK\$0.448 for the ten trading days up to and including 20th July 2006;
- (iv) represents a discount of approximately 73.9% to the closing price of the Shares of HK\$0.60 on the Latest Practicable Date; and
- (v) represents a premium of approximately 11.6% over the audited consolidated net assets attributable to each Share of HK\$0.1403 as at 31st March 2006.

The subscription price of the New Preference Shares under the Placement was determined after arm's length negotiations between the Company and Woori with reference to the subscription price for the First Placement. In view of the deteriorating financial results of the Group in recent years, the Directors do not consider the current level of market price of the Shares is necessarily supported by the fundamentals of the Company. The Directors consider that the subscription price of the New Preference Shares under the Subscription Agreement, which is at a premium of 11.6% over the net asset value per Share as at 31st March 2006, to be fair and reasonable to the Shareholders.

In addition to the subscription price as described above, Woori shall also pay interest on the initial instalment of the subscription monies, from and including 28th February 2006 to but excluding the date of Completion, at the average rate paid on the Company's time deposits with Hang Seng Bank Limited in Hong Kong during such period. Woori shall also reimburse the Company for the costs and expenses in connection with the Placement, provided that the sum of the aforesaid interest and reimbursement of expenses shall not exceed HK\$1 million.

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## LETTER FROM THE BOARD

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### **Conditions:**

Completion of the Subscription Agreement is subject to the following conditions being fulfilled or waived:

- (i) receipt of all necessary approvals of applicable authorities (including the GEM Listing Committee) and the approvals of:
  - (a) the Shareholders for the Subscription Agreement and the issue of the New Preference Shares to Woori; and
  - (b) the existing Preference Shareholders for the Preference Shares Waiver;
- (ii) the Company having received a duly completed and executed application form for the New Preference Shares, together with such other documents specified therein as are required to be delivered by Woori; and
- (iii) Woori having received copies of (a) the approvals specified in (i) above; and (b) the resolutions of the Directors approving the registration of Woori as a member of the Company duly certified by a director, company secretary or other duly authorised person of the Company.

The condition precedent set out at (i) above is not waivable. The condition precedent set out at (ii) above is waivable at the absolute discretion of the Company while the condition precedent set out at (iii) above is waivable at the absolute discretion of Woori.

### **Completion:**

Completion of the Subscription Agreement shall occur on such date following satisfaction of the conditions precedent as set out above and prior to the Long-stop Date (or such later date as may be agreed between the parties in writing) as the Company may by written notice specify to Woori at least five business days prior to the date so specified. In the event that any of the conditions specified above is not fulfilled or waived in full by 5:00 p.m., Hong Kong time, on the date five business days prior to the Long-stop Date, the Subscription Agreement shall immediately terminate and cease to be of any effect and thereafter neither party shall have any obligations or liabilities thereunder, save as set out in the Subscription Agreement.

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## LETTER FROM THE BOARD

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### **Additional rights:**

As disclosed in the announcement of the Company dated 30th December 2005 and the circular of the Company date 24th January 2006 in relation to the First Placement, the Company has entered into legally binding agreements with certain Initial Placees whose investments in the Preference Shares are at least US\$10 million (the “Anchor Investors”) to set out a framework for strategic co-operation between the Company and the respective Anchor Investors. Pursuant to the agreements, the Company has agreed, for a term of ten years commencing on 28th February 2006, to give the Anchor Investors the rights, among other things, to co-invest in potential investment targets of the Company, to be offered deal referral opportunities on investment projects which are deemed to be outside the investment focus of or are not pursued by the Company, and to provide financing and investment banking or corporate finance services to the Company or its investment portfolio. The relevant terms will be determined when such opportunities arise and have not been specified or agreed as at the Latest Practicable Date. Certain Anchor Investors have the right to nominate members or observers to the Investment Committee.

Pursuant to the Subscription Agreement, Woori will be regarded as an Anchor Investor given that its investment in the New Preference Shares is over US\$10 million and shall enjoy rights similar to the other Anchor Investors. Woori shall also have the right to designate an individual to attend meetings of the Investment Committee as an observer (the “Observer”). The Observer shall not have any voting rights at the meeting of or advisory role to the Investment Committee meetings, but has the right to receive information and participate in meetings and discussions of the Investment Committee. Save as aforesaid, the agreement does not provide for any right for Woori to appoint any representative to the Board or to the management team of the Group. Similar to the members of or observers to the Investment Committee appointed by the other Anchor Investors, Woori shall procure that the Observer gives reasonable undertakings to the Company to observe all internal guidelines of the Company, if any, applicable to the Directors in respect of maintaining confidentiality of information disclosed to them. The Observer is also required to observe the relevant provisions of Part XIII and Part XIV of the SFO in respect to insider dealing and market misconduct, and the applicable provisions contained in Chapter 5 of the GEM Listing Rules (or in the event that the Shares become listed on the Main Board, the applicable provisions contained in the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules) in respect of restrictions on directors’ transactions in securities of the Company while in possession of unpublished price-sensitive information. In the event of a breach of confidentiality by the Observer, the Company may bring legal action against Woori and/or the Observer including seeking a court order for specific performance to prevent the Observer from any unauthorised disclosure of confidential information.



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## LETTER FROM THE BOARD

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Should any transactions with Woori or other Anchor Investors materialise in future as a result of them exercising their rights under the aforesaid agreements, the Company shall comply with the applicable requirements of the GEM Listing Rules in due course.

### FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 30th December 2005, the Company announced, among other things, the First Placement. The First Placement was completed during February and March 2006, as a result of which a total of 7,383,166,793 Preference Shares were issued at a subscription price of HK\$0.1566 each. The aggregate net proceeds from the First Placement amounted to approximately HK\$1,142.8 million. In accordance with the terms of the First Placement, one quarter of the subscription monies from the First Placement (approximately HK\$289.1 million) has already been paid to the Company by the Initial Placees. The net proceeds from the First Placement are intended to be used for future investment and working capital purposes. As at the Latest Practicable Date, approximately HK\$27.5 million has been used for working capital purposes. The balance will be used as intended.

### SHAREHOLDING STRUCTURE

Set out below are the Company's shareholding structures (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Placement; (iii) upon full conversion of the Preference Shares issued under the First Placement and the New Preference Shares to be issued under the Placement at the prevailing 1-to-1 conversion ratio; and (iv) upon full conversion of the Convertible Bonds at the initial conversion price of HK\$0.1566, the Preference Shares issued under the First Placement and the New Preference Shares to be issued under the Placement at the prevailing 1-to-1 conversion ratio:

## LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately upon completion of the Placement		Upon full conversion of all the Preference Shares issued under the First Placement and to be issued under the Placement		Upon full conversion of all the Preference Shares issued under the First Placement and to be issued under the Placement, and the Convertible Bonds	
	Shares	%	Shares	%	Shares	%	Shares	%
NASAC	44,163,474	46.1	44,163,474	46.1	44,163,474	0.5	132,490,421	1.6
Mr. Tsang	20,202,886	21.1	20,202,886	21.1	20,202,886	0.2	59,589,859	0.7
Huge Top (Note 1)	1,598,113	1.7	1,598,113	1.7	1,598,113	0.0	1,598,113	0.0
Right Action Offshore Inc. (Note 2)	1,024,000	1.1	1,024,000	1.1	1,024,000	0.0	1,024,000	0.0
VSC BVI (Note 3)	6,336,309	6.6	6,336,309	6.6	6,336,309	0.1	6,336,309	0.1
TN (Note 4)	1,633,676	1.7	1,633,676	1.7	1,633,676	0.0	1,633,676	0.0
AICV	—	—	—	—	148,659,004	1.8	148,659,004	1.8
Timeless	—	—	—	—	99,106,003	1.2	99,106,003	1.2
ABN AMRO Asset Management Holding N.V. (Note 5)	—	—	—	—	1,238,825,032	15.0	1,238,825,032	14.7
Goldman Sachs (Asia) Finance (Note 5)	—	—	—	—	2,477,650,064	30.0	2,477,650,064	29.5
	<b>74,958,458</b>	<b>78.3</b>	<b>74,958,458</b>	<b>78.3</b>	<b>4,039,198,561</b>	<b>48.8</b>	<b>4,166,912,481</b>	<b>49.6</b>
The other 15 Initial Placees (Note 5)	—	—	—	—	3,418,926,690	41.3	3,418,926,690	40.7
Woori	—	—	—	—	792,848,020	9.6	792,848,020	9.4
Other public Shareholders	20,836,258	21.7	20,836,258	21.7	20,836,258	0.3	20,836,258	0.3
Total public Shareholders	<b>20,836,258</b>	<b>21.7</b>	<b>20,836,258</b>	<b>21.7</b>	<b>4,232,610,968</b>	<b>51.2</b>	<b>4,232,610,968</b>	<b>50.4</b>
Total	<b>95,794,716</b>	<b>100.0</b>	<b>95,794,716</b>	<b>100.0</b>	<b>8,271,809,529</b>	<b>100.0</b>	<b>8,399,523,449</b>	<b>100.0</b>
	<i>Preference Shares</i>	<i>%</i>	<i>Preference Shares</i>	<i>%</i>	<i>Preference Shares</i>	<i>%</i>	<i>Preference Shares</i>	<i>%</i>
AICV	148,659,004	2.0	148,659,004	1.8	—	—	—	—
Timeless	99,106,003	1.3	99,106,003	1.2	—	—	—	—
ABN AMRO Asset Management Holding N.V.	1,238,825,032	16.8	1,238,825,032	15.2	—	—	—	—
Goldman Sachs (Asia) Finance	2,477,650,064	33.6	2,477,650,064	30.3	—	—	—	—
The other 15 Initial Placees	3,418,926,690	46.3	3,418,926,690	41.8	—	—	—	—
Woori	—	—	792,848,020	9.7	—	—	—	—
Total	<b>7,383,166,793</b>	<b>100.0</b>	<b>8,176,014,813</b>	<b>100.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

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## LETTER FROM THE BOARD

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*Notes:*

1. Mr. Yao, an executive Director, holds approximately 11.91% direct and 42.86% indirect interests in the issued share capital of Huge Top and is entitled to exercise more than one-third of the voting power at general meetings thereof.
2. Mr. Yao owns the entire issued share capital of Right Action Offshore Inc.
3. VSC BVI is a wholly-owned subsidiary of VSC. Huge Top holds approximately 47.05% of VSC.
4. The issued share capital of TN is owned as to 54% by VSC BVI and as to 10% by Mr. Yao.
5. Other than ABN AMRO Asset Management Holding N.V. and Goldman Sachs (Asia) Finance, none of the other Initial Placees (including AICV and Timeless) may become interested in 10% or more of the Shares upon conversion of the Preference Shares.

The Stock Exchange has indicated that should the Placement be completed and all outstanding Preference Shares converted, it will closely monitor trading in the Shares if less than 15% of the Shares (in the event that the Shares remain listed on GEM) or the requisite minimum percentage of the Shares as required under the Listing Rules (in the event that the Shares are then listed on the Main Board) are held by the public. If the Stock Exchange believes that a false market exists or may exist in trading in the Shares, or there are too few Shares held by the public to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares until a sufficient level of public float is attained.

### **REASONS FOR THE PLACEMENT**

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.

The Group's existing steel trading business has been operating in a difficult environment, principally due to the continuous deployment by the PRC government of macro-entrenchment policies to limit excessive investments in several overheated industries including the steel, real estate, aluminum, automobile and cement industries. Turnover of the Group declined from approximately HK\$859.7 million for the year ended 31st March 2005 to approximately HK\$359.9 million for the year ended 31st March 2006. Losses attributable to Shareholders were recorded at approximately HK\$25.7 million, HK\$10.4 million and HK\$12.0 million for each of the three years ended 31st March 2006 respectively. Given the current difficult operating environment coupled with an interest rate uptrend, the Directors considered that there is an imminent need for the Company to diversify its current cyclical business.

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## LETTER FROM THE BOARD

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As stated in the announcement of the Company dated 30th December 2005 and the circular of the Company dated 24th January 2006 in relation to the First Placement, the Ajia Parties intend to explore opportunities in the acquisition of strategic, possible controlling, stakes in companies with strong cash flow in growth sectors such as the consumer, industrial, technology, media and telecommunications businesses with a view to diversifying the operations of the Group from its cyclical steel trading business. The First Placement and the Placement aim to raise financial resources for the Group to capture sizeable investment opportunities and implement the diversification strategy as discussed above. Woori initially intended to participate in the First Placement, but was unable to complete its internal assessment and approval procedures for its investment in the Preference Shares within the requisite time period. In light of Woori's financial standing in the Korean market, the Directors are of the view that the introduction of Woori as an additional long-term investor in the Company by way of the Placement will enhance the shareholders profile of the Company and the Placement will further strengthen the capital base and financial capability of the Group. In consideration of the Company agreeing to issue the New Preference Shares to Woori at an issue price of HK\$0.1566 each (which is equal to the issue price of the Preference Shares under the First Placement), Woori has agreed to pay interest to the Company and bear the costs and expenses to be incurred by the Company in relation to the Placement (as more fully described in the paragraph headed "Subscription price" above).

In accordance with the terms of the First Placement, one quarter of the total subscription monies payable in respect of the First Placement (approximately HK\$289.1 million) has been received by the Company so far. The Company announced on 11th August 2006 that it has entered into a conditional agreement to acquire the entire issued share capital of American Tec Company Limited ("Amtec"), a wholly-owned subsidiary of Autron, as well as the interests of certain other subsidiaries of Autron in Autron India Private Limited ("AIP"). The proposed target companies are engaged in the business of trading of surface mount technology and printed circuit board assembly equipment, machinery and spare parts and the provision of related installation, training, repair and maintenance services. The total consideration for the proposed acquisition amounts to US\$60 million (equivalent to approximately HK\$465.6 million). The consideration is subject to adjustment with reference to the audited net asset value of Amtec and its subsidiaries, and of AIP as at 30th June 2006. The proposed acquisition constitutes a very substantial transaction for the Company under the GEM Listing Rules and is subject to approval by the Shareholders. In addition to providing part of the funding required for the aforesaid acquisition, the Placement would give flexibility to the Group as a further source of funding for other potential investments. Save for (i) the provisions in the Subscription Agreement relating to the Change of Law as described in the paragraph headed "Subscription price" above; (ii) the interest payable and additional costs of the Placement to be borne by Woori; and (iii) the fact that the Placement is conditional on approval of the existing holders of the Preference Shares of the Preference Shares Waiver, the material terms of the Placement and the First Placement are identical. The Directors, including the independent non-executive Directors, consider that the terms of the Subscription Agreement (including the subscription price and the additional rights given to Woori as an additional Anchor Investor) are fair and

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## LETTER FROM THE BOARD

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reasonable to the Shareholders and that the issue of the New Preference Shares to provide funding for the Group's future expansion plans is in the interests of the Company and the Shareholders as a whole.

The New Preference Shares will be accounted for as equity instruments of the Company in accordance with applicable accounting standards. The proceeds from the Placement amount to approximately HK\$124.2 million and are intended to be used for future investment purposes.

In addition to the proposed acquisition described above, the Company is also actively considering other possible investment targets. Should any other investments materialise, the Company will comply with the relevant requirements of the GEM Listing Rules.

