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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 INDEPENDENT PLACEEES, CONNECTED TRANSACTIONS INVOLVING ISSUE OF PREFERENCE SHARES TO AICV AND TIMELESS, NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS INVOLVING SERVICES AGREEMENT, AND RESUMPTION OF TRADING IN SHARES

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**



The Company has entered into a total of 20 Subscription Agreements with 20 Placees (including AICV and Timeless) for the placement of the Preference Shares. Pursuant to the Subscription Agreements, the Company has conditionally agreed to issue, and the Placees have conditionally agreed to subscribe for, a total of 7,541,846,333 Preference Shares at an issue price of HK\$0.1566 per Preference Share. The Subscription Agreements are subject to a number of conditions. Details of the terms of the Subscription Agreements (including the conditions thereof) and the Preference Shares are set out below.

The proceeds from the Placement amount to approximately HK\$1,181.1 million (or HK\$1,167.8 million after deducting a placement fee payable to NASA and related expenses) and are intended to be used for future investment and working capital purposes.

On 26th September, 2005, the Company entered into the Services Agreement (which is amended and restated on 30th December, 2005) with NASA pursuant to which NASA shall, during the 3-year term of the Services Agreement, provide consulting services to the Group. Details of the terms of the Services Agreement are set out below.

The Board proposes to create a new class of authorised share capital of the Company to reflect the terms of the Preference Shares. It is proposed that the authorised share capital of the Preference Shares will become HK\$300,000,000 by the creation of 30,000,000,000 Preference Shares. Amendments to the bye-laws of the Company will be made to, among other things, reflect the terms of the Preference Shares.

By virtue of NASA's controlling interests in the Company through NASAC, the transactions contemplated under the Services Agreement constitute non-exempt continuing connected transactions for the Company under the GEM Listing Rules. By virtue of Mr. Tsang's interests as manager of AICV and his substantial shareholding interests in the Company, the placement of Preference Shares to AICV constitutes a connected transaction for the Company under the GEM Listing Rules. Timeless is a company wholly and beneficially owned by Mr. Cho who is an executive Director. Accordingly, Timeless is a connected person of the Company and the placement of Preference Shares to Timeless constitutes a connected transaction for the Company under the GEM Listing Rules.

The AICV Subscription Agreement, the Timeless Subscription Agreement and the Services Agreement are subject to the approval of the Independent Shareholders on which voting shall be taken by poll. NASAC, Mr. Tsang and Mr. Cho and their respective associates shall abstain from voting on the AICV Subscription Agreement, the Timeless Subscription Agreement and the Services Agreement at the Special General Meeting.

The proposed amendments to the bye-laws of the Company and creation of authorised share capital of the Preference Shares are neither conditional on the Services Agreement nor the Subscription Agreements. However, in view of Mr. Tsang and Mr. Cho's respective interests in the AICV Subscription Agreement and the Timeless Subscription Agreement and NASA's interests in the Services Agreement (pursuant to which NASA shall receive a placement fee from the Placement), the proposed amendments to the bye-laws of the Company and creation of authorised share capital of the Preference Shares are subject to the approval of the Independent Shareholders on which voting shall be taken by poll. NASAC, Mr. Tsang and Mr. Cho and their respective associates shall abstain from voting on the proposed amendments to the bye-laws of the Company and the creation of the authorised share capital of the Preference Shares at the Special General Meeting.

The Subscription Agreements other than the AICV Subscription Agreement and the Timeless Subscription Agreement are subject to the approval of the Shareholders. No Shareholders are required to abstain from voting on the related resolution(s).

An independent Board committee, comprising all the independent non-executive Directors, has been constituted to make recommendations to the Independent Shareholders on the voting as regards the AICV Subscription Agreement, the Timeless Subscription Agreement and the Services Agreement. Access Capital has been appointed as independent financial adviser of the Company to advise the independent Board committee and the Independent Shareholders in this connection. A circular containing further details of the proposed amendments to the bye-laws of the Company and creation of authorised share capital of the Preference Shares, the Subscription Agreements and the Services Agreement, the recommendations and advice of the independent Board committee and Access Capital, and a notice of the Special General Meeting will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on Tuesday, 20th September, 2005 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Tuesday, 3rd January, 2006.

SUBSCRIPTION AGREEMENTS

The Company has entered into a total of 20 Subscription Agreements with 20 Placees for the subscription of the Preference Shares. Set out below are the principal terms of the Subscription Agreements:

Dates of the Subscription Agreements:

Date

16th September, 2005	six Subscription Agreements with six Placees including AICV
19th September, 2005	two Subscription Agreements with two Placees
23rd September, 2005	three Subscription Agreements with three Placees
26th September, 2005	one Subscription Agreement with Timeless
27th September, 2005	one Subscription Agreement with one Placee
10th October, 2005	one Subscription Agreement with one Placee
19th October, 2005	two Subscription Agreements with two Placees
31st October, 2005	one Subscription Agreement with one Placee
7th November, 2005	one Subscription Agreement with one Placee
9th November, 2005	one Subscription Agreement with one Placee
15th November, 2005	one Subscription Agreement with one Placee

Parties to the Subscription Agreements:

Issuer: the Company

Placees: 20 Placees including AICV and Timeless

As at the date of this announcement, four Placees, namely United Overseas Bank Limited (Anchor Investor I), ABN AMRO Asset Management Holding N.V. (Anchor Investor II), Goldman Sachs (Asia) Finance (Anchor Investor III) and Oikos Asia Fund (Anchor Investor IV) are Anchor Investors.

Placees:

Anchor Investor I (United Overseas Bank Limited) is a leading bank listed on the Singapore Stock Exchange and a dominant player in Asia-Pacific. Its group companies provide a wide range of financial services through a global network of branches/offices and subsidiaries/associates including personal financial services, private banking, trust services, commercial and corporate banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management, general insurance, life insurance and stockbroking services.

Anchor Investor II (ABN AMRO Asset Management Holding N.V.) is a member within the asset management business unit of ABN AMRO Bank N.V.. ABN AMRO Bank N.V. is one of the world's largest banks and has a strong presence in all major financial and offshore centres with a clear focus on consumer and commercial lending. The asset management business unit is one of the world's leading asset managers with significant experience in managing assets for private and institutional clients, including central banks, pension funds, insurance companies and other institutions.

Anchor Investor III (Goldman Sachs (Asia) Finance) is a member company of The Goldman Sachs Group, Inc. which is a company listed on the New York Stock Exchange with a market capitalisation of over US\$55 billion (equivalent to approximately HK\$427 billion). Goldman Sachs is a leading global investment banking, securities and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base which includes corporations, financial institutions, governments and high net-worth individuals.

Anchor Investor IV (Oikos Asia Fund) is a Cayman Islands domiciled company focused on direct investments in Asia.

AICV is a US\$33 million venture capital fund with 12 limited partners organised for the object and purpose of making private equity investments in internet and technology-oriented companies and is managed by Mr. Tsang, who is not a limited partner of AICV. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, all the 12 limited partners of AICV and their respective ultimate beneficial owners are not connected persons of the Company and are third parties independent of the Company and its connected persons. Two of the limited partners of AICV are also interested in an investment company which is in turn a 5.1% shareholder of API and of which Mr. Tsang is the controlling shareholder. Mr. Tsang is an independent non-executive director of one of the Placees which is a financial institution listed on the Main Board of the Stock Exchange. He also holds less than 1% interest in the holding company of Anchor Investor III which is a company listed on the New York Stock Exchange.

