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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,  
waiver of conversion ratio adjustment relating to the existing issued  
Preference Shares, connected transaction involving  
the waiver of conversion price adjustment  
relating to the Convertible Bonds held by the Ajia Parties,  
and  
resumption of trading in Shares**

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



**SOMERLEY LIMITED**

**Independent financial adviser to the independent board committee  
and Independent Shareholders**



On 20th July 2006, 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 subject to, among other things, the approval of the Shareholders. No Shareholders are required to abstain from voting on the resolution to approve the Subscription Agreement.

Based on the terms of the Placement, the prevailing conversion price of 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, and the conversion ratio of the existing issued Preference Shares should be adjusted from one Preference Share to one ordinary Share to one Preference Share to 2.4 ordinary Shares in accordance with the terms of the existing issued Preference Shares, as a result of the Placement. In order to avoid the potential dilution effect to the Independent Shareholders as a result of the adjustments to the conversion price of the Convertible Bonds and the conversion ratio of the existing issued Preference Shares and to have a consistent entry price for the investments in the

Company by the Ajia Parties, the Initial Placees and Woori, which is one of the factors considered by Woori in committing to the Placement, the Ajia Parties and the Company will enter into the Waiver Agreement to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the Placement, including any subsequent conversion of the New Preference Shares into Shares.

The Company will also convene a separate meeting of the existing holders of the Preference Shares to consider approving a waiver of the adjustment to the conversion ratio of the existing issued Preference Shares arising from the Placement.

By virtue of the Ajia Parties' controlling interests in the Company, the entering into of the Waiver Agreement constitutes a connected transaction for the Company under the GEM Listing Rules and is subject to the approval of the Independent Shareholders. Mr. Tsang, NASAC and their respective associates shall abstain from voting on the resolution to approve the Waiver Agreement at the Special General Meeting. An independent committee of the Board, comprising all the independent non-executive Directors, has been constituted to give recommendations to the Independent Shareholders on the terms of the Waiver Agreement. Access Capital Limited has been appointed to advise the independent Board committee and the Independent Shareholders in this connection.

A circular containing details of the Subscription Agreement and the Waiver Agreement, the recommendations and advice of the independent Board committee and the independent financial adviser in respect of the Waiver Agreement, and the notice of the Special General Meeting will be despatched to the Shareholders and, for information only, to the holders of the Preference Shares as soon as practicable.

Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on Friday, 21st July 2006 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 Thursday, 27th July 2006.

## **SUBSCRIPTION AGREEMENT**

The Company entered into the Subscription Agreement with Woori for the subscription of the New Preference Shares. Set out below are the principal terms of the 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.

**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 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 date of this announcement and approximately 9.6% of the 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.

**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 New Preference Shares by 75% votes cast at such meeting of the holders of the New 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.

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 anniversaries, 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 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 this 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; and
- (iv) 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, 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.

**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.

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

**Additional rights:**

As disclosed in the announcement of the Company dated 30th December 2005 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 date of this announcement. 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 Securities and Futures Ordinance of Hong Kong 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 of specific performance to prevent the Observer from any unauthorised disclosure of confidential information.

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 date hereof, 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 date of this announcement; (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:

	As at the date of this announcement		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 Industrial Limited (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
Van Shung Chong (B.V.I.) Limited (Note 3)	6,336,309	6.6	6,336,309	6.6	6,336,309	0.1	6,336,309	0.1
TN Development Limited (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 Places (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 Places	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>

*Notes:*

1. Mr. Andrew Yao Cho Fai, an executive Director, holds approximately 11.91% direct and 42.86% indirect interests in the issued share capital of Huge Top Industrial Limited and is entitled to exercise more than one-third of the voting power at general meetings thereof.
2. Mr. Andrew Yao Cho Fai owns the entire issued share capital of Right Action Offshore Inc.
3. Van Shung Chong (B.V.I.) Limited is a wholly-owned subsidiary of Van Shung Chong Holdings Limited. Huge Top Industrial Limited 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 Van Shung Chong (B.V.I.) Limited and as to 10% by Mr. Andrew Yao Cho Fai.
5. Other than ABN AMRO Asset Management Holding N.V. and Goldman Sachs (Asia) Finance, none of the other 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 in the year ended 31st March 2005 to HK\$359.9 million in the year ended 31st March 2006. Losses attributable to Shareholders were recorded at 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.

As stated in the Company's announcement dated 30th December 2005 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. In view of the potential investment of approximately HK\$372 million in Autron as mentioned below, the Placement provides 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 set out 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 Preference Shareholders 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 reasonable to the Shareholders and that the issue of the New 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 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.

As at the date of this announcement, possible investment targets of the Company include Autron, which is listed on both the Singapore and Australian Stock Exchanges. As disclosed in the Company’s announcement dated 26th May 2006, the Company entered into a non-binding term sheet with Autron for a possible investment of approximately US\$48 million (equivalent to approximately HK\$372 million) in new shares and convertible bonds of Autron. Autron is a leading assembly equipment solutions provider to the electronics manufacturing industry. Due diligence work on Autron is still in progress. As at the date of this announcement, the terms and structure of the possible investment in Autron have not been finalised and the Company has not entered into any definitive agreements for any investment. Investors and Shareholders should note that the proposed investment by the Company in Autron may or may not proceed. In addition to the potential investment in Autron, the Company is actively identifying other possible investment targets. Should the investment in Autron or 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 enter into the Waiver Agreement to waive any requirement to adjust the conversion price of the Convertible Bonds arising from the Placement, including any subsequent conversion of the Preference Shares into Shares. 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 ordinary Share to one Preference Share to 2.4 ordinary 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 shall convene a separate meeting of the holders of the existing issued Preference Shares 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 IMPLICATION**

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. The Ajia Parties and their respective associates shall abstain from voting on the resolution to approve the Waiver Agreement at the Special General Meeting.

## **GENERAL**

An independent committee of the Board, comprising all the independent non-executive Directors, has been constituted to give recommendations to the Independent Shareholders on the terms of the Waiver Agreement. Access Capital Limited has been appointed to advise the independent committee of the Board and Independent Shareholders in this connection.

A circular containing details of the Subscription Agreement and the Waiver Agreement, the recommendations and advice of the independent committee of the Board and the independent financial adviser in relation to the Waiver Agreement, and the notice of the Special General Meeting will be despatched to the Shareholders and, for information only, to the holders of the Preference Shares as soon as practicable.

Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on Friday, 21st July 2006 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 Thursday, 27th July 2006.

## DEFINITIONS

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

“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 Industrial Limited 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
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Autron”	Autron Corporation Limited, a company listed on both the Singapore and Australian Stock Exchanges
“Board”	the board of Directors
“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
“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
“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. Tsang”	Mr. Tsang Moses Kwok Tai, a substantial Shareholder holding approximately 21.1% of the existing issued Shares
“NASA”	North Asia Strategic Advisors, a company incorporated in Cayman Islands which controls 100% of the voting rights of NASAC

“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
“New Preference Shares”	the 792,848,020 Preference Shares to be issued to Woori pursuant to the Subscription Agreement
“Placees”	the Initial Placees 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
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the 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. Henry Cho Kim, an executive Director
“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.

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

Hong Kong, 26th July 2006

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

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

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

*This announcement will remain on the GEM website at [www.hkgem.com](http://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](http://www.nasholdings.com).*

\* *For identification purpose only*