### **WAIVER OF ADJUSTMENTS TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS AND THE CONVERSION RATIO OF THE EXISTING PREFERENCE SHARES**

Pursuant to the instrument constituting the Convertible Bonds, the conversion price for the Convertible Bonds is subject to customary 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\$0.0655 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, the Initial Placees and Woori, the Ajia Parties and the Company will, subject to obtaining the approval of the Independent Shareholders, 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 New Preference Shares into Shares. Save for the aforesaid waiver of the requirement to adjust the conversion price of the Convertible Bonds arising from the Placement, there are no other material terms contained in the Waiver Agreement. The Directors (including the independent non-executive Directors) consider that the terms of the Waiver Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the terms of the existing issued Preference Shares, the conversion ratio for the existing issued Preference Shares is also subject to customary 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 ratio for the existing issued Preference Shares should be adjusted from one Preference Share to one Share to one Preference Share to 2.4 Shares in accordance with the relevant terms of the existing issued Preference Shares as a result of the Placement. In order to have a consistent conversion ratio for all the Preference Shares in issue and to be issued, the Company has convened a separate meeting of the holders of the existing issued Preference Shares to be held

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## **LETTER FROM THE BOARD**

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on 24th August 2006 to consider a resolution to approve the Preference Shares Waiver. The Directors (including the independent non-executive Directors) consider that the terms of the Preference Shares Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **GEM LISTING RULES IMPLICATIONS**

The Placement is subject to the approval of the Shareholders. As no Shareholders or their respective associates have interests in the Placement which are different from other Shareholders, no Shareholder is required to abstain from voting on the resolution to be proposed at the Special General Meeting regarding the Subscription Agreement.

By virtue of the substantial shareholding in the Company held by each of NASAC and Mr. Tsang, the entering into of the Waiver Agreement constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders. NASAC, Mr. Tsang and their respective associates shall abstain from voting on the resolution to approve the Waiver Agreement at the Special General Meeting.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising Mr. Philip Ma King Huen, Mr. Kenny Tam King Ching and Mr. Edgar Kwan Chi Ping, has been constituted to give recommendations to the Independent Shareholders on the terms of the Waiver Agreement. Your attention is drawn to the recommendations of the Independent Board Committee set out in its letter on page 21 of this circular.

Access Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the terms of the Waiver Agreement. Your attention is drawn to the letter to the Independent Board Committee and Independent Shareholders from Access Capital set out on pages 22 to 30 of this circular.

### **SPECIAL GENERAL MEETING**

Set out in this circular is a notice convening the Special General Meeting to be held at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Monday, 4th September 2006 at which resolutions will be proposed to approve the Subscription Agreement (including the issue of Conversion Shares upon conversion of the New Preference Shares) and the Waiver Agreement. The resolution to approve the Waiver Agreement will be conducted by way of poll.

A form of proxy for use at the Special General Meeting is accompanying this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy and return it in accordance with the instructions printed thereon to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at

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## LETTER FROM THE BOARD

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Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Special General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting should you so wish.

### RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee and the letter of advice from Access Capital which contains their respective recommendation and advice to the Independent Shareholders as regards the Waiver Agreement.

The Directors consider that the terms of the Subscription Agreement (including the issue of Conversion Shares upon conversion of the New Preference Shares) are fair and reasonable, and that the Subscription Agreement (including the issue of Conversion Shares upon conversion of the New Preference Shares) is in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the relevant resolution set out in the notice of the Special General Meeting contained in this circular to approve the Subscription Agreement (including the issue of Conversion Shares upon conversion of the New Preference Shares).

The Independent Board Committee, after considering the letter of advice from Access Capital, considers that the terms of the Waiver Agreement are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the Special General Meeting to approve the Waiver Agreement.

### GENERAL

Your attention is drawn to the additional information set out in the appendix to this circular.

For and on behalf of  
**North Asia Strategic Holdings Limited**  
**Savio Chow Sing Nam**  
*Executive Director and Chief Executive Officer*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)

17th August 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING  
THE WAIVER AGREEMENT**

We refer to the circular of the Company dated 17th August 2006 (the “Circular”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the terms of the Waiver Agreement, and to advise you as to whether, in our opinion, such terms are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Waiver Agreement is in the interests of the Company and the Shareholders as a whole.

Access Capital has been appointed as the independent financial adviser to advise us and you regarding the Waiver Agreement. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are set out in its letter on pages 22 to 30 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

Having considered the terms of the Waiver Agreement and the independent advice of Access Capital, we consider that the terms of the Waiver Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Waiver Agreement is in the interests of the Company and the Shareholders as a whole. On this basis, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Special General Meeting to approve the Waiver Agreement.

Yours faithfully,

Independent Board Committee

**Philip Ma King Huen    Kenny Tam King Ching    Edgar Kwan Chi Ping**

\* *For identification purpose only*

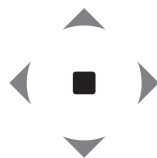


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## LETTER FROM ACCESS CAPITAL

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*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Access Capital prepared for incorporation in this circular.*



ACCESS  
CAPITAL

Suite 606, 6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

17th August 2006

*To: The Independent Board Committee and the Independent Shareholders of  
North Asia Strategic Holdings Limited*

Dear Sirs,

### **CONNECTED TRANSACTION INVOLVING THE WAIVER AGREEMENT WITH RESPECT TO ISSUANCE OF PREFERENCE SHARES TO WOORI**

#### **I. INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the Waiver Agreement to be entered into between the Company and Ajia Parties (the Company's controlling shareholders and holders of the Company's outstanding Convertible Bonds), pursuant to which Ajia Parties shall agree to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the Placement, including any subsequent conversion of the New Preference Shares into ordinary shares of the Company. The entering into of the said Waiver Agreement is a condition of the Subscription Agreement entered into on 20th July 2006 between the Company and Woori Bank (together the "Proposal"), pursuant to which the Woori Bank has conditionally agreed to subscribe for and the Company has conditionally agreed to issue approximately 792,848,020 non-voting convertible preference shares of par value of HK\$0.01 per share, namely the New Preference Shares, at an issue price of HK\$0.1566 per New Preference Share (the "Placement").

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## LETTER FROM ACCESS CAPITAL

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As Ajia Parties are the controlling shareholders of the Company, the entering of the Waiver Agreement constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As such, the Waiver Agreement will require the approval of the Independent Shareholders, and the Ajia Parties and their respective associates shall abstain from voting on the relevant resolution to approve the Waiver Agreement at the Special General Meeting.

The Subscription Agreement will be subject to, *inter alia*, the approval of the Shareholders, and no Shareholders are required to abstain from voting on the relevant resolution to approve the Subscription Agreement at the Special General Meeting.

Details of the Subscription Agreement and the Waiver Agreement are contained in the “Letter from the Board” of the circular to the Shareholders dated 17th August 2006 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise specifies.

### **II. THE INDEPENDENT BOARD COMMITTEE**

The Board currently consists of 4 executive Directors, namely Mr. Göran Sture Malm, Mr. Savio Chow Sing Nam, Mr. Henry Cho Kim and Mr. Andrew Yao Cho Fai; and 3 independent non-executive Directors, namely Mr. Philip Ma King Huen, Mr. Edgar Kwan Chi Ping and Mr. Kenny Tam King Ching.

The Independent Board Committee comprising the independent non-executive Directors, Mr. Philip Ma King Huen, Mr. Edgar Kwan Chi Ping and Mr. Kenny Tam King Ching, has been established to consider the terms of the Waiver Agreement.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Waiver Agreement are fair and reasonable; as well as to give our opinion in relation to such agreement for the Independent Board Committee’s consideration when making their recommendation to the Independent Shareholders.