Timeless is a company wholly and beneficially owned by Mr. Cho who is an executive Director. As at the date of this announcement, Mr. Cho, through Timeless, is interested in 50 non-voting participating shares of NASAC, representing approximately 18.80% of the total issued shares within the same class.

The other Placees are institutional and professional investors.

Save as aforesaid and to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Placees, their respective associates and the respective ultimate beneficial owners of the Placees are not connected persons of the Company. Each of the Placees and the respective ultimate beneficial owners of the Placees are also third parties independent of the Company and its connected persons, and are independent of each other. Save as disclosed above and to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, neither the Placees nor their respective associates has any beneficial interests in any Shares or other securities in the Company prior to the Placement.

Securities to be subscribed:

	Number of Preference Shares	% of total Preference Shares
Anchor Investor I	743,295,019	9.8
Anchor Investor II	1,238,825,032	16.4
Anchor Investor III	2,477,650,064	32.9
Anchor Investor IV	495,530,013	6.6
Sub-total for the Anchor Investors	4,955,300,128	65.7
14 other independent Placees	2,338,781,198	31.0
AICV	148,659,004	2.0
Timeless	99,106,003	1.3
Total	<u>7,541,846,333</u>	<u>100.0</u>

Principal terms of the Preference Shares:

Redemption and Conversion: The Preference Shares are not redeemable.

The Preference Shares shall be automatically convertible into Shares on the listing of the Shares on the Main Board of the Stock Exchange, or on the fourth anniversary of the Completion Date, whichever occurs earlier, at the conversion ratio of one Preference Share to one Share, subject to usual 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.

In the event that the conversion by any holder of its Preference Shares would result in such holder holding 30% or more of the issued Shares, or otherwise result in such holder being required to make a mandatory general offer for the Shares under the Takeovers Code, the holder shall be entitled to elect to convert such number of Preference Shares as will cause it to hold (a) 29% of the issued Shares; or (b) if applicable, the maximum whole number of percentage of the issued Shares it could hold without being required to make a mandatory general offer for the Shares under the Takeovers Code. Any remaining Preference Shares held by such holder may be converted by such holder by giving not less than 45 days' prior notice to 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.

Transferability:

The Preference Shares may only be transferred with the prior approval of the Board and in compliance with applicable law and regulatory requirements. Save as disclosed herein, there are no other provisions regarding transferability of the Preference Shares.

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

Voting:

Holders of the 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 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.

In view of Mr. Tsang and Mr. Cho's respective interests in the AICV Subscription Agreement and the Timeless Subscription Agreement and NASA's interests in the Services Agreement (pursuant to which NASA shall receive a placement fee from the Placement), AICV and Timeless, as holders of the Preference Shares, shall abstain from voting on resolutions pertaining to (ii) above in the general meetings.

When the holders of the Preference Shares are entitled to vote at a general meeting, each Preference Share shall confer on its holder one vote.

All or any of the rights or privileges attached to the 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 Preference Shares are applicable to partly paid Preference Shares as if such shares were fully paid.

Listing:

The 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 Preference Shares will rank pari passu as to dividends with the Shares. In the event of liquidation or winding up of the Company, the holders of the Preference Shares will receive an amount equal to 100% of the subscription monies paid by the holders of the 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.

Save for the Preference Shares to be issued pursuant to the Subscription Agreements and the HK\$20 million Convertible Bonds issued by the Company to the Ajia Parties pursuant to the Ajia Parties Subscription Agreement dated 19th May, 2005, the Company does not have any other outstanding options, warrants or other securities in issue which carry rights to be convertible into Shares.

Subscription price:

HK\$0.1566 per Preference Share.

The subscription price shall be payable in cash by the Placees in four equal installments, the first of which will be payable on the Completion Date, and the remaining three of which will be payable on the dates falling 12 months, 24 months and 36 months respectively after the Completion Date, provided that payment of either the second or third installment shall not be required unless and until at least 75% of the subscription monies previously paid by the Placees from time to time has been paid out for or committed to investments for 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 to require the relevant amount of installment to be paid by the Placees before the due dates described above on a date specified by the Company but not earlier than 45 days from the date serving the payment notice by the Company. The schedule of capital call 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 date falling 36 months after the Completion Date 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 price per Preference Share represents:

- (i) a discount of approximately 83.2% to the closing price of HK\$0.93 per Share on 16th September, 2005, being the last trading day of the Shares prior to the suspension of the Shares pending the release of this announcement;
- (ii) a discount of approximately 83.2% to the average closing price of the Shares of HK\$0.932 for the ten trading days up to and including 16th September, 2005; and

- (iii) a premium of approximately 17.0% over the audited net asset value per Share of HK\$0.1338 as at 31st March, 2005.

The subscription price of the Preference Shares was determined after arm's length negotiations between the Company and the Placees. 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 Preference Shares, which represents a 17.0% premium over the audited net asset value per Share, to be fair and reasonable to the Shareholders.

Conditions:

Completion of the Subscription Agreements is subject to the following conditions being fulfilled or waived on or before the Completion Date:

- (i) receipt of all necessary approvals of applicable authorities (including the GEM Listing Committee and the Bermuda Monetary Authority) and Shareholders' approvals for:
- (a) the Subscription Agreements;
 - (b) amendments to the Company's bye-laws to reflect the terms of the Preference Shares;
 - (c) the issue of the Preference Shares and the issue of the Conversion Shares upon conversion of the Preference Shares; and
 - (d) the Services Agreement; and
- (ii) the Placees having received duly certified true copies of (a) the approvals specified in (i) above; and (b) the resolutions of the Directors approving the registration of the Placees as a member of the Company.

Completion of each of the Subscription Agreements with Anchor Investor I, Anchor Investor II, Anchor Investor III and Anchor Investor IV is also subject to the following conditions being fulfilled or waived on or before the Completion Date:

- (iii) the listing of the Shares on the Stock Exchange has not been revoked or withdrawn at any time prior to the satisfaction of the last of the other conditions precedent;
- (iv) the GEM Listing Committee has granted approval of the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the Preference Shares and such approval has not been revoked prior to satisfaction of the last of the other conditions precedent;
- (v) no mandatory offer is required by Anchor Investor I, Anchor Investor II, Anchor Investor III and Anchor Investor IV under the Takeovers Code (or in the case of the obligation to make a mandatory offer on the part of these Placees, a whitewash waiver is granted by the Executive Director (or any delegate for the time being of the Executive Director) of the Corporate Finance Division of the Securities and Futures Commission in Hong Kong, to these Placees and the relevant parties);

Completion of each of the Subscription Agreements with Anchor Investor I, Anchor Investor II and Anchor Investor III is also subject to the following conditions being fulfilled or waived on or before the Completion Date:

- (vi) no material default has occurred and is continuing under the guarantee and indemnity dated 19th May, 2005 between Huge Top, Mr. Yao, the Company and the Ajia Parties (the “Deed”) in connection with the subscription by the Ajia Parties of Shares and Convertible Bonds pursuant to the Ajia Parties Subscription Agreement;
- (vii) the Group has a positive net asset value as at the Completion Date;
- (viii) no material breach of the Company’s undertakings has occurred and is continuing, and the warranties given by the Company are true and correct in all material respects and not misleading in any material aspect, and no event has occurred and is continuing that renders untrue, incorrect or breached in any material respect, any of the representations, warranties or undertakings of the Company;
- (ix) no material adverse change has occurred and is continuing in the financial position or prospects of the Group since 31st March, 2005;
- (x) the Group does not have any material indebtedness or material liabilities that are not fully provided for in the most recent audited accounts; and
- (xi) Anchor Investor I, Anchor Investor II and Anchor Investor III have received an opinion (the “Opinion”) in respect of the Company rendered by the Company’s Bermuda legal advisers for the benefit of some or all of the Placees, including them, in form and substance satisfactory to them.