### **III. BASES OF AND ASSUMPTIONS OF THE ADVICE**

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management

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## LETTER FROM ACCESS CAPITAL

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staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We confirm that we have performed all necessary steps as required under Rule 13.80 of the GEM Listing Rules (including the notes thereto). We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

#### IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

##### 1. Background to the Proposal

###### *1.1 Overview of the Company*

The Company and its subsidiaries are principally engaged in the trading of steel products, the provision of procurement services for steel products, and the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services. In 2005, Ajia Parties acquired approximately 67.2% of the issued ordinary shares of the Company.

As stated in the Company's circular dated 20th June 2005, the Company's steel trading business has been operating under difficult market conditions, principally due to the continuous deployment of macro-entrenchment policies by the PRC government to limit excessive investment in several overheated industries including the steel, real estate, aluminum, automobile and cement industries within the PRC; as well as due to the general rising interest rate environment.

In 2005, Ajia Parties became the new controlling shareholders of the Company, holding approximately 67.2% of the issued ordinary shares of the Company, after the completion of various proposals (including inter

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## LETTER FROM ACCESS CAPITAL

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alia a capital reorganisation, subscription of new Shares and convertible bonds by Ajia Parties, an open offer, and a whitewash waiver) described in the Company's circular dated 20th June 2005. In following with Ajia Parties' stated intentions toward the Company (set out in the Company's circular dated 20th June 2005), the Board decided that the Company should diversify its operations away from the cyclical steel trading business, and focus its efforts toward exploring acquisition opportunities of strategic and possibly controlling stakes in companies with strong cashflows and in growth sectors within the North Asia Region (an area in which the Directors believe there is significant economic growth). In so doing, the Company would aim to implement measures to unlock any hidden value or potential (e.g. branding, market coverage and output efficiency) within these future acquisition targets, seek to improve their profitability, and find multiple exit opportunities for these investments over time.

### *1.2 The First Placement*

In order to implement the Company's abovementioned new acquisition strategy and to capture sizeable investment opportunities, the Company decided to raise new capital and increase the Company's financial resources through the issuance of Preference Shares. As such, between September 2005 and January 2006, the Company entered into a series of subscription agreements pursuant to which it successfully raised approximately HK\$1.156 billion in gross proceeds (approximately HK\$1.143 billion in net proceeds) via the placement of an aggregate of 7,383,166,793 Preference Shares at HK\$0.1566 per share to a total of 19 placees (the "Original Placees"). Details of this placement, namely the First Placement, are set out in the Company's announcements dated 30th December 2005, 16th January 2006, 6th March 2006, 13th March 2006, as well as in the Company's circular dated 24th January 2006. The completion of the First Placement took place in February and March 2006.

Upon completion of the First Placement, and pursuant to the relevant payment terms thereunder, one-fourth of the total subscription consideration due from the Original Placees under the First Placement (approximately HK\$289.1 million) was paid to the Company. As at the Latest Practicable Date, a total of approximately HK\$27.5 million has been used for working capital purposes.

Shareholders should note that under the First Placement, a waiver agreement similar to the Waiver Agreement was entered into between the Company and Ajia Parties, pursuant to which Ajia Parties agreed to waive any requirement to adjust the conversion price of the Convertible Bonds arising

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## LETTER FROM ACCESS CAPITAL

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from the First Placement, including any subsequent conversion of the Preference Shares into ordinary shares of the Company. This waiver agreement was a condition precedent to the First Placement, which was approved by the Shareholders.

As stated in the Company's announcement dated 11th August 2006, the Company, Best Creation Investments Limited ("Best Creation") (a wholly-owned subsidiary of the Company) and Autron, have entered into a sale and purchase agreement, whereby Best Creation (with the Company as its guarantor vis-a-vis the said agreement) has conditionally agreed to purchase Autron's SMT (surface mount technology) and PCB (printed circuit board) machinery distribution and servicing business, for a cash consideration of US\$60.0 million (or approximately HK\$465.6 million). Details of the acquisition are set out in the said announcement. Completion of the sale and purchase agreement is scheduled to take place on or before 31st October 2006.

Since the First Placement, other than the above agreement signed with Autron, the Company has not entered into any definitive investment agreements. As such, the current financial position of the Company has not changed materially since completion of First Placement and the subsequent payment of the requisite installment by the Original Placees.

### *1.3 Overview of the Placement*

As set out in the "Letter from the Board", on 20th July 2006, the Company entered into the Subscription Agreement pursuant to which it has conditionally agreed to place an additional 792,848,020 New Preference Shares to Woori, a leading Korean financial institution, under substantially the same terms and at the same issue price (HK\$0.1566 per New Preference Share) as that offered to the Original Placees under the First Placement.

According to the Directors, Woori had originally intended to participate in the First Placement. However, due to delays caused by Woori's internal investment and approval procedures, Woori was unable to participate on time, prior to the February and March 2006 closing dates. Woori has since gained the requisite internal approvals to subscribe for the New Preference Shares and as such have decided to enter into the Subscription Agreement with the Company.

Woori is a member of the Woori Financial Group and is one of the largest commercial banks in Korea, providing comprehensive financial services through more than 768 domestic and 18 overseas branches. The Woori Financial Group is comprised of two regional banks, Korea's largest

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## LETTER FROM ACCESS CAPITAL

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securities company, Korea's fourth largest asset management company, as well as other financial sector related businesses. As at 31st December 2005, the Woori Financial Group had total assets of over 164,500 billion Korean Won (equivalent to approximately HK\$1,333 billion).

As mentioned in section 1.2 above, the Company has thus far raised a total of approximately HK\$1.156 billion in gross proceeds (approximately HK\$1.143 billion in net proceeds) via the First Placement. Out of this amount raised, one-fourth has been paid to the Company in the amount of approximately HK\$289.1 million pursuant to the relevant installment payment terms of the First Placement; and only HK\$27.5 million of this has been applied towards the Company's working capital needs.

The Placement, if approved by the Shareholders at the Special General Meeting, will raise an additional amount of approximately HK\$124.2 million for the Company, which according to the Directors will help to partially replenish some of the Company's funds to be deployed for its potential investment into Autron's SMT and PCB equipment distribution business, as mentioned in section 1.2 above.

As stated in the "Letter from the Board", the purpose of the Placement is not only to raise additional financial resources for the Company to implement its long-term diversification and growth strategy as mentioned above, but also to allow the Company to gain Woori, as its long-term strategic investor with which it already has an existing and proven working relationship, and which will further the Company's North Asia investment ambitions, particularly with respect to Korea. Upon completion of the Placement, Woori will be regarded by the Company as an Anchor Investor and will enjoy similar rights to those afforded the other Anchor Investors under the First Placement. (Please refer to the Company's circular dated 24th January 2006, as well as section 2.1 below for further details.)

According to the Directors, to the best of their knowledge, information and belief and after having made all reasonable enquiries, Woori and its associates are Independent Third Parties and do not have any beneficial interests in any Shares or other securities in the Company prior to the Placement.

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## LETTER FROM ACCESS CAPITAL

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### 2. Background to and reasons for the Waiver Agreement

#### 2.1 *The Convertible Bonds*

Pursuant to the Ajia Parties Subscription Agreement entered into on 19th May 2005, between the Company and Ajia Parties (details of which are set out in the announcement of the Company dated 19th May 2005 and the circular of the Company dated 20th June 2005); Ajia Parties previously subscribed for, inter alia, an aggregate principal amount of HK\$20 million in Convertible Bonds, which are convertible into 127,713,920 new Shares at an initial conversion price of HK\$0.1566 per Share (subject to adjustments).

According to the terms of the Convertible Bonds, adjustments to the conversion price are allowed in circumstances where the Company issues wholly for cash any securities, which are convertible into or exchangeable for or carry rights of subscription of additional Shares. As such, in the case of the Placement, the conversion price of the Convertible Bonds would need to be adjusted downwards from HK\$0.1566 per Share to HK\$0.0655 per Share.

#### 2.2 *The Waiver Agreement*

In order to avoid the potential dilution effect to the Independent Shareholders as a result of the abovementioned downward adjustment to the conversion price of the Convertible Bonds, and also in order to allow Woori to subscribe for the New Preference Shares at the same prices as the Original Placees and Ajia Parties; holders of the Convertible Bonds (namely Ajia Parties) and the Company have, with regard to the Placement, agreed to enter into the Waiver Agreement, in order to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the Placement, including any subsequent conversion of the New Preference Shares into ordinary Shares. According to the Directors, this is a stand-alone waiver for the purposes of facilitating the Placement and the entry of Woori as an Anchor Investor as mentioned in section 1.2 above.

Due to Ajia Parties' controlling shareholding in the Company, the entering into of the Waiver Agreement will constitute a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the approval of the Independent Shareholders. Accordingly, Ajia Parties and their respective associates shall be required to abstain from voting on the ordinary resolution to be proposed at the Special General Meeting regarding the Waiver Agreement.

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## LETTER FROM ACCESS CAPITAL

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### 2.3 *Reasons for the Waiver Agreement*

The Directors recognize that the Placement would, under the terms of the Convertible Bonds, cause the Convertible Bond conversion price to be adjusted downward from HK\$0.1566 per Share to HK\$0.0655 per Share; and they are of the view that a waiver of the said conversion price adjustment is needed in order to (i) avoid any potential dilution to the Independent Shareholders upon conversion of the Convertible Bonds, as well as (ii) to ensure that there is a consistent entry price for investment in the Company between the Ajia Parties, the Original Placees, and Woori.

As such, following discussions with the holders of the Convertible Bonds (namely the Ajia Parties, who are connected persons of the Company), the Company and Ajia Parties have agreed to enter into the Waiver Agreement pursuant to which any requirement to adjust the conversion price of the Convertible Bonds arising from the Placement, including any subsequent conversion of the New Preference Shares into ordinary shares of the Company shall be waived. Furthermore, the Waiver Agreement is a condition precedent to the Subscription Agreement and thus one of the conditions that must be satisfied in order to carry out the Placement.

The Directors are of the view that this Waiver Agreement will help the Company in executing the Placement, and that the Waiver Agreement is fair and reasonable and in the interests of the Company and the Shareholders. As the Waiver Agreement (i) is a voluntary waiver agreement signed by the Convertible Bond holders (namely Ajia Parties) that facilitates the Placement; (ii) is one of the conditions precedent of the Subscription Agreement under the Placement; (iii) serves to minimise any additional potential dilution to the Independent Shareholders; and (iv) helps ensure that there is a consistent entry price between Ajia Parties, the Original Placees, and Woori; we are of the view that the Waiver Agreement is in the interests of the Company and the Shareholders as a whole.

## V. RECOMMENDATION

In making our recommendation, we have considered the above principal factors and, in particular, have taken into account the following:

- (i) the background to the Proposal;
- (ii) the background to and reasons for the Waiver Agreement;



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## LETTER FROM ACCESS CAPITAL

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- (iii) that the Waiver Agreement is a condition precedent of the Placement, which in turn will allow the Company to gain (i) another Anchor Investor (that had originally intended to subscribe for the Preference Shares but was unable to do so under the First Placement) with a strong reputation and an extensive business network in Korea, one of the Group's target acquisition markets within North Asia, and (ii) additional funds; and
- (iv) the need for the holders of the Convertible Bonds to waive the conversion price reset of the Convertible Bonds in order to avoid potential dilution to the Independent Shareholders.

In summary, and after taking into account the factors and reasons mentioned in this letter and based on the information provided and the representations made to us, we consider the entering into of the Waiver Agreement to be fair and reasonable so far as the Independent Shareholders are concerned, as well as in the interests of the Company and the Shareholders as a whole. In this regard, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favor of the relevant resolution, which will be proposed at the Special General Meeting to approve the Waiver Agreement.

In reaching our conclusion, Independent Shareholders should note that we do not express any view or comment on the future prospects or the likely performance of the Company's existing or future investments.

Yours faithfully,  
For and on behalf of  
**Access Capital Limited**  
**Jeanny Leung**  
*Managing Director*

**1. RESPONSIBILITY STATEMENT**

This circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**2. DISCLOSURE OF INTERESTS****(a) Directors' interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors, were as follows:

***Long positions in the Shares and underlying Shares<sup>(a)</sup> of the Company***

- (a) The underlying Shares referred to in note 2 arise as a result of the conversion rights attaching to the Preference Shares issued under the First Placement. The Preference Shares shall be automatically converted into Shares, credited as fully paid, at the conversion ratio of one Preference Share for one Share in accordance with the terms of the Preference Shares.
- (b) The approximate percentage of shareholdings set out below is based on 95,794,716 Shares in issue as at the Latest Practicable Date, not on the total number of issued Shares upon full conversion of the Preference Shares and the Convertible Bonds.

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings <sup>(b)</sup>	Note
Mr. Yao	Interest of controlled corporation	10,592,098	—	10,592,098	11.06%	1
Mr. Cho	Interest of controlled corporation	—	99,106,003	99,106,003	103.46%	2

*Notes:*

1. These interests represented:
  - (i) a deemed interest in 1,598,113 Shares owned by Huge Top. Mr. Yao directly holds approximately 11.91% and indirectly through Perfect Capital International Corp. (“Perfect Capital”) owns approximately 42.86% of the issued share capital of Huge Top. Mr. Yao owns the entire issued share capital of Perfect Capital and is one of the two directors of Huge Top. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these Shares held by Huge Top;
  - (ii) a deemed interest in 6,336,309 Shares owned by VSC BVI, a wholly-owned subsidiary of VSC. Huge Top owns approximately 47.05% of the issued share capital of VSC. Mr. Yao is one of the two directors of VSC BVI. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these Shares held by VSC BVI. These Shares are the same 6,336,309 Shares referred to in note 22 under (b) below;
  - (iii) a deemed interest in 1,633,676 Shares owned by TN. VSC BVI owns 54% of the issued share capital of TN and Mr. Yao owns 10% of the issued share capital of TN. Mr. Yao is one of the two directors of TN. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these Shares held by TN. These Shares were the same 1,633,676 Shares referred to in note 22 under (b) below; and
  - (iv) an interest in 1,024,000 Shares owned by Right Action Offshore Inc. (“Right Action”). Mr. Yao owns the entire issued share capital of Right Action and is also the sole director of that company.
2. These underlying Shares were held by Timeless, a company controlled by Mr. Cho through Kenthomas Company Limited. Accordingly, Mr. Cho was taken to be interested in these underlying Shares under the SFO by virtue of his interests in Timeless which was interested in 99,106,003 underlying Shares. These underlying Shares were the same underlying Shares referred to in note 17 under (b) below.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company or their respective associates had any interests or short positions in the securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were deemed or taken to have under such provisions of the SFO, or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the GEM Listing Rules relating to securities transactions by directors of listed companies to be notified to the Company and the Stock Exchange.

**(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company whose interests were disclosed above) had interests or short positions in the Shares and/or underlying Shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group together with particulars of any options in respect of such capital:

***Long positions in the shares and underlying shares<sup>(c)</sup> of the Company***

- (c) The underlying Shares referred to in the following table (other than those referred to in notes 1, 4 and 26 below) arise as a result of the conversion rights attaching to the Preference Shares issued under the First Placement. The Preference Shares shall be automatically converted into Shares, credited as fully paid, at the conversion ratio of one Preference Share for one Share in accordance with the terms of the Preference Shares. Those underlying Shares referred to in notes 1 and 4 below arise as a result of the conversion of the Convertible Bonds. Those underlying Shares referred to in note 26 below arise as a result of the conversion rights attaching to the New Preference Shares to be issued under the Placement.
- (d) The approximate percentage of shareholdings set out below is based on 95,794,716 Shares in issue as at the Latest Practicable Date, not on the total number of issued Shares upon full conversion of the Preference Shares and the Convertible Bonds.