Pursuant to the Deed, Huge Top has given certain indemnities and undertakings 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. The Deed provides comfort to the Anchor Investors on the minimum net asset value of the Group. 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.

The Opinion will include principally matters in relation to the due incorporation of the Company, its corporate capacity to enter into the Subscription Agreements and their due execution, confirmation that no authorisation from any public body is required in connection with the Subscription Agreements, valid choice of governing law, whether there are judgements or pending proceedings against the Company, and confirmation that no steps are taken for the appointment of a receiver or liquidator, or for the winding up of the Company.

Completion of the Subscription Agreement with Anchor Investor I is further subject to the following additional condition being fulfilled or waived on or before the Completion Date:

- (xii) the Company has received subscriptions for the Preference Shares from investors (including Anchor Investor I) in an aggregate amount of at least HK\$858,000,000 by Completion.

In addition, the Subscription Agreement entered into between the Company and Anchor Investor II is subject to the condition that a member of Anchor Investor III is one of the subscribers to which such simultaneous closing relates. Completion of the Subscription Agreement with Anchor Investor II is further subject to the following additional condition being fulfilled or waived on or before the Completion Date:

(xiii) completion of the Subscription Agreement with Anchor Investor II is part of a simultaneous closing of subscriptions by other Placees (excluding Anchor Investor II) for Preference Shares for which the aggregate subscription monies payable to the Company are equal to at least HK\$1,000,000,000.

Completion of the Subscription Agreement with Anchor Investor III is further subject to the following additional conditions being fulfilled or waived on or before the Completion Date:

(xiv) the Group's existing steel trading business having a consolidated net asset value equal or exceeding HK\$5 million;

(xv) completion of the Subscription Agreements being part of a simultaneous closing of subscriptions for Preference Shares, in which

(a) the aggregate subscription monies payable to the Company by all the Placees (including the Anchor Investors) are equal to at least HK\$1,000,000,000;

(b) the Company is not deemed to be an associate of Anchor Investor III by virtue of its proposed shareholding or interests under the relevant accounting standards;

(xvi) a side letter being executed between the Company and Anchor Investor III with respect to additional rights applicable to Anchor Investor III (as described in the paragraph headed "Additional rights of Anchor Investors" below); and

(xvii) there being no suspension of trading of the Shares (a) in effect on the trading day prior to or on the Completion Date; or (b) for a five trading-day period (unless such suspension has been lifted prior to the Completion Date and otherwise than for purposes of clearance of announcements to be issued in connection with the Placement or pending the requisite approval to be obtained for the Placement); which in either case: (a) have been imposed as a result of any breach of the GEM Listing Rules; or (b) could reasonably be expected to result in delisting of the Shares from GEM.

The Subscription Agreement entered into between the Company and Anchor Investor III is subject to the condition that Anchor Investor I and/or its affiliated companies and Anchor Investor II and/or its affiliated companies are Anchor Investors. Save for the aforesaid Subscription Agreements with the three Anchor Investors, the other Subscription Agreements are not inter-conditional on each other.

Save for condition (i), all the above conditions are capable of being waived at the discretion of the relevant Placees. If the above conditions are not fulfilled or waived on or prior to the Completion Date, the relevant Subscription Agreement(s) shall terminate and none of the parties thereto shall have any obligations or liabilities thereunder, save for any antecedent breach thereof.

Completion

Completion of the respective Subscription Agreements shall occur on such date conditional upon the satisfaction of their respective conditions precedent as set out above, and shall occur prior to 31st March, 2006.

Further announcement(s) will be made by the Company as regards the status of Completion or any changes to the Completion Date if appropriate.

Additional rights of Anchor Investors

The Company has entered into legally binding agreements with (i) each of Anchor Investor I and Anchor Investor III on 16th September, 2005; and (ii) Anchor Investor IV on 7th November, 2005 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 to, for a term of ten years commencing on the Completion Date, give Anchor Investor I, Anchor Investor III and Anchor Investor IV the rights to co-invest in potential investment targets of the Company and to offer deal referral opportunities on investment projects which are deemed to be outside the investment focus of or not pursued by the Company, in each case following consideration by the Investment Committee. The Company has also entered into letter agreements with Anchor Investor I and Anchor Investor III to give, for a period of ten years from the Completion Date, additional rights to them 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 date of this announcement.

In addition, the letter agreements with Anchor Investor I and Anchor Investor II give each of them the right to nominate one member to the Investment Committee. The letter agreement with Anchor Investor III gives it the right (i) to participate in other private equity and buyout business of the Ajia Parties in China; (ii) to participate in any subsequent placing of Preference Shares of the Company as will allow them to maintain their percentage shareholdings of Preference Shares in the Company; and (iii) to nominate one observer to the Investment Committee. The letter agreement with Anchor Investor IV also gives it the right to nominate one observer to the Investment Committee. The observers to be nominated by Anchor Investor III and Anchor Investor IV have no right to participate in any voting by, or any advisory role to, the Investment Committee but has the right to receive information, participate in meetings and discussions of the Investment Committee. None of the Anchor Investors is entitled to appoint members to the Board and their respective representatives at the Investment Committee will be required to act in that capacity only. The Investment Committee members and observers appointed by the Anchor Investors shall be required to give 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. They are also required to observe the relevant provisions of Part XIII and Part XIV of the Securities and Futures Ordinances of Hong Kong in respect of 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 of the Stock Exchange, the applicable provisions contained in the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange) 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 relevant Investment Committee members or observers, the Company may bring legal action against the relevant Anchor Investors including seeking a court order of specific performance to prevent the relevant Investment Committee members or observers from any unauthorised disclosure of confidential material.

The above letter agreements with the Anchor Investors will terminate in the event that the Services Agreement is terminated.

Should any transactions materialise in future as a result of the Anchor Investors exercising their rights under the aforesaid agreements, the Company shall comply with the applicable requirements of the GEM Listing Rules in due course. In particular, should Anchor Investor III become a connected person of the Company and exercise its anti-dilution right by participating in any subsequent placing of Preference Shares of the Company, such participation shall be subject to the approval of the independent Shareholders who are not connected with Anchor Investor III.

The Company views the Anchor Investors as important business partners for the future development of the Group. The additional rights given to the Anchor Investors provide the Group with an opportunity to leverage on the capability and expertise of the Anchor Investors which are prominent global financial institutions. The additional conditions provided in the Subscription Agreements of the Anchor Investors are arrived at following commercial arm's length negotiations with each of the Anchor Investors.

PROPOSED AMENDMENTS TO BYE-LAWS

It is necessary for the Company to amend its bye-laws to reflect the terms of the Preference Shares which is a new class of shares of the Company. Accordingly, a special resolution will be proposed at the Special General Meeting to approve the amendments to the bye-laws of the Company. The proposed amendments to the bye-laws of the Company are neither conditional on the Subscription Agreements nor the Services Agreement. However, in view of Mr. Tsang and Mr. Cho's respective interests in the AICV Subscription Agreement and the Timeless Subscription Agreement and NASA's interests in the Services Agreement (pursuant to which NASA shall receive a placement fee from the Placement), the amendments to the bye-laws of the Company are subject to the approval of the Independent Shareholders on which voting shall be taken by poll. NASAC, Mr. Tsang and Mr. Cho and their respective associates shall abstain from voting on the proposed amendments to the bye-laws of the Company at the Special General Meeting.

CREATION OF AUTHORISED SHARE CAPITAL FOR PREFERENCE SHARES

The existing authorised share capital of the Company is HK\$400,000,000 divided into 40,000,000,000 Shares. The Board proposes to create a new class of authorised share capital of the Company to reflect the terms of the Preference Shares. It is proposed that the authorised share capital of the Preference Shares will become HK\$300,000,000 by the creation of 30,000,000,000 Preference Shares. A resolution will be proposed at the Special General Meeting to approve the creation of the authorised share capital of the Preference Shares. The proposed creation of the authorised share capital of the Preference Shares is neither conditional on the Subscription Agreements nor the Services Agreement. However, in view of Mr. Tsang and Mr. Cho's respective interests in the AICV Subscription Agreement and the Timeless Subscription

Agreement and NASA's interests in the Services Agreement (pursuant to which NASA shall receive a placement fee from the Placement), the proposed creation of the authorised share capital of the Preference Shares is subject to the approval of the Independent Shareholders on which voting shall be taken by poll. NASAC, Mr. Tsang and Mr. Cho and their respective associates shall abstain from voting on the proposed creation of the authorised share capital of the Preference Shares at the Special General Meeting.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 19th May, 2005, the Company entered into inter-conditional agreements, pursuant to which:

- (i) the Ajia Parties subscribed for 63,856,960 new Shares (as to 19,693,486 Shares by Mr. Tsang and 44,163,474 Shares by NASAC) at HK\$0.1566 per Share and the HK\$20 million Convertible Bonds (as to HK\$6,168,000 by Mr. Tsang and HK\$13,832,000 by NASAC) which are convertible into 127,713,920 new Shares at an initial conversion price of HK\$0.1566 per Share (subject to adjustments); and
- (ii) the Company offered 15,968,878 Shares to the Shareholders at an offer price of HK\$0.1566 by way of a 1-for-1 open offer underwritten by VSC BVI.

The aforesaid transactions (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) were approved by the disinterested Shareholders at a special general meeting held on 14th July, 2005 and were completed in August 2005. Net proceeds of approximately HK\$30.2 million were raised by the Company, of which HK\$4.2 million was intended to be used as general working capital and HK\$26 million was intended to finance future investments of the Group. Up to the date hereof, approximately HK\$9.5 million has been utilised for the Group's general working capital as planned. The remaining HK\$20.7 million will be used as intended. Save for the above, the Company has not undertaken any other fund raising activities in the past twelve months since 16th September, 2004.

SHAREHOLDING STRUCTURE

Set out below are the Company's shareholding structures (i) as at the date of this announcement and immediately upon completion of the Placement; (ii) upon full conversion of the Convertible Bonds at the initial conversion price of HK\$0.1566; (iii) upon full conversion of the Preference Shares at the 1-to-1 conversion ratio; and (iv) upon full conversion of the Convertible Bonds at the initial conversion price of HK\$0.1566 and the Preference Shares at the 1-to-1 conversion ratio:

	As at the date of this announcement and immediately upon completion of the Placement		Upon full conversion of the Convertible Bonds		Upon full conversion of the Preference Shares		Upon full conversion of the Preference Shares and the Convertible Bonds	
	Shares	%	Shares	%	Shares	%	Shares	%
NASAC	44,163,474	46.1	132,490,421	59.3	44,163,474	0.6	132,490,421	1.7
Mr. Tsang	20,202,886	21.1	59,589,859	26.7	20,202,886	0.3	59,589,859	0.8
Huge Top (Note 1)	1,598,113	1.7	1,598,113	0.7	1,598,113	0.0	1,598,113	0.0
Right Action Offshore Inc. (Note 2)	1,024,000	1.1	1,024,000	0.5	1,024,000	0.0	1,024,000	0.0
VSC BVI (Note 3)	6,336,309	6.6	6,336,309	2.8	6,336,309	0.1	6,336,309	0.1
TN Development Limited (Note 4)	1,633,676	1.7	1,633,676	0.7	1,633,676	0.0	1,633,676	0.0
AICV	—	—	—	—	148,659,004	2.0	148,659,004	1.9
Timeless	—	—	—	—	99,106,003	1.3	99,106,003	1.3
	74,958,458	78.3	202,672,378	90.7	322,723,465	4.3	450,437,385	5.8
Anchor Investor I (Note 5)	—	—	—	—	743,295,019	9.7	743,295,019	9.5
Anchor Investor II	—	—	—	—	1,238,825,032	16.2	1,238,825,032	16.0
Anchor Investor III (Note 6)	—	—	—	—	2,477,650,064	32.4	2,477,650,064	31.9
Anchor Investor IV (Note 5)	—	—	—	—	495,530,013	6.5	495,530,013	6.4
Total Anchor Investors	—	—	—	—	4,955,300,128	64.8	4,955,300,128	63.8
14 other independent Placees (Note 7)	—	—	—	—	2,338,781,198	30.6	2,338,781,198	30.1
Other public Shareholders	20,836,258	21.7	20,836,258	9.3	20,836,258	0.3	20,836,258	0.3
Total public Shareholders	20,836,258	21.7	20,836,258	9.3	2,359,617,456	30.9	2,359,617,456	30.4
Total	95,794,716	100.0	223,508,636	100.0	7,637,641,049	100.0	7,765,354,969	100.0

Notes:

- 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 of Huge Top.
- Mr. Yao owns the entire issued share capital of Right Action Offshore Inc.

3. VSC BVI is a wholly-owned subsidiary of Van Shung Chong Holdings Limited. Huge Top holds approximately 47.05% of Van Shung Chong Holdings Limited.
4. The issued share capital of TN Development Limited is owned as to 54% by VSC BVI and as to 10% by Mr. Yao.
5. Since each of Anchor Investor I and Anchor Investor IV will hold less than 10% of the issued Shares upon full conversion of the Preference Shares, they will be treated as public Shareholders.
6. Anchor Investor III is entitled to elect to convert such number of Preference Shares as will cause it to hold (a) 29% of the issued Shares or (b) if applicable, the maximum whole number of percentage of the issued Shares it could hold without being required to make a mandatory general offer for the Shares under the Takeovers Code.
7. None of the 14 independent Placees will hold more than 10% of the issued Shares upon full conversion of the Preference Shares (whether or not the Convertible Bonds are converted) and be treated as a connected person of the Company for the purpose of the GEM Listing Rules.