*Substantial Shareholders (interests related to Shareholders)*

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings <sup>(d)</sup>	Note
Mr. Tsang	Beneficial owner	19,693,486	39,386,973	59,080,459	61.68%	1
	Interest of controlled corporation	509,400	—	509,400	0.53%	2
	Interest of a discretionary trust	—	148,659,004	148,659,004	155.18%	3
				208,248,863	217.39%	
NASAC	Beneficial owner	44,163,474	88,326,947	132,490,421	138.31%	4
NASA	Interest of controlled corporation	44,163,474	88,326,947	132,490,421	138.31%	4 & 5
API	Interest of controlled corporation	44,163,474	88,326,947	132,490,421	138.31%	4 to 6

*Substantial Shareholders (interests related to preference shareholders)*

The Goldman Sachs Group, Inc. (“Goldman”)	Interest of controlled corporation	—	2,477,650,064	2,477,650,064	2,586.42%	7
ABN AMRO Asset Management Holding N.V.	Beneficial owner	—	1,238,825,032	1,238,825,032	1,293.21%	
United Overseas Bank Limited	Beneficial owner	—	743,295,019	743,295,019	775.92%	
Oikos Asia Fund (“Oikos”)	Beneficial owner	—	495,530,013	495,530,013	517.28%	8
Tiger International Management Inc. (“Tiger”)	Beneficial owner	—	297,318,008	297,318,008	310.37%	9
Mr. Chen Jong-Tai	Interest of controlled corporation	—	297,318,008	297,318,008	310.37%	9
Ms. Chen Wu, Feng-Tsai	Interest of controlled corporation	—	297,318,008	297,318,008	310.37%	9
Banca Monte Dei Paschi Di Siena Spa	Beneficial owner	—	247,765,006	247,765,006	258.64%	

**APPENDIX**
**GENERAL INFORMATION**

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings <sup>(d)</sup>	Note
Grand Loyal (China) Limited (“Grand Loyal”)	Nominee	—	247,765,006	247,765,006	258.64%	10
Mr. Ho Yiu Wing	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	10
Grand Partners Group Limited (“Grand Partner”)	Nominee	—	247,765,006	247,765,006	258.64%	11
Mr. William Doo Wai Hoi	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	11
Fubon Bank (Hong Kong) Limited	Beneficial owner	—	199,233,717	199,233,717	207.98%	
Chevalier International Holdings Limited (“Chevalier”)	Beneficial owner	—	198,212,005	198,212,005	206.91%	12
Mr. Chow Yei Ching	Interest of controlled corporation	—	198,212,005	198,212,005	206.91%	12
Ms. Miyakawa Michiko	Family interest	—	198,212,005	198,212,005	206.91%	12
AICV	Beneficial owner	—	148,659,004	148,659,004	155.18%	13
Asia Internet Capital Management LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	13
EC.com Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	13
Smart Channel Investments Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	13
MKT Holdings (Cayman Islands) LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	13
HSBC International Trustee Limited	Trustee	—	148,659,004	148,659,004	155.18%	13

**APPENDIX**
**GENERAL INFORMATION**

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings <sup>(d)</sup>	Note
Gentfull Investment Limited ("Gentfull")	Beneficial owner	—	148,659,004	148,659,004	155.18%	14
Ms. Vivien Chen Wai Wai	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	14
Doutdes S.P.A. ("Doutdes")	Beneficial owner	—	148,659,004	148,659,004	155.18%	15
UFI Filters SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	15
GGG SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	15
G.G.G. S.A.	Beneficial owner	—	99,106,003	99,106,003	103.46%	16
Mr. Giorgio Gironi	Interest of controlled corporation	—	247,765,007	247,765,007	258.64%	15 & 16
Timeless	Beneficial owner	—	99,106,003	99,106,003	103.46%	17
Kenthomas Company Limited	Nominee	—	99,106,003	99,106,003	103.46%	17
KKR Group Investments II LLC ("KKR")	Beneficial owner	—	89,080,460	89,080,460	92.99%	18
Mr. George Rosenberg Roberts	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	18
Mr. Henry Roberts Kravis	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	18
Glint Delta II NV ("Glint")	Nominee	—	78,544,061	78,544,061	81.99%	19
Mr. Fentener Van Vlissingen Harold ("Mr. Van Vlissingen")	Beneficial owner	—	78,544,061	78,544,061	81.99%	19
Rawlco Capital Ltd. ("Rawlco")	Beneficial owner	—	49,553,001	49,553,001	51.73%	20

**APPENDIX**
**GENERAL INFORMATION**

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings <sup>(d)</sup>	Note
Mr. Gordon Stanley Rawlinson	Interests of controlled corporation	—	49,553,001	49,553,001	51.73%	20
UBS España, S.A. (“UBS”)	Nominee	—	128,441,377	128,441,377	134.08%	21
Ms. Angeles González Garcia	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	21
Mr. Jorge Garcia Gonzalez	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	21
Spirantes	Nominee	—	49,553,001	49,553,001	51.73%	21
Mr. Cesar Molinas Sanz	Beneficial owner	—	17,343,550	17,343,550	18.10%	21
Kobrither, S.A.	Nominee	—	14,865,900	14,865,900	15.52%	21
Mr. Antonio Del Cano Barbón	Interest of controlled corporation	—	14,865,900	14,865,900	15.52%	21
Mr. Ramón Suarez Beltrán	Beneficial owner	—	9,910,600	9,910,600	10.35%	21
Mr. Ricardo Sanz Ferrer	Beneficial owner	—	9,910,600	9,910,600	10.35%	21
Mr. Miguel Orúe-Echeverría	Beneficial owner	—	9,910,600	9,910,600	10.35%	21
<i>Other persons (interests related to preference shareholders)</i>						
Arcosilo, S.L.	Nominee	—	7,432,950	7,432,950	7.76%	21
Mr. Blanca Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	21
Mr. Fernando Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	21
Mr. Richardo de Ponga Bianco	Beneficial owner	—	5,946,360	5,946,360	6.21%	21
<i>Other persons (interests related to Shareholders)</i>						
VSC BVI	Beneficial owner	6,336,309	—	6,336,309	6.61%	22
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	22
				7,969,985	8.32%	



**APPENDIX**
**GENERAL INFORMATION**

Name	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate % of shareholdings <sup>(d)</sup>	Note
VSC	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
				7,969,985	8.32%	22 & 23
Huge Top	Beneficial owner	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
			9,568,098	9.99%	22 to 24	
Perfect Capital	Interest of controlled corporation	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
			9,568,098	9.99%	22 to 24	
Ms. Miriam Yao Che Li (“Ms. Yao”)	Interest of controlled corporation	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
			9,568,098	9.99%	22 to 25	
<i>Substantial Shareholders (interests related to the Placement)</i>						
Woori	Beneficial owner	—	792,848,020	792,848,020	827.65%	26
Woori Finance Holdings Co., Ltd.	Interest of controlled corporation	—	792,848,020	792,848,020	827.65%	26

*Notes:*

1. Mr. Tsang was directly interested in 19,693,486 Shares and a further 39,386,973 underlying Shares which may fall to be issued if the Convertible Bonds are converted at the initial conversion price of HK\$0.1566.
2. These 509,400 Shares were directly held by Oboe Development Trading Limited, which was wholly owned by Mr. Tsang.
3. Mr. Tsang was deemed to be interested in 148,659,004 underlying Shares by virtue of his being a founder of a discretionary trust, the trustee of which was HSBC International Trustee Limited ("HSBC Trustee"). HSBC Trustee, through its controlling interests in Asia Internet Capital Management LLC which acted as the investment manager of AICV, was deemed to be interested in 148,659,004 underlying Shares. These 148,659,004 underlying Shares are the same underlying Shares referred to in note 13 below.  
  