Save for the Preference Shares to be issued pursuant to the Subscription Agreements and the HK\$20 million Convertible Bonds issued by the Company to the Ajia Parties pursuant to the Ajia Parties Subscription Agreement, the Company does not have any other outstanding options, warrants or other securities in issue which carry rights to be convertible into Shares.

In the event that the Preference Shares held by the Placees are converted into Shares in accordance with the terms thereof and based on the current issued share capital of the Company on a fully converted and diluted basis, Anchor Investor III may become a Shareholder being interested in 30% or more of the enlarged issued Shares. In such circumstances, Anchor Investor III will be obliged to make a mandatory offer to the Shareholders to acquire all the then issued Shares, other than those already owned or agreed to be acquired by it and parties acting in concert with it in accordance with Rule 26 of the Takeovers Code, unless a waiver is obtained. Anchor Investor III shall comply with the relevant requirements of the Takeovers Code in such circumstances. According to the terms of the Preference Shares as set out in paragraph headed “Principal terms of the Preference Shares” above, Anchor Investor III is entitled to elect to convert such number of Preference Shares as will cause it to hold 29% of the issued Shares in the event that the automatic conversion of Anchor Investor III’s Preference Shares would result in it being required to make a mandatory general offer for the Shares under the Takeovers Code. Any remaining Preference Shares held by Anchor Investor III may be converted by it by giving not less than 45 days’ prior notice to the Company.

Each of the Ajia Parties has previously undertaken to the Stock Exchange that for so long as it remains a connected person of the Company, it will not exercise the conversion rights of the Convertible Bonds if the public float of the Company falls below 15% upon exercise of the conversion rights of the Convertible Bonds. Based on the existing shareholding structure of the Company as disclosed above, there will be sufficient public float for the Shares (being 15% if the Shares remain listed on GEM or 25% if the Shares then become listed on the Main Board of the Stock Exchange) immediately upon completion of the Placement (assuming no conversion of the Convertible Bonds) and after conversion of the Preference Shares (whether before or after the conversion of the Convertible Bonds).

The Stock Exchange has indicated that should the Placement be completed and the Preference Shares be converted, it will closely monitor trading in the Shares if less than 15% of the Shares (if the Shares remain listed on GEM) or the requisite minimum percentage of the Shares (as required under the Rules Governing the Listing of Securities on the Stock Exchange if 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 the trading in the Shares, or there are too few Shares in public hands 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\$1.4 billion in the year ended 31st March, 2004 to HK\$860.0 million in the year ended 31st March, 2005. Losses attributable to Shareholders were recorded at HK\$25.7 million and HK\$10.4 million for each of the years ended 31st March, 2004 and 2005 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 adjust itself. As described in the paragraph headed "Fund raising activities in the past twelve months" above, the Ajia Parties (i.e. NASAC and Mr. Tsang) became the new controlling Shareholders in August 2005, following which new executive Directors (Mr. Malm, Mr. Chow and Mr. Cho) were appointed to the Board by the Ajia Parties.

The Ajia Parties stated in the circular of the Company issued on 20th June, 2005 that they 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 Placement aims to raise financial resources for the Group to capture sizeable investment opportunities and implement the diversification strategy as discussed above. The Placees comprise internationally reputable institutions. The Directors are of the view that the introduction of the Placees as long-term investors in the Company by way of the Placement will enhance the shareholders profile of the Company and the Placement will strengthen the capital base and financial capability of the Group. The Directors, including the independent non-executive Directors, consider the terms of the Subscription Agreements (including the subscription price, the letter agreements with the Anchor Investors as described in the section headed "Additional rights of Anchors Investors" above and the terms of the Preference Shares) to be fair and reasonable to the Shareholders and the issue of the Preference Shares to provide funding for the Group's future expansion plan is in the interests of the Company and the Shareholders as a whole.

The Board intends to adopt the following guidelines in investment selection:

- (i) the majority of the Company's investments will be made in companies whose core operations are located in Japan, South Korea, China, Hong Kong, Macau and Taiwan and which have demonstrated a unique and sustainable market position in their own industry;
- (ii) investment targets will be middle-market profitable and cash-flow positive companies with annual revenues between US\$100 million to US\$500 million which can demonstrate a sustainable business model that is potentially scalable either nationally or regionally; and
- (iii) the entry valuation for the Company's investments will, depending on the focus country and prevailing market conditions, generally not be greater than 5 times price-earnings multiple or enterprise value/EBITDA ratio, as applicable.

The Company also intends to adopt the following principal investment policies:

- (i) the majority of the Company's investments will be made in the form of equity or equity-related interests in listed or unlisted companies or other entities in North Asia;
- (ii) the Group will not in aggregate invest more than 50% of its consolidated net assets in any one investment;
- (iii) the Group will seek to acquire in aggregate at least a 20% interest in each investment, to maintain the majority control or effective management control of the investments and to have board representation;
- (iv) the Company will generally not invest in companies or entities that it considers to be undergoing financial restructuring or to represent special or recovery situation; and
- (v) the Company will not invest in funds (whether open-ended or closed-ended), commodities, futures contracts or traded options, other than currency hedging contracts.

The Investment Committee appointed by the Board will be responsible for pursuing and evaluating investment projects and making investment recommendations to the Board in accordance with the investment guidelines and policies described above. The Board is responsible for making investment decisions based on the recommendations of the Investment Committee. It is expected that the Investment Committee will consist of at least six members including certain existing executive Directors.

The 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\$1,181.1 million (or HK\$1,167.8 million after deducting the placement fee payable to NASA pursuant to the Services Agreement and related expenses) and are intended to be used for future investment and working capital purposes.

As at the date of this announcement, possible investment targets include a PRC-based distributor of mobile handsets, the beneficial owners of which are third parties independent of the Company and its connected persons. Due diligence work on this investment target is still in progress and the transaction

may or may not proceed. However, the Company has not, as at the date of this announcement, entered into any definitive agreements for any investments. Should the above investment or other investments materialise, the Company will comply with the relevant requirements of the GEM Listing Rules.

RELATIONSHIP BETWEEN THE PARTIES

NASAC is the controlling Shareholder holding approximately 46.1% of the issued Shares as at the date of this announcement. The issued share capital of NASAC comprises 1 voting participating share and 49,999 non-voting participating shares, all with par value of US\$1 each. NASA holds the single voting participating share of NASAC. Mr. Cho, Mr. Chow, Mr. Malm and AICV each holds 18.8%, 18.8%, 9.4% and 37.6% respectively of the non-voting participating shares of NASAC in issue as at the date of this announcement. According to the memorandum of association of NASAC, the non-voting participating shareholders have no voting rights (save for matters affecting their class of shares only) and these shares cannot be converted into voting participating shares. Accordingly, NASAC is a company controlled by NASA. NASA is in turn a wholly-owned subsidiary of API. Mr. Tsang, Mr. Cho and Mr. Chow and their associates in aggregate hold an approximately 48.95% equity interest in API, but none of the shareholders of API hold or control more than 30% of equity interest in API.

GEM LISTING RULES IMPLICATION ON PLACEMENT

By virtue of Mr. Tsang's interests as manager of AICV and his substantial shareholding interests in the Company, the placement of Preference Shares to AICV constitutes a connected transaction for the Company under the GEM Listing Rules. Timeless is a company wholly and beneficially owned by Mr. Cho who is an executive Director. Accordingly, Timeless is a connected person of the Company and the placement of Preference Shares to Timeless constitutes a connected transaction for the Company under the GEM Listing Rules. The AICV Subscription Agreement and the Timeless Subscription Agreement are therefore subject to the approval of the Independent Shareholders on which voting shall be taken by poll.

NASAC, Mr. Tsang and Mr. Cho and their respective associates shall abstain from voting on the AICV Subscription Agreement and the Timeless Subscription Agreement at the Special General Meeting. Apart from them, no Shareholders or their respective associates have interests in the Placement different from other Shareholders who should abstain from voting on the Subscription Agreements at the Special General Meeting. No Shareholder is required to abstain from voting on the resolutions to be proposed at the Special General Meeting regarding the Subscription Agreements other than the AICV Subscription Agreement and the Timeless Subscription Agreement.

The proposed amendments to the bye-laws of the Company and the creation of the authorised share capital of the Preference Shares are neither conditional on the Services Agreement nor the Subscription Agreements. However, in view of Mr. Tsang and Mr. Cho's respective interests in the AICV Subscription Agreement and the Timeless Subscription Agreement and NASA's interests in the Services Agreement (pursuant to which NASA shall receive a placement fee from the Placement), the proposed amendments to the bye-laws of the Company and the creation of the authorised share capital of the Preference Shares are subject to the approval of the Independent Shareholders on which voting shall be taken by poll. NASAC, Mr. Tsang and Mr. Cho and their respective associates shall abstain from voting on the proposed amendments to the bye-laws of the Company and the creation of the authorised share capital of the Preference Shares at the Special General Meeting.

ADJUSTMENTS OF THE CONVERSION PRICE OF THE CONVERTIBLE BONDS

According to the terms of the Convertible Bonds which provide for adjustments to the conversion price in circumstances where the Company issues wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription of additional Shares, adjustments may need to be made to the conversion price of the Convertible Bonds as a result of the Placement. A further announcement will be made by the Company in the event that such adjustments are required.

THE SERVICES AGREEMENT

Date: 26th September, 2005 (as amended and restated on 30th December, 2005)

Parties: the Company and NASA

Term: 3 years, commencing on 1st April, 2006 (or such later date as the parties agree)

Role of NASA:

NASA is a special purpose vehicle set up on 4th March, 2004 for the sole purpose of holding NASAC and providing exclusive services to the Company being contemplated under the Services Agreement. Pursuant to the Services Agreement, NASA shall provide services to the Group covering fund raising, market and industry research, investor sourcing, investment sourcing, investment analysis and due diligence, and financial advisory under the overall control and supervision of the Board. The services to be provided by NASA will include principally:

- (i) identifying potential investors in the Company and coordinating capital raising activities;
- (ii) seeking out and evaluating investment and divestment opportunities consistent with the Board's investment guidelines, and preparing investment and divestment proposals and recommendations for consideration by the Investment Committee and the Board;
- (iii) coordinating and supervising of due diligence in connection with the Group's investment programme;
- (iv) assisting in negotiation of terms and conditions of the acquisition and disposition of investments;
and
- (v) engaging and supervising professionals to provide services to the Group and its investments from time to time.

Fees:

Pursuant to the terms of the Services Agreement, the Company shall pay fees to NASA for the services rendered by it on the following basis. There is no agreed aggregate sum of fees payable under the Services Agreement.

(i) Service fee

The Company will pay an annual service fee in cash to NASA equal to 2% per annum of the aggregate amount of capital drawn down and injected into the Company and contractually committed for investments in the Company (but not yet drawn down) by way of public and/or private placings arranged or supervised by NASA of ordinary shares, preference shares, other equity capital or convertible securities (the “Committed Capital”), less the aggregate amount of salaries and other remuneration paid by the Group to certain senior managers of the Company including the Chairman, Chief Executive Officer, Director of Strategic Planning, Chief Financial Officer and Company Secretary of the Company (excluding any directors’ fees paid to the relevant senior managers purely for their services as members of the Board) and such other individuals as may be employees of the Company from time to time (which is estimated to be approximately HK\$6.6 million for the year ending 31st March, 2007, subject to 5% increment thereafter). The annual service fee, calculated on the basis disclosed above, is payable quarterly in advance as at the first day of each calendar quarter. The service fee represents the remuneration for NASA providing services on the investments to be made out of the funds raised by NASA for the Company.

(ii) Incentive fee

NASA will also be entitled to receive an incentive fee equal to 20% of the amount (if any) by which net assets of the Group (the “Net Assets”) at the end of each financial year (as confirmed by the auditors of the Company and calculated based on the aggregate fair valuation of the underlying investments of the Group in accordance with applicable financial reporting standards in Hong Kong and including all amounts distributed from time to time by the Company as dividends or other distributions to the Shareholders and taking into account any requisite accrual(s) for fees under the Services Agreement) exceed the greater of:

- (a) the highest level of Net Assets achieved at the end of any prior financial year (the “High Water Mark”); or
- (b) at any time or from time to time, the aggregate amount of capital drawn down and injected into the Company by way of public and/or private placings arranged or supervised by NASA of Shares, Preference Shares, other equity capital or securities convertible into Shares, Preference Shares or other equity capital, of the Company as of such time (the “Funded Capital”), compounded annually at the rate of 5%.

The incentive fee shall be payable within (i) 15 days of the announcement of the annual audited results of the Company in respect of each financial year in relation to which an incentive fee is payable; or (ii) 90 days after the end of each such financial year; whichever is earlier, in cash or, at the option of NASA and subject to compliance with applicable GEM Listing Rules including

obtaining relevant approvals (such as approval of the GEM Listing Committee for the listing of and permission to deal in such Shares and the approval of the Shareholders) required under the GEM Listing Rules, in Shares or a combination of both. The Shares shall be issued at a price equal to the average closing price of the Shares for a period of 90 trading days immediately preceding the date on which NASA serves written notice to the Company of its election to receive payment in Shares. Such Shares received by NASA shall be subject to lock up for a period of 3 years from the date of issue or until termination of the Services Agreement, whichever is the earlier.

(iii) *Placing fee*

The Company shall pay a placing fee in cash to NASA equal:

- (a) in the case of the Placement, to the higher of (aa) HK\$7.8 million; and (bb) 0.5% of the gross proceeds of the Placement; and
- (b) in the case of each subsequent placing of Preference Shares or any other equity or equity-linked securities of the Company arranged by NASA or under NASA's supervision, to 0.5% of the gross proceeds of such placing.

The placing fee shall be payable to NASA on the date on which subscription monies are first payable to the Company in respect of such placing, whether or not all subscription monies in relation to such placing are payable on such date.

The services to be provided by NASA pursuant to the Services Agreement are typical of the role of a manager in the private equity industry and the structure of the compensation to be paid to NASA as described above are consistent with market practice in the private equity industry.