Mr. Tsang was therefore deemed, under the SFO, to be interested in an aggregate of 208,248,863 Shares.
4. NASAC was directly interested in 44,163,474 Shares and a further 88,326,947 underlying Shares which may fall to be issued if the Convertible Bonds are converted at an initial conversion price of HK\$0.1566. Accordingly, NASAC was deemed to be interested in a total of 132,490,421 Shares.
5. NASA held the single voting participating share of NASAC and was therefore deemed to be interested in 132,490,421 Shares.
6. API wholly owned all the Shares in NASA, which in turn held the single voting participating share of NASAC. API was therefore deemed to be interested in 132,490,421 Shares.
7. These underlying Shares were held by Goldman Sachs (Asia) Finance, a company controlled by The Goldman Sachs (Asia) Finance Holdings L.L.C.. The Goldman Sachs Group, Inc. was deemed to have interests in these underlying Shares through its direct subsidiary, The Goldman Sachs Global Holdings L.L.C., and its indirect subsidiary, The Goldman Sachs & Co., which was in turn the controlling company of The Goldman Sachs (Asia) Finance Holdings L.L.C.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying Shares by virtue of their respective corporate interests in Goldman Sachs (Asia) Finance.
8. These underlying Shares were held by Oikos, a company controlled by Walkers SPV Limited.
9. These underlying Shares were held by Tiger, a company controlled by Mr. Chen Jong-Tai and Ms. Chen Wu, Feng-Tsai. Accordingly, both were taken to be interested in these underlying Shares under the SFO by virtue of their interests in Tiger.
10. These underlying Shares were held by Grand Loyal, a company controlled by Mr. Ho Yiu Wing. Accordingly, Mr. Ho was taken to be interested in these underlying Shares under the SFO by virtue of his interests in Grand Loyal.
11. These underlying Shares were held by Grand Partners, a company controlled by Mr. William Doo Wai Hoi. Accordingly, Mr. Doo was taken to be interested in these underlying Shares under the SFO by virtue of his interests in Grand Partners.
12. These underlying Shares were held by Chevalier, a company 52.5% controlled by Mr. Chow Yei Ching and Ms. Miyakawa Michiko. Accordingly, both were taken to be interested in these underlying Shares under the SFO by virtue of their interests in Chevalier.

13. These underlying Shares were held by AICV which was managed by Asia Internet Capital Management LLC, a company 99% controlled by EC.com Inc.. HSBC International Trustee Limited was deemed to have interests in these underlying Shares through its direct wholly-owned subsidiary MKT Holdings (Cayman Islands) LLC and its indirect wholly-owned subsidiary Smart Channel Investments Inc.. Smart Channel Investments Inc. had 48.66% controlling interests in EC.com Inc.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying Shares by virtue of their respective corporate interests in AICV. These underlying Shares are the same underlying Shares referred to in note 3 above.
14. These underlying Shares were held by Gentfull, a company 100% controlled by Ms. Vivien Chen Wai Wai. Accordingly, Ms. Chen was taken to be interested in these underlying Shares under the SFO by virtue of her interests in Gentfull.
15. These underlying Shares were held by Doutdes, a company 83.98% controlled by UFI Filters SPA which was in turn controlled by GGG SPA, a company controlled by Mr. Giorgio Girondi. Accordingly, all these parties were taken to be interested in these underlying Shares under the SFO by virtue of their corporate interests in Doutdes.
16. These underlying Shares were held by G.G.G. S.A., a company 100% controlled by Mr. Giorgio Girondi. Accordingly, Mr. Girondi was taken to be interested in these underlying Shares under the SFO by virtue of his interests in G.G.G. S.A.
17. These underlying Shares were held by Timeless, a company controlled by Mr. Cho through Kenthomas Company Limited. Accordingly, Mr. Cho was taken to be interested in these underlying Shares under the SFO by virtue of his interests in Timeless. These underlying Shares are the same underlying Shares referred to in note 2 under (a) above.
18. These underlying Shares were held by KKR, a company controlled by Messrs. George Rosenberg Roberts and Henry Roberts Kravis. Accordingly, all these parties were taken to be interested in these underlying Shares under the SFO by virtue of their interests in KKR.
19. These underlying Shares were held by Glint, a company 99% controlled by Mr. Van Vlissingen. Accordingly, Mr. Van Vlissingen was taken to be interested in these underlying Shares under the SFO by virtue of his interests in Glint.
20. These underlying Shares were held by Rawlco, a company controlled by Mr. Gordon Stanley Rawlinson. Accordingly, he was taken to be interested in these underlying Shares under the SFO by virtue of his interests in Rawlco.
21. These underlying Shares were held by UBS. Of these underlying Shares, 49,553,001 underlying Shares were held by Sphirantes, a company controlled by Ms. Angeles González Garcia and Mr. Jorge Garcia Gonzalez; 17,343,500 underlying Shares were held by Mr. Cesar Molinas Sanz; 14,865,900 underlying Shares were held by Kobrither, S.A., a company controlled by Mr. Antonio Del Cano Barbón; each of Messrs. Ramón Suarez Beltrán, Ricardo Sanz Ferrer and Miguel Orúe-Echeverria held 9,910,600 underlying Shares; 7,432,950 underlying Shares were held by Arcosilo, S.L., a company controlled by Messrs. Blanca Rueda Sabater and Fernando Rueda Sabater; and 5,946,360 underlying Shares were held by Mr. Richardo de Ponga Bianco.
22. VSC BVI owned 54% of the share capital of TN and was deemed to be interested in the 1,633,676 Shares held by TN. VSC BVI directly owned 6,336,309 Shares. VSC BVI was therefore directly and indirectly interested in an aggregate of 7,969,985 Shares.

23. VSC owned the entire issued share capital of VSC BVI, VSC was therefore deemed to be interested in an aggregate of 7,969,985 Shares.
24. Perfect Capital owned approximately 42.86% of the issued share capital of Huge Top. Huge Top was beneficially interested in approximately 47.05% of the issued share capital of VSC; Perfect Capital and Huge Top were therefore deemed to be interested in 1,633,676 Shares held by TN and 6,336,309 Shares held by VSC BVI. Huge Top also directly owned 1,598,113 Shares. Huge Top was therefore directly and indirectly interested in an aggregate of 9,568,098 Shares, and Perfect Capital was indirectly interested in the same aggregate interests.
25. Ms. Yao is one of the two directors for TN and Huge Top while the remaining director of these two companies is Mr. Yao who is the brother of Ms. Yao. Ms. Yao was therefore through Huge Top indirectly interested in an aggregate of 9,568,098 Shares.
26. These underlying Shares were held by Woori, a company controlled by Woori Finance Holdings Co., Ltd..

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company) who has an interest or short position in the securities of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

### **3. SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### **4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

Mr. Yao holds approximately 11.91% direct and 42.86% indirect interests in the issued share capital of Huge Top. Pursuant to a guarantee and indemnity dated 19th May 2005 between Huge Top, Mr. Yao, the Company and the Ajia Parties in connection with the Ajia Parties Subscription Agreement (the "Deed"), Huge Top has given certain indemnities and undertaking in favour of the Company regarding the maintenance of the consolidated net asset value of the group of companies engaging in the steel trading business of the Group at a level equal to or exceeding HK\$5,000,000 after completion of the Ajia Parties Subscription Agreement. Details of the Deed have been set out in the announcement of the Company dated 19th May 2005 and the circular of the Company dated 20th June 2005 in relation to the Ajia Parties Subscription Agreement.