Termination:

The Services Agreement may be terminated by the Company without cause on three months' prior written notice and subject to payment to NASA of a sum equal to the aggregate of : (i) the amount of the annual service fee that would have been payable for the remainder of the term of the Services Agreement had it not been terminated, calculated on the basis of the Committed Capital on the date of termination; (ii) 2.5% of the Committed Capital, less all placing fees already paid to NASA prior to the termination of the Services Agreement; (iii) 20% of the amount (if any) by which the fair value of investments made by the Company (the "Appraised Value") as at the date of termination of the Services Agreement exceeds the greater of (a) the High Water Mark; and (b) the Funded Capital, compounded annually at the rate of 5%. The Appraised Value shall be determined by an independent licensed investment bank or professional firm of valuers in Hong Kong appointed by the Board and acceptable to NASA, and the fees and expenses for the determination of the Appraised Value shall be borne by the Company and NASA in equal shares; and (iv) 15% of the Net Assets reflected in the most recent audited annual accounts of the Group as at the date of termination, provided that the amount payable under this sub-clause (iv) shall be payable only to the extent that payment of all amounts described in (i) to (iv) herein does not cause the net assets of the Group, as reflected the Group's most recent management accounts, to fall below the aggregate amount of the paid-up capital of the Shares and the Preference Shares. The termination fee is payable in cash or in Shares or a combination of both on the same basis and conditions as the annual incentive fee as described above.

The Services Agreement may be terminated by mutual agreement of the parties and no prior notice is required for such termination. The Services Agreement may also be terminated by either party in the event the other party is in material breach of the terms of the Services Agreement or applicable laws, rules, regulations and codes in any relevant jurisdiction for a period of more than 30 days after having received notice of the breach, or the other party becomes insolvent, or is the subject of a petition to be wound up, or is determined to be bankrupt or unable to pay its debts when due. In either of these cases, no termination payment will be made to NASA.

In the event of early termination of the Services Agreement pursuant to any reasons described above, any Shares held by NASA on the date of such termination becomes effective shall upon termination be free and clear of any and all lock up or other restrictions of whatsoever nature on transfer.

Renewal:

The Services Agreement is renewable for an additional term of three years after expiry pursuant to its then current terms, subject to compliance by the Company with applicable law, rules, regulations and codes of governmental authorities, and any and all applicable rules of any stock exchange on which the securities of the Company or its investments are listed including the GEM Listing Rules.

In the event that the Services Agreement is for any reason (other than because NASA does not agree to such renewal) not renewed upon expiry as provided for in the above paragraph, the Company shall pay NASA a sum equal to:

- (i) 2.5% of Committed Capital, less all placing fees already paid to NASA prior to the expiry of the Services Agreement; and
- (ii) 20% of the amount (if any) by which the Appraised Value as at the expiry date of the Services Agreement exceeds the greater of (a) the High Water Mark; and (b) the Funded Capital, compounded annually at the rate of 5%.

Conditions:

The Services Agreement is conditional upon the grant and/or obtaining of all and any requisite legal and regulatory approvals including but not limited to compliance with applicable laws, rules, regulations and codes of governmental authorities having jurisdiction over the Group and in particular the GEM Listing Rules.

REASONS FOR THE SERVICES AGREEMENT

API is an investment holding company and its investee companies are engaged in the provision of investment advisory services including asset management, securities and futures dealings and wealth management. Its management team comprises individuals with extensive experience in investment, banking, private equity and managing and operating sizeable companies in Asia. Mr. Tsang, the Chairman and Managing Partner of API and a director of NASA, was a General Partner of Goldman Sachs Group, a global investment bank where he led the establishment of the fixed income group in Tokyo and headed the debt syndicate group in London. He served as the Chairman of Goldman Sachs (Asia) LLC between

1989 and 1994. The other directors of NASA are Mr. Chiang Timothy Ta Kuang and Mr. Cheng Wyman Paul. Mr. Chiang, a co-founder and Managing Partner of API, has over 20 years experience in operations and investment. He was Managing Director of Total e-commerce (HK) Limited which managed venture capital funds for Pacific Century CyberWorks Limited (stock code : 1186). Mr. Cheng has been involved in private equity and investment banking for more than 30 years and was with AIG Investment Corp. as Director of Direct Investment, BZW Asia as Head of Merger and Acquisition and NM Rothschild as an executive director. The Ajia Group has established a network of leading institutions and dominant families in various countries in North Asia such as Japan, Korea and China as partners which will support NASA in accessing and generating deal flow and determining the feasibility of outsourcing in potential target investments. The network also gives NASA unique insights into the motives behind sellers and competitors in local markets which will in turn improve the negotiation position and ultimately lead to more favourable valuations and a higher probability of closing transactions.

The Placees are investors procured by NASA and its directors and advisers. Their commitments to subscribing for the Preference Shares are in support of the investment objective and strategy to acquire a portfolio of controlling interests in listed and unlisted North Asian companies in the industrial, consumer products, telecommunications, media and technology sectors that the Ajia Parties initiate for the Group. The Placees' commitments are also in reliance on a dedicated and professional management team from NASA being put in place to oversee and monitor the implementation of the investment strategy for the Group and to support the investment programme of the Company throughout the duration of the life cycle of the investment portfolio. In view of the size of the Placement, the Directors consider it appropriate to recruit additional personnel to assist the Board in actively executing the investment plan. The Directors are of the view that the Services Agreement enables the Group to capitalise on the wealth of experience of NASA's management team and NASA's ability to network and tackle sizeable projects as well as to promote deal flow for the implementation of the investment strategy of the Group as described in the paragraph headed "Reasons for the Placement" above. The regional network of NASA would also provide local due diligence and deal execution assistance to the Group.

The Directors consider that the terms of the Services Agreement, which include the basis of determining service fees, incentives and placement fees which are assessed in accordance with the typical fees for managers in the private equity market, serve to align the interests of NASA with those of the Shareholders through effective implementation of the Board's investment objectives and strategies, and are fair and reasonable to the Independent Shareholders.

GEM LISTING RULES IMPLICATIONS FOR THE SERVICES AGREEMENT

By virtue of NASA's controlling interests in the Company, the transactions contemplated under the Services Agreement constitute non-exempt continuing connected transactions for the Company under the GEM Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements of the GEM Listing Rules. The Company will seek the approval of the Independent Shareholders by way of a poll at the Special General Meeting of the Services Agreement and the Cap Amounts on the following conditions:

- (a) the services provided by NASA are:
 - (i) in the ordinary and usual course of business of the Company;

- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to (or from) independent third parties; and
 - (iii) in accordance with the terms of the Services Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the amount of fees for each of the financial years ending 31st March during the term of the Services Agreement will not exceed the Cap Amounts (as described below); and
 - (c) compliance by the Company with all other relevant requirements under the GEM Listing Rules, including an annual review of the continuing connected transactions by the Company's auditors and independent non-executive Directors.

Basis of the Cap Amounts

The annual Cap Amounts of the fees payable to NASA (including annual service fee, incentive fee and placing fee) for each of the three years ending 31st March, 2007, 2008 and 2009 respectively are determined based on factors including (i) the estimated amount and timing for further fund raising exercises of the Group; (ii) the target size and schedule of the investment programme of the Group; (iii) the target rate of return on investments to be made by the Group; and (iv) the projected annual growth in net assets of the Group. Taking into account these factors and on the basis of the amount to be raised from the Placement and in accordance with the payment terms for the Placement pursuant to the Subscription Agreements, the Cap Amounts are set at HK\$260 million for each of the three financial years ending 31st March, 2007, 2008 and 2009.

If the terms of the Services Agreement are altered or if the total fees payable to NASA for any of the periods stipulated under the Services Agreement exceed the corresponding Cap Amounts set out above, the Company will have to fully comply with the provisions of Chapter 20 of the GEM Listing Rules.

GENERAL

The entering into of the AICV Subscription Agreement and the Timeless Subscription Agreement constitutes connected transactions for the Company and the entering into of the Services Agreement constitutes non-exempt continuing connected transactions for the Company under the GEM Listing Rules. The AICV Subscription Agreement, the Timeless Subscription Agreement and the Services Agreement are therefore subject to the approval of the Independent Shareholders. NASAC, Mr. Tsang, Mr. Cho and their respective associates shall abstain from voting on the AICV Subscription Agreement, the Timeless Subscription Agreement and the Services Agreement at the Special General Meeting. To the best of the knowledge of the Directors, save for NASAC, Mr. Tsang and Mr. Cho, there are no other Shareholders or their associates having material interests in the AICV Subscription Agreement, the Timeless Subscription Agreement and the Services Agreement which is different from other Shareholders and who are required to abstain from voting on these agreements.

The amendments to the bye-laws and the creation of the authorised share capital of the Preference Shares are neither conditional on the Subscription Agreements nor the Services Agreement. However, in view of Mr. Tsang and Mr. Cho's respective interests in the AICV Subscription Agreement and the Timeless

Subscription Agreement and NASA's interests in the Services Agreement (pursuant to which NASA shall receive placement fee from the Placement), the amendments to the bye-laws of the Company and the creation of the authorised share capital of the Preference Shares are conditional on the approval of the Independent Shareholders on which voting shall be taken by poll. NASAC, Mr. Tsang and Mr. Cho and their respective associates shall abstain from voting on the proposed amendments to the bye-laws of the Company and the creation of the authorised share capital of the Preference Shares at the Special General Meeting. No Shareholder has material interests in the Subscription Agreements (other than the AICV Subscription Agreement and the Timeless Subscription Agreement) which is different from other Shareholders and therefore no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the Special General Meeting for approving these Subscription Agreements.

An independent committee of the Board, comprising all the independent non-executive Directors, has been constituted to make recommendation to the Independent Shareholders on the voting as regards the AICV Subscription Agreement, the Timeless Subscription Agreement and the Services Agreement. Access Capital has been appointed to advise the independent Board committee and Independent Shareholders in this connection. A circular containing details of the amendments to the bye-laws of the Company and the creation of the authorised share capital of the Preference Shares, the Subscription Agreements and the Services Agreement, the recommendations and advices of the independent Board committee and Access Capital, and a notice of the Special General Meeting will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on Tuesday, 20th September, 2005 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Tuesday, 3rd January, 2006.

DEFINITIONS

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

“Access Capital”	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
“AICV”	Asia Internet Capital Ventures LP, a US\$33 million venture capital fund with 12 limited partners organised for the object and purpose of making private equity investments in internet and technology-oriented companies and managed by Mr. Tsang
“AICV Subscription Agreement”	the subscription agreement entered into by the Company and AICV on 16th September, 2005 in relation to the subscription of 148,659,004 Preference Shares under the Placement
“Ajia Group”	API and all of its subsidiaries including NASA
“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
“Anchor Investor I”	United Overseas Bank Limited, being one of the Placees subscribing for 743,295,019 Preference Shares under the Placement
“Anchor Investor II”	ABN AMRO Asset Management Holding N.V., being one of the Placees subscribing for 1,238,825,032 Preference Shares under the Placement
“Anchor Investor III”	Goldman Sachs (Asia) Finance, being one of the Placees subscribing for 2,477,650,064 Preference Shares under the Placement
“Anchor Investor IV”	Oikos Asia Fund, being one of the Placees subscribing for 495,530,013 Preference Shares under the Placement
“Anchor Investors”	such Placees (a) as nominated by the Ajia Parties; and (b) who invest at least US\$10 million (equivalent to approximately HK\$77.6 million) each in the Preference Shares prior to Completion (excluding client accounts of such Placees). As at the date of this announcement, there are four Anchor Investors (i.e. Anchor Investor I, Anchor Investor II, Anchor Investor III and Anchor Investor IV).
“API”	Ajia Partners Inc., a company incorporated in the Cayman Islands and the holding company of NASA
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Cap Amounts”	the maximum total fees, consisting of annual service fee, incentive fee and placement fee, payable to NASA pursuant to the terms of the Services Agreement for each of the financial years ending 31st March, 2007, 2008 and 2009
“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 respective Subscription Agreements, which shall occur on such date conditional upon the satisfaction of the conditions precedent set out in this announcement and prior to 31st March, 2006
“Completion Date”	the date of Completion

“connected persons”	has the meaning given to it in the GEM Listing Rules
“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
“Conversion Shares”	the Shares to be issued upon conversion of the Preference Shares
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprises 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
“Independent Shareholders”	Shareholders other than the Ajia Parties, Mr. Cho and their respective associates and who or whose associates may have interests in the Services Agreement and the Placement that are different from other Shareholders
“Investment Committee”	the committee constituted by the Board from time to time for the purposes of evaluating the potential acquisition and disposition of the investment, which is expected to comprise at least six members
“Mr. Cho”	Mr. Cho Henry Kim, an executive Director
“Mr. Chow”	Mr. Chow Savio Sing Nam, an executive Director and the Chief Executive Officer of the Company
“Mr. Malm”	Mr. Göran Sture Malm, the Chairman and an executive Director of the Company
“Mr. Tsang”	Mr. Tsang Moses Kwok Tai, a substantial Shareholder holding approximately 21.1% of the existing issued Shares who is also the chairman and managing partner of API and the manager of AICV
“Mr. Yao”	Mr. Andrew Cho Fai Yao, an executive Director

“NASA”	North Asia Strategic Advisors, a company incorporated in the Cayman Islands and a wholly-owned subsidiary of API
“NASAC”	North Asia Strategic Acquisition Corp., a company incorporated in the Cayman Islands and the controlling Shareholder holding approximately 46.1% of the existing issued Shares. NASA controls 100% of the voting capital of NASAC.
“Placees”	a total of 20 institutional and professional investors (including AICV and Timeless) and the subscribers of the Preference Shares under the Placement
“Placement”	the private placing of a total of 7,541,846,333 Preference Shares by the Company to the Placees pursuant to the Subscription Agreements
“Preference Shares”	the convertible preference shares to be issued by the Company and subscribed by the Placees under the Placement, and any further convertible preference shares to be issued by the Company from time to time
“Services Agreement”	the services agreement dated 26th September, 2005 (as amended and restated on 30th December, 2005) entered into between the Company and NASA
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued 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 amendments to the Company’s bye-laws, the creation of authorised share capital of the Preference Shares, the issue of the Preference Shares and the Services Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	a total of 20 subscription agreements entered into between the Company and 20 Placees (including AICV and Timeless) in relation to the Placement
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Timeless”	Timeless Enterprises Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Cho

“Timeless Subscription Agreement”	the subscription agreement entered into between the Company and Timeless on 26th September, 2005 in relation to the subscription of 99,106,003 Preference Shares under the Placement
“TN”	TN Development Limited
“VSC BVI”	Van Shung Chong (B.V.I.) Limited, a wholly-owned subsidiary of Van Shung Chong Holdings Limited which is a company listed on the Main Board of the Stock Exchange (stock code : 1001)
“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.

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

Hong Kong, 30th December, 2005

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

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

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

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

* For identification purpose only