NASA, a party to the Services Agreement, is a wholly-owned subsidiary of API. Mr. Cho and Mr. Savio Chow Sing Nam (an executive Director and the Chief Executive Officer of the Company) each holds an approximately 19.09% and 5.67% equity interest in API respectively.

Save for the Deed, the Services Agreement and the subscription agreement entered into between the Company and Timeless on 26th September 2005 in relation to the subscription by Timeless of 99,106,003 Preference Shares under the First Placement in which Mr. Cho is interested, there is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31st March 2006, the date to which the latest published audited consolidated financial statements of the Group were made up.

## **5. COMPETING INTERESTS**

Mr. Yao is an executive Director and also the chairman and chief executive officer of VSC. According to the 2005/06 annual report of VSC, Huge Top held 173,424,000 shares (approximately 47.05%) in VSC as at 31st March 2006 and Mr. Yao is one of the two directors of Huge Top. Mr. Yao directly held approximately 11.91% and indirectly held approximately 42.86% of the issued share capital of Huge Top. Mr. Yao also has personal interests in 1,614,000 shares (approximately 0.44%) in VSC as at 31st March 2006. VSC is also engaged in steel trading business. The Directors believe that there is a risk that such business may compete with those of the Group. However, the Directors are also of the view that the invaluable experience of Mr. Yao in the steel industry will complement the development of the Group's business.

Save for aforesaid, none of the Directors, management Shareholders, substantial Shareholders and their respective associates compete or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

## **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st March 2006 (being the date to which the latest published audited financial statements of the Company were made up).

**7. CONSENT**

Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they respectively appear.

**8. QUALIFICATION**

The following is the qualification of the expert who has been named in this circular or has given its opinion, letter or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Access Capital Limited	A licensed corporation under the SFO which engages in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities

As at the Latest Practicable Date, Access Capital did not have any shareholding in the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group, nor did it have any interest, direct or indirect, in any assets which had, since 31st March 2006 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

**9. PROCEDURES FOR DEMANDING A POLL BY THE SHAREHOLDERS**

Pursuant to bye-law 66 of the Bye-laws of the Company, at any general meeting, a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Stock Exchange or (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:

- (a) by the chairman of such meeting; or
- (b) by 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) by a 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 members having the right to vote at the meeting; or
- (d) by a 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 Shares conferring that right, or
- (e) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

#### 10. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its head office and principal place of business in Hong Kong is at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong.
- (b) The compliance officer of the Company is Mr. Savio Chow Sing Nam. Prior to joining the Group and API, Mr. Chow served as a Consultant at E.M. Warburg Pincus & Co. Asia Ltd. He has had about 20 years experience in the IT industry both in the US and Asia Pacific. He was the Managing Director of Yahoo! Inc. responsible for Asia. Prior to joining Yahoo, Mr. Chow held various senior management positions at Netscape Communications Corporation, Lotus Development Corporation and International Business Machines Corporation. He holds a Master of Science degree in Engineering and a Master of Business Administration degree from the University of California at Berkeley.
- (c) The qualified accountant of the Company is Ms. Grace Luk Pui Yin. She has over 15 years of experience in auditing, accounting, financial management and private equity in Hong Kong and the Mainland China. Ms. Luk received a Bachelor degree in Business Administration from the Chinese University of Hong Kong. She is a Fellow of the UK Association of Chartered Certified Accountants, an Associate of both the UK Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants.

- (d) The company secretary of the Company is Ms. Lam Yee Fan. She has over 10 years of company secretarial experience at listed companies in Hong Kong. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (e) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 78th Floor, The Center, 99 Queen's Road Central, Hong Kong from the date of this circular up to and including 31st August 2006 and at the Special General Meeting:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the annual reports of the Company for each of the two years ended 31st March 2005 and 2006;
- (c) the letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders set out on pages 22 to 30 of this circular;
- (d) the letter of consent from Access Capital referred to in the paragraph headed "Consent" in this appendix;
- (e) the Subscription Agreement;
- (f) the final draft of the Waiver Agreement; and
- (g) the Deed as mentioned in the paragraph headed "Directors' interests in contracts and assets" in this appendix of this circular.



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## NOTICE OF THE SPECIAL GENERAL MEETING

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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)

**NOTICE IS HEREBY GIVEN** that a special general meeting of North Asia Strategic Holdings Limited (the “**Company**”) will be held at 78th Floor, The Center, 99 Queen’s Road Central, Hong Kong at 10:00 a.m. on Monday, 4th September 2006 for the purpose of considering and, if thought fit, passing the following resolutions:

#### ORDINARY RESOLUTIONS

(1) “**THAT**

- (a) having determined that it is in the best interests of and for the benefit of the Company to do so, the subscription agreement (a copy of which has been produced to this meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) entered into between the Company and Woori Bank on 20th July 2006 (the “**Subscription Agreement**”) pursuant to which the Company has conditionally agreed to issue, and Woori Bank has conditionally agreed to subscribe for, a total of 792,848,020 preference shares of HK\$0.01 each in the share capital of the Company (the “**Preference Shares**”) at a subscription price of HK\$0.1566 per Preference Share subject to the conditions contained therein and all the transactions contemplated thereby be and are hereby approved, confirmed and ratified in all respects;
- (b) the directors of the Company (the “**Directors**”) be and are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which in the opinion of the Directors may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Subscription Agreement and to agree to such variations, amendments, supplements or waivers of matters relating thereto as are, in the opinion of the Directors, in the interests of the Company;
- (c) the Directors be and are hereby authorised to allot and issue a total of 792,848,020 Preference Shares to Woori Bank, pursuant to the terms of the Subscription Agreement; and
- (d) the Directors be and are hereby authorised to issue ordinary shares of the Company upon conversion of the Preference Shares pursuant to the terms of the Preference Shares and the Subscription Agreement.”

\* For identification purpose only

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## NOTICE OF THE SPECIAL GENERAL MEETING

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- (2) “**THAT**, conditional upon the resolution numbered (1) as set out in this notice being duly passed, and having determined that it is in the best interests of and for the benefit of the Company to do so, the agreement (the “**Waiver Agreement**”) to be entered into between the Company, North Asia Strategic Acquisition Corp. (“**NASAC**”) and Mr. Moses Tsang Kwok Tai (“**Mr. Tsang**”) (a copy of which in substantially final form has been produced to the meeting marked “B” and initialed by the chairman of the meeting for the purpose of identification), whereby the parties thereto agree and consent to waive any requirement to adjust the conversion price of the convertible bonds (the “**Convertible Bonds**”) with total face value of HK\$20 million issued by the Company to NASAC and Mr. Tsang pursuant to a subscription agreement dated 19th May 2005 entered into between, among others, the Company, NASAC and Mr. Tsang pursuant to condition 6.9(e) of the conditions of the Convertible Bonds arising from the issue of the Preference Shares, including any subsequent conversion of the Preference Shares into ordinary shares of the Company, be and is hereby approved in all respects, and that any two Directors, or any one Director and the secretary of the Company, be and are hereby authorised, in the name of and on behalf of the Company, to execute and deliver the Waiver Agreement and to affix the common seal of the Company thereon, with such changes thereto as such authorised persons may approve, such approval to be conclusively evidenced by such authorised persons’ execution and delivery thereof.”

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

Hong Kong, 17th August 2006

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal  
Place of Business in Hong Kong:*  
78th Floor  
The Center  
99 Queen’s Road Central  
Hong Kong

*Notes:*

1. Any member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or if he holds two or more shares, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, this form of proxy, together with the relevant power of attorney or other authority (if any) under which it is signed (or a certified true copy thereof) must be deposited at the Company’s branch share register, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting, as the case may